

Cato's Letter

A Quarterly
Message
on Liberty

Winter 2009
Volume 7
Number 1

The Courage to Change the World

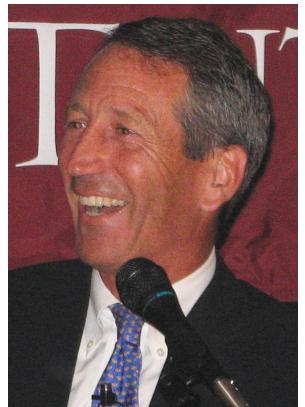
GOV. MARK SANFORD

Back home in Columbia, South Carolina, when people get exasperated with me they throw out what they think of as this terrible pejorative: “You’re not a Republican,” they say. “You’re a *libertarian!*”

Of course, I always take it as a compliment. “I’m guilty,” I respond. “I love liberty.”

Which is why I’m here today. You see, there’s a battle line in our society: with government on one side and liberty, the hallmark of the American experiment, on the other. I want to thank you all for recognizing that battle line and for choosing to defend it.

We can win this battle for liberty—but not without reinforcements. We need to redouble our efforts in ways we never have before. I think Martin Luther King Jr., in his 1963 “I have a dream” speech, put it best: “We have also come to this hallowed spot to remind America of the fierce urgency of now. This is no time to engage in the luxury of cooling off or to take the tranquilizing drug of gradualism.” The truth that existed in those words back in 1963 has only been magnified by time and circumstances.



Mark Sanford is the governor of South Carolina and a leading voice for liberty and limited government. He spoke at the Cato Club 200 retreat in September 2008.

CATO
INSTITUTE

Thomas Jefferson once said “one man with courage is a majority.” The former British politician and philanthropist William Wilberforce is a good example of that. He committed himself to ending slavery in the British Empire, and by the end of his long life, he had achieved it. He achieved that noble dream because he was absolutely focused on his goal. And like all great heroes, whose spirit of determination and commitment to their goals helped to shape the course of history, the actions of a recently deceased American icon has got me thinking.

I know many of you have had the experience of walking through the Capitol Rotunda. To lie there is a privilege normally reserved for people who have served this government at its absolute highest levels, or for an unknown soldier who dies in some far off battlefield,

honor of lying in honor at the Capitol Rotunda. The resolution was unanimously adopted.

Here is a woman, a simple seamstress, on her way home from work on the Cleveland Avenue bus line in 1955. You know the story: the driver asks her to give up her seat. In those days, this was not an unusual request. But on this particular day she decided to take a stand and say “no,” regardless of the consequences. And that single act of courage helped to change the history of this nation.

It is my contention that every one of you can take part in creating remarkable solutions in advancing liberty. We live at what I would call the intersection of Hurricane Katrina and Thomas Friedman’s “flat world.” This concept is extremely important in thinking about how American society is changing. Take the print and television coverage of

Hurricane Katrina, which centered on this seemingly brand new phenomenon, at least to the reporters and commentators: *poverty*. And I’m sitting there thinking, “Now where ya’ll been?”

You have seen poverty before. Tragically, it has always been with us, as I expect it always will be. But what I saw was something much scarier: I saw images of dependency.

And that is far more frightening. A little known Scottish historian, Sir Alexander Fraser Tytler, once said: “A democracy cannot exist as a permanent form of government. It can only exist until the voters dis-

“We live at what I would call the intersection of Hurricane Katrina and Thomas Friedman’s “flat world.” This concept is extremely important in thinking about how American society is changing.”

fighting to preserve our freedoms. Of course, there is one exception. Her name is Rosa Parks. When she died in October 2005, the Senate awarded her the posthumous

cover they can vote for themselves largesse from the public treasury, with the result that a democracy always fails under loose fiscal policy and is generally followed by a dictatorship. The average age of the world's great civilizations has been 200 years. These nations have progressed through this sequence: from bondage to spiritual faith, spiritual faith to great courage, great courage to liberty, liberty to abundance, abundance to selfishness, selfishness to complacency, complacency to apathy, apathy to dependency, and from dependency back again into bondage.”

If Katrina itself wasn't alarming, then the number of polls that put the blame on George W. Bush sure was. The man has plenty of faults, but to lay that one completely at his lap is to ignore the larger issue of federalism: that there is a federal government, but there are also state and local governments and they have responsibilities, too. It's to ignore the notion of civil society, of a friend helping out a friend. It's to ignore the notion of individual responsibility. You had folks living, literally, six feet under—six feet below sea level, that is. You'd think they would take at least a little responsibility for themselves.

Think about that reaction and then compare it to the attitudes around the time of the Founding. Then we had a band of brothers who came together of their own free will—without a formalized fed-

“You don't have to pledge your life, fortune, and sacred honor, but every one of us does have to look for a way of contributing more to advancing the cause of liberty.”

eral government and without a formalized federal constitution. They whipped the most powerful military force in the world at that time. They codified this revolutionary thought in the Founding documents, promising all Americans inalienable rights to life, liberty, and the pursuit of happiness. But the big kicker was that the individual was the sole repository of power in our political system and that any government, federal, state, or local, had legitimacy only in as much as it was consented to by the governed.

Which brings me to Thomas Friedman's “flat world.” Friedman's argument is amazingly simple: you have six and a half billion people here on Earth. For the first time in recorded history, a kid in Charleston, South Carolina, is directly competing for a job with a kid in Shanghai, New Delhi, or Dublin. It used to be you could be the brightest person in the world, but if you had the misfortune of being born in the Third World, you could never capitalize on the value of your intellect. Now you can, in ways you never could before. In the

book, there is an African parable: every morning on the Serengeti plains, a lion gets up and knows that if he can't outrun the slowest gazelle that day, he'll die. Meanwhile, a gazelle gets up knowing that if he can't outrun the fastest lion that day, then *he* will die. Friedman likens that situation to today's hypercompetitive global marketplace. But the question I submit to you all is this: we talk about rugged individualism and independence as being hallmarks of the American way, but when you think back to the images you saw after Katrina, though there were certainly some heroes in that story, did you see people who saw themselves as lions or gazelles?

You don't have to pledge your life, fortune, and sacred honor, but every one of us does have to look for a way of contributing more to advancing the cause of liberty. And I would ask you to remember the little things that seem to be all too often forgotten in today's political world. Things like: would you be willing to lose?

The distinguishing characteristic of the Founding Fathers is that they were willing to lose. They knew what they were signing up for when they set their signatures to the Declaration of Independence. Too many people connected to the

world of politics will only pick issues on which they can win, and that's tragic. I would ask you to be willing to lose—to support candidates who very well may lose, to support causes that might lose—because we desperately need more fresh ideas in our political system. When I was back in Congress they used to say, "It's the pioneers that end up with arrows in their backs." That being said, we need more pioneering.

Let me be clear: I spend a lot of time losing. I spend a disproportionate amount of time losing. And about the time that I felt totally discouraged, I read an article by Sen. Tom Coburn and thought, "If more Republicans were willing to go

down to the floor and lose with Tom, we'd win more as conservatives." So, I would ask you to be willing to lose. Maybe that's not the right way to phrase it. Churchill said, "Courage was going from failure to failure without losing enthusiasm." So maybe what I'm saying is, "Will you have courage going forward?"

I would also say, don't leave "the vision thing" out. It seems like for so many people in the world of politics, the primary ingredient they look for is incumbency, and if you happen to get past that, then it's



about the party line. People need a clear set of philosophical principles guiding their actions. And so I would ask that you insist on the vision thing. It is sorely lacking in today's political climate.

I'd like to tell one last story as a reminder of the difference each and every one of you can make, and how important it is that you try.

It's the story of Colonel Joshua Chamberlain. Here's a man who signs up for the Civil War, thinking it will be fun, interesting, and quick. It turns out to be none of the above. In June 1863, he's assigned a fighting unit: 200 deserters from Maine—not exactly the fighting force you dream of. And he sits, looking at his men, thinking, “What do I say to folks who absolutely want out of here, but are absolutely essential to me meeting the next day?” Finally, he reaches down and scratches into the Pennsylvania soil and says, “This is free soil; from here, all the way to the Pacific. No man has to bow. No man born to royalty. Here we judge you by what you do, not who your father was. Here you can be something; here you can build a home. It isn't the land; it's the idea that you and I have value; that we're worth something more than dirt. I never saw dirt I'd die for, but I'm not asking you to join us to fight for dirt. What we're all fighting for in the end, is each other.”

His words, as it turns out, were prophetic. Because as fate would

“It seems like for so many people in the world of politics, the primary ingredient they look for is incumbency, and if you happen to get past that, then it's about the party line. People need a clear set of philosophical principles guiding their actions.”

have it, he and his 200 deserters from Maine found themselves on the very far left flank of the Union line during the second day of the Battle of Gettysburg. And through rather miraculous fighting, they ended up holding that flank, which set up the fateful third day of the Battle of Gettysburg and Pickett's Charge. What I think is so interesting about that story is how just 200 deserters from Maine could change the course of the second day of the Battle of Gettysburg, which changed the course of the history of the war, which changed the course of the history of this nation, which changed the course of the history of the world.

Chamberlain's men made an incredible difference in what amounts to world history. And it is my submission to every one of you that by working together we can too can make an incredible difference in the fight for liberty.



Cato Scholar Profile: **DANIEL T. GRISWOLD**

DANIEL T. GRISWOLD is director of the Center for Trade Policy Studies at the Cato Institute. Since joining Cato in 1997, Griswold has authored major studies on globalization, trade, and immigration. He's testified before congressional committees and authored articles for major newspapers. He holds a bachelor's degree in journalism from the University of Wisconsin at Madison and a master's degree in the politics of the world economy from the London School of Economics.

Before joining Cato, you served as a congressional press secretary for Rep. Vin Weber (R-MN) and as an editorial page editor of the *Colorado Springs Gazette*. How did your past experiences in journalism prepare you for your role as a policy director at Cato?

Working on Capitol Hill allowed me to observe the legislative “sausage factory” from the inside. Writing for a daily newspaper taught me to communicate ideas clearly to an audience of non-experts. I always assume my readers are intelligent and engaged but lacking good information. Ideas matter in the political and policy world. The written word has exerted a powerful influence on American and human history. That means we need to communicate an appealing vision of a free society to our fellow Americans along with the nuts and bolts of how to achieve it.

President Barack Obama has in the past pledged to “renegotiate” the North American Free Trade Agreement. Later, those comments were dismissed as mere campaign trail rhetoric. What’s the real story?

I suspect his comments were more rhetoric than reality, but renegotiating NAFTA is still a terrible idea. NAFTA has been a great economic and foreign policy success. It's raised economic growth in North America and it has institutionalized Mexico's transition to a modern, economically open democracy. Obama's rash pledge on the campaign trail keeps alive the cruel hoax that tinkering with NAFTA will bring an industrial renaissance to places like Detroit and Youngstown. What America's manufacturers need is not trade barriers but greater access to global markets so we can spe-

cialize in what we do best—creating higher-end products that embody our technological edge.

What, in your view, is the policy area most likely to see significant reform under President Obama? What is the Center for Trade Policy Studies doing about it?

Immigration reform may be a bright spot in 2009. Congressional Republicans made the political and policy mistake to oppose any expansion of legal immigration. President Obama and the new Congress have a fresh opportunity to work together to expand opportunities for more low-skilled workers to enter the country legally rather than illegally. The Cato Institute helped to put this issue on the table with a series of studies on the benefits of legalization. Another opportunity for change will be U.S. policy toward Cuba. Obama and most Democrats in Congress support a loosening of the almost 50-year-old embargo, a step we have long argued for at the trade center.

What other issues will the Center for Trade Policy Studies be focusing on in 2009?

Sadly, the Democratic Party appears to have repudiated its traditional support for America's engagement in the global economy, so we will be fighting against what could be a resurgence of protectionism in Washington. Our work in coming months will focus on U.S. trade relations with China, liberalizing trade in services and textiles, false worries about “shipping jobs overseas,” and how to restore a pro-trade political consensus. I'm also finishing a book, for publication later in 2009, on how free trade and globalization benefit middle-class, “Main Street” Americans.

Charitable Giving in Tough Times. . . . Do the Rules Change?



For the last few months we have all been reading about market meltdowns, rising unemployment, and declining interest rates. You may have wondered if these conditions should change the way you think about charitable giving. In one sense the answer is no: Americans continue to give almost as generously in bad times as in good. However, in another sense, the answer is yes: economic conditions do have an impact on which giving strategies work best.

Think about gifts of appreciated securities. In good times, when markets are rolling to new highs, folks are advised to give their appreciated securities directly to charity—as opposed to selling the security and giving the proceeds. Gifting the security directly allows you to avoid capital gains tax on the appreciation and entitles you to a charitable deduction on the full fair market value of the security.

In bad times, however, many of us have pitifully few appreciated securities left in our portfolios. What to do? Consider selling your depreciated securities so that you can harvest the loss for use on your personal return. While the deductibility of capital losses is limited, you can use your losses to offset capital gains—a nice feature if you are repositioning your portfolio to respond to changing times. You can then give the cash proceeds to charity.

Let's take another example. When times are flush, folks often feel comfortable making large lifetime gifts to charity. In difficult

times, people are more inclined to hold onto their assets and instead leave a significant bequest to charity in their will.

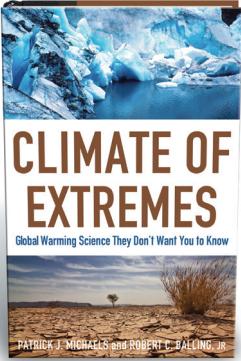
For those of us who like to have the best of both worlds, charitable lead trusts (CLTs) provide an attractive variant on the bequest idea. That is, CLTs allow you to make a significant gift to charity while keeping the assets in your family.

To illustrate, you could direct a portion of your estate into a CLT. The CLT would require that a certain percentage of its assets be paid to charity for a specified period of time; after that, the principal of the trust could be paid out to children, grandchildren or other family members. Your estate would be entitled to a charitable deduction equal to the actuarially determined value of the interest passing to charity. What's more, as an added bonus, the actuarial assumptions used by the IRS assign a heavy value to the charitable interest in times when interest rates are low.

We should end with a note of caution: always check with your tax and financial advisers before putting any planning idea into effect. What may be a good idea “generally” may not work for you because of some unique circumstance.

If you need more information, please contact **Gayllis Ward** at gward@cato.org or at (202) 218-4631. Please feel free to contact Gayllis with any question about estate or gift planning.

Books from the

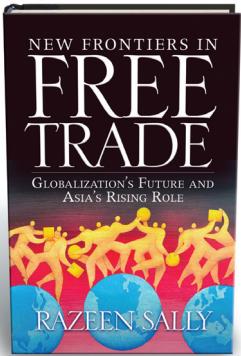


Climate of Extremes: Global Warming Science They Don't Want You to Know

By Patrick J. Michaels and Robert C. Balling Jr.

How did the conversation about climate change become so apocalyptic? When it comes to global warming, dire predictions seem to be all that are being reported. The authors thoroughly demonstrate how the impact of global warming is far less severe than is generally believed. However, because that perspective is not infused with horrific predictions, it is largely repressed and ignored.

HARDCOVER: \$21.95 • E-BOOK: \$12.50



New Frontiers in Free Trade: Globalization's Future and Asia's Rising Role

By Razeen Sally

This compelling analysis of today's rapidly growing and interdependent global economy provides a sharp look at the key trends that are significantly shaping the future of free trade and international commerce. Sally explores the spread of protectionist reactions to globalization, the swiftly rising market power of China and Asia, and in the end paints a cautiously hopeful but realistic picture of the forces that are shaping the international economy in the 21st century.

\$18.95 • HARDBACK • 978-1-933995-21-2

Available at bookstores nationwide, online at www.cato.org, or by calling toll-free (800) 767-1241.

Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, DC 20001 • www.cato.org

Nonprofit
Organization
U.S. Postage
PAID
Cato Institute



1000 Massachusetts Ave., N.W.
Washington, D.C. 20001
www.cato.org