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Cato Policy Report

MAY/JUNE 2015 VOL. XXXVII NO. 3

Running Out of Other People's Money

BY MICHAEL TANNER

Let's start with some good news. It was just six years ago that the federal budget deficit topped $1.4 trillion. This year, the Congressional Budget Office (CBO) projects it will be just $486 billion. Of course, we are still borrowing about 13 cents out of every dollar we spend, but this is progress of a sort.

There are several reasons for this improvement. The economy has started growing again, helping to increase revenues. The stimulus has largely played out and TARP is being repaid. Most importantly, sequestration has restrained defense spending and driven domestic discretionary spending down to the lowest level in years. Good news all around.

But don't get too excited. The reprieve is purely temporary. In the next few years, the deficit will begin to rise once more. Within a decade, we will again experience annual shortfalls of $1 trillion or more.

All this profligacy adds up. If rising annual budget deficits represent year-to-year fiscal irresponsibility, the cumulative total of that irresponsibility is the federal debt, which has now reached almost $18.2 trillion. Let's put that in perspective: The Los Angeles Dodgers have the biggest payroll in baseball. For $18.2 trillion, you could pay the Dodgers for 65,204 years, and still have money left over for a couple of free-agent pitchers. And, speaking of Los Angeles, $18.2 trillion could buy all the real estate in LA—38 times over.

If we were to pay our national debt back at the rate of $1 per second, we could wipe it out in a mere 576,736 years. Each American's share of that debt is more than $56,750.

And that's the good news. America's real debt is far, far worse.

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MICHAEL TANNER is a senior fellow with the Cato Institute, where his research is concentrated on health care reform, social welfare policy, and Social Security. He is the author, most recently, of *Going for Broke* (Cato Institute, 2015), from which this article is adapted.

PETER GOETTLER (left), a former managing director at Barclays Capital, took charge of the Cato Institute on April 1, replacing JOHN ALLISON as president and CEO. Allison is retiring after more than two exemplary years on the job. A longtime supporter of the Institute, Goettler is stepping up during what many have called a "libertarian moment" in American politics. "There is no more important contribution I can make to our fight than to dedicate myself fully to the ongoing success of the Cato Institute," he said. PAGE 12

BY PETER GOETTLER

PRESIDENT'S MESSAGE

Every Day a Freedom Day

> "We favor an expansive view of individual liberty and limited government across the board."

It's been an exhilarating start to my time at Cato. Since I joined the Institute as President and CEO in early April, I have been busy traveling to meet many of our generous Sponsors, spending time in the office with our scholars and staff, and hosting and participating in Cato seminars and other events across the country. Among fellow donors and the Cato policy staff there are many people I already know well. But it has been great to meet many new friends and to have an opportunity to spend more time with old ones. We should be optimistic that our efforts will build a freer society: we have very powerful ideas and very special people on our side.

As my second week at Cato began, I visited Philadelphia to participate in the first observance of Freedom Day at the National Constitution Center. Freedom Day is intended to be an annual celebration of human freedom and liberty, an idea conceived nearly two years ago by long-time Cato Sponsor Frayda Levy. Through her energy and force of will, Frayda brought this day from concept to fruition. Philadelphia hosted a kick-off event for the first Freedom Day, which included a series of panel discussions with policy scholars, public intellectuals, commentators, and audience members from across the philosophical and political spectrum. Our objectives included finding areas of common ground and agreement with people and organizations we might normally consider intellectual adversaries, but we also recognize that our ability to disagree is, itself, an essential element of freedom. While the conversation highlighted our differences, it emphasized for me some of the things that are very special about Cato and libertarianism.

First, we favor an expansive view of individual liberty and limited government across the board. Regardless of the issue—free markets and economic liberty, property rights, civil and religious liberties, criminal justice, trade, immigration, nation building and military adventurism, education—we advocate the maximum scope for private action and freedom and the minimum, or absence, of government coercion. As debate moves across issues, others oscillate between an expansive view of freedom and an expansive view of government: the key difference being the various areas in which they argue for a classical liberal approach versus a statist approach. A philosophy that isn't internally consistent is inherently weak. Ours is consistent—and hence it is strong. Among many other factors, this helps explain the inexorable march of liberty over the past 250 years. Of course, many of those with whom we engage in debate are not representing a philosophy, but simply politics. This is the only way to explain an inconsistent "packaging" of viewpoints on various issues. Why do Republicans tend to favor free trade but oppose more liberal immigration? Why do Democrats tend to defend some civil liberties and not economic liberty? Because they are pursuing political goals rather than standing on principle.

Second, a continuing commitment to nonpartisanship will help Cato advance its values. And these values advance only if we're successful at persuading those with whom we disagree. In this regard, the point above is relevant: principle is more powerful than politics. But the context in which we make our arguments also matters. When debate takes place in a partisan context, people focus on their political objectives and rarely cede ground. They find or develop arguments to justify a position rather than applying principle to come to a conclusion. Adherence to classical liberal principle allows us to highlight the inconsistencies in others' positions: areas of agreement can be the narrow end of a wedge used to persuade in areas of disagreement. Quite interestingly, at the Freedom Day discussions in Philadelphia, participants from across the spectrum highlighted areas in which they agreed with Cato and libertarians, as well as issues on which we had worked together. None of the other organizations present were cited in this way.

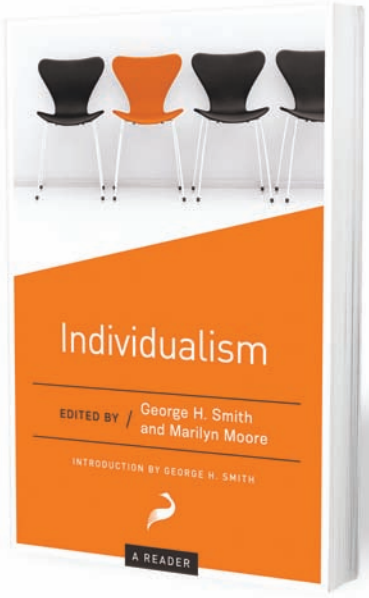
For years as a Cato Sponsor—and now as an employee—I'm proud when I leaf through our annual report and see, in addition to pictures of our fine scholars and staff, pictures of great thinkers and top minds from across the spectrum with whom we agree on key topics. I'm glad I don't see exclusively pictures of politicians from one party or the other. I think this says a lot about libertarianism. And, despite the disappointing elements of the policy environment in which we find ourselves, I think it says a lot about our long-term prospects for building the kind of free society in which we want to live. I expect more "Freedom Days" in our future.

A new book series from Libertarianism.org

On Individualism

Individualism is one of the least understood ideas in social and political thought. "In this society of free competition, the individual appears detached from the natural bonds," Karl Marx wrote in the 19th century, "which in earlier historical periods make him the accessory of a definite and limited human conglomerate." Perhaps ironically, this idea that individualism leads to a destructive social atomism is a key element of many popular conservative complaints, as well.

In the first release of a new series published by Libertarianism.org, *Individualism: A Reader* provides a wealth of illuminating essays from the 17th to the early 20th centuries. Edited by scholars George H. Smith and Marilyn Moore, individualism is explained and defended throughout various selections from 25 different writers, offering insightful, and sometimes unusual, perspectives. The collection includes not only selections from well-known writers—such as John Stuart Mill and Oscar Wilde—but also many lesser-known pieces. Henry Wilson, a somewhat obscure lieutenant colonel in the British army, touches on the uselessness of vice legislation in an article on the moral double standard seen in the assessments of different economic classes.



"A number of our selections have never appeared in previous anthologies," Smith writes in the preface. "Therefore, even readers familiar with the literature on individualism will probably find something new."

The depth and complexity of ideas about individualism are reflected in the six sections of this collection. The first examines individuality generally, with the following five detailing social, moral, political, religious, and economic individualism. Throughout, individualism is analyzed and defended through the various lenses of philosophers, social theorists, and economists.

Is individualism the ability to act independently amidst a web of social forces? A vital element of personal liberty and a shield against conformity? Does it lead to or away from unifying individuals with communities? Both richly historical and sharply contemporary, *Individualism: A Reader* provides a multitude of perspectives and insights on personal liberty and the history of freedom.

***INDIVIDUALISM: A READER* IS AVAILABLE AT CATO.ORG AND AT RETAIL AND ONLINE BOOKSELLERS NATIONWIDE.**

CATO NEWS NOTES

MORE AMERICAN THAN...

Encouraging people of all stripes to appreciate the principles set forth in America's founding documents, the Cato Institute has distributed more than five million pocket-sized editions of the Constitution and the Declaration of Independence. Its influence continues to be observed far and wide. "Forget apple pie," Betsy Woodruff, a staff writer at *Slate*, wrote recently. "Forget the Statue of Liberty, Chuck Norris, Daisy Dukes, cowboy boots, and hot dogs on the Fourth of July. The most American thing that has ever existed landed on my desk a few weeks ago in an unsolicited mailing from a libertarian-leaning think tank: a snappy new Cato Institute pocket Constitution, one of millions printed since the booklets first started streaming off printing presses decades ago."

A YOUNG FREEDOM FIGHTER

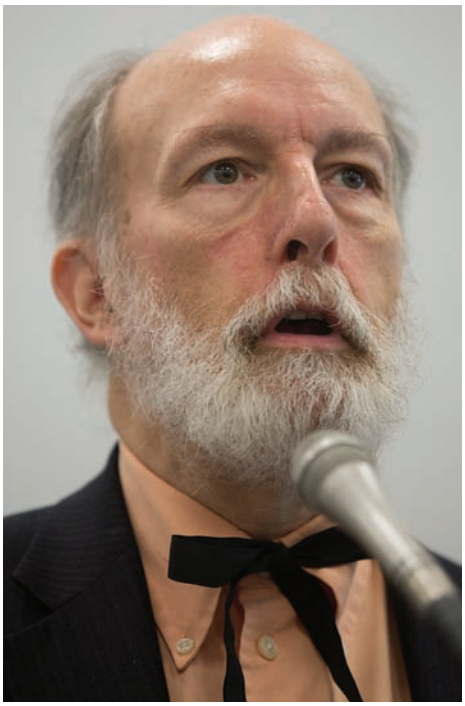
Last year, Gloria Álvarez, a young Guatemalan libertarian activist and a former intern at the Cato Institute, gave an inspiring speech denouncing Ibero-American populism at the Youth Parliament, a conference hosted by the Latin-American Leader Network in Zaragoza, Spain. A video of the speech soon went viral, receiving well over a million views on YouTube.

"The worst damage that populism does," Álvarez said, is "it robs people of their dignity, it takes away from people the sense that they can move their own lives forward." She now finds herself in the spotlight fighting for freedom. "Now the challenge is determining what we can do to maintain the momentum generated by the speech, and harness it to dismantle populism," she said in an interview.

FIGHTING FOR FREE MOVEMENT

In a new monograph called *Open Immigration: Yea & Nay* (Encounter Broadsides), Cato policy analyst Alex Nowrasteh takes on Mark Krikorian of the Center for Immigration Studies, offering "a brief yet splendid example of how uplifting the debate over immigration can be," according to Jeff Jacoby of the *Boston Globe*. "A freer immigration system would not only be economically beneficial to the United States," Nowrasteh writes in the booklet. "It would also be consistent with our principles of limited government, free markets, and individual liberty."

Further countering Krikorian's arguments, Nowrasteh makes the case that immigration restrictions are an attempt to centrally manage the demographics, labor market, and culture of the United States instead of letting them develop naturally—as they have throughout most of history. "These dueling essays are a pleasure to read," Jacoby concluded.



At a Capitol Hill Briefing in March, Cato senior fellow RANDAL O'TOOLE examined the perverse incentives that currently govern federal transit programs, as well as those policies that make the country's infrastructure unnecessarily expensive.

During the Cold War, annual Pentagon spending averaged about $458 billion in today's prices. While current spending is consistent with those levels, CHRISTOPHER PREBLE (at podium), vice president for defense and foreign policy at the Institute, argued at a Cato Policy Forum that the country is now getting less bang for its buck. Other panelists—including (from left) MACKENZIE EAGLEN, a resident fellow at the American Enterprise Institute; KATE BRANNEN, a senior reporter at *Foreign Policy*; and DOV ZAKHEIM, former chief budget officer for the Department of Defense—highlighted the changes they believe are necessary to cure the Pentagon's spending ills.

EMMA ASHFORD (left), a visiting fellow at the Cato Institute, and FRANÇOIS RIVASSEAU, deputy head of the Delegation of the European Union to the United States, analyzed whether or not NATO is the organization best positioned to address transatlantic security concerns.

At a Cato Policy Forum in February, Cato analyst MATTHEW FEENEY (at podium) discussed the rise of ridesharing companies such as Uber and Lyft and whether a regulatory framework can effectively govern this new and controversial industry.

DAVID BOAZ (left), executive vice president of the Cato Institute, signed copies of his new book, *The Libertarian Mind*, at a launch party celebrating its publication. In the book, Boaz details libertarianism's central tenets, offering insight into a movement that continues to grow stronger with each government overstep.

In a new white paper, *Policy Priorities for the 114th Congress*, Cato scholars outline the practical reforms Congress should adopt to limit government and expand freedom. At a Capitol Hill Briefing marking its publication, ALEX NOWRASTEH (left), a Cato policy analyst, highlighted the benefits of immigration, while MICHAEL CANNON, the Institute's director of health policy studies, discussed the future of Obamacare.

In February, the Cato Institute hosted its 27th Annual Benefactor Summit at the beautiful Ritz-Carlton Golf Resort in Naples, Florida. More than 200 friends and supporters of the Institute came together to hear talks by Sen. RAND PAUL (R-KY) (left) on spreading the libertarian message; scholar Charles Murray on his new book, *By the People*; and journalist Flemming Rose on the war against freedom of speech, along with several Cato scholars.

Continued from page 1

OUR REAL DEBT: $90.5 TRILLION

The U.S. government officially classifies its debt in two ways. The first is "debt held by the public," which is primarily those U.S. government securities which are owned by individuals, corporations, state or local governments, foreign governments, and other entities outside the federal government itself. As of April 1, debt held by the public exceeded $13.1 trillion and represented more than 74 percent of GDP, the highest percentage of the economy since shortly after the end of World War II.

The second classification for federal debt is "intragovernmental" debt, which consists of the debts that the federal government owes to itself, such as debt it owes to the so-called Social Security Trust Fund. The more than 100 government trust funds, revolving accounts, and special accounts currently hold more than $5.06 trillion in debt, the largest portion of which is held in the Social Security ($2.73 trillion) and Medicare ($287 billion) Trust Funds. If you combine debt held by the public and intergovernmental debt, you arrive at a total federal indebtedness of almost $18.2 trillion.

That $18.2 trillion is more than 101 percent of projected GDP at the end of this year. Consider that. We currently owe more than the total value of all goods and services produced in this country over the course of this year.

But, as bad as that is, it doesn't actually capture the real level of debt facing this country. That is because there is also a third category of government indebtedness that should be considered: "implicit debt," the unfunded obligations to pay promised benefits for programs such as Social Security and Medicare.

We can estimate what those obligations are, of course. We know roughly how many people will be retired each year in the future. And we know what benefits must be paid to each of those retirees under current law.

> "Students graduating from college today worry about their college debt. That's nothing compared with what they owe as a share of the country's debt."

We also know how much money will be available to pay those benefits, given assumptions about the number of people working, their expected wages, and the payroll tax rates. Unfortunately, looking at that data, we know that we will owe more in benefits than we will be bringing in in taxes. That gap is the "unfunded liability" or "implicit debt" for those programs.

Implicit debt, of course, represents the "softest" form of debt, in that there is no legal requirement to pay all the promised benefits. But "soft" does not mean debt that can be completely dismissed. Those benefit payments are called for under current law, and it would take congressional action to change them. Unless and until Congress does so, those obligations exist. That is why, for private companies, future promises to pay benefits are generally categorized as debt according to Generally Accepted Accounting Principles (GAAP) and other accounting authorities. If the government was required to report its debt in the same way public companies do, those promises would show up as debt.

Social Security's future unfunded obligations now run to more than $24.9 trillion. Medicare's unfunded liabilities are more difficult to nail down, in part because of the uncertainty brought about by the new health care reform law. In 2009, Medicare's trustees estimated that the program's unfunded liabilities were $88.9 trillion. Since then, health care inflation has been running at a slower rate. Economists debate the reason for this decline and whether it will continue, but it has resulted in a reduction of Medicare's unfunded liabilities to just (!) $47.6 trillion.

Thus, the real combined federal debt (debt held by public + intragovernmental debt + implicit debt) actually totals at least $90.5 trillion. That's real money—even in Washington—roughly $282,000 for every man, woman, and child in America. Students graduating from college today worry about their college debt.... That's nothing compared with what they owe as a share of the country's debt.

Moreover, these projections assume that interest rates on government debt remain somewhere near current levels, which is about 2 percent. The CBO points out that, even at this low rate, interest on the debt is becoming an ever larger portion of federal spending. This year, the federal government will pay $229 billion in interest charges. By 2024, with just a modest expected increase in interest rates, that will rise to more than $808 billion. Not long afterward, we will be paying a trillion dollars every year just for interest on the debt. By 2035, in fact, interest on the debt will be tied with Medicare as the second-largest line item in the federal budget, trailing only Social Security.

And interest rates may not stay this low. It is estimated that every 1 percent increase in interest rates adds as much as $1 trillion in additional interest payments over the next decade. Over the past two decades the average rate of interest on government debt has been roughly 5.7 percent. Therefore, if interest rates were to return to anything close to traditional levels, it would add trillions to our future obligations.

A COST TODAY, NOT JUST FOR OUR CHILDREN

Once debt reaches the levels we are currently experiencing, it can slow a country's economic growth. For example, researchers with the International Monetary Fund looked at the relationship between debt levels and economic growth, concluding that from 1890 to 2000, countries with high debt levels consistently

saw their economies grow at slower rates than those with low debt levels.

Although it sounds ominous, debt of more than 100 percent of GDP does not automatically mark a path of no return. Still, a debt as large as we currently face potentially means fewer jobs and lower wages for American workers today. And, with the debt projected to grow to astronomical levels in the future, we can expect the economy to slow further still.

The Simpson-Bowles Commission estimated that if the federal debt rises to predicted levels it will reduce GDP by 3 percent by 2030 and almost 7 percent by 2037. Similar warnings come from the Congressional Budget Office. Under baseline CBO projections, real GNP per capita will be 4 percent lower by 2039 than it would be if we followed more prudent fiscal policies. That means our children will be roughly $2,000 poorer per capita. Under the more realistic alternative scenario, real GNP per capita will be as much as 7 percent lower.

Despite the undeniable fiscal facts, politicians from both parties continue to obfuscate and dodge the difficult decisions that will determine which of those two paths we follow.

“Despite the undeniable fiscal facts, politicians from both parties continue to obfuscate and dodge the difficult decisions that will determine the future path we follow.”

IT'S THE ENTITLEMENTS, STUPID

TheDemocrats either deny that there is a problem or insist that it could be solved if only the wealthy paid higher taxes. But even if one thought that tax increases were a good idea, and could be implemented without killing jobs or slowing economic growth, it is simply impossible to increase taxes enough to close the budget gap. In particular, raising taxes on the wealthy falls far short of what would be required to pay for our current and future obligations.

In fact, if you confiscated every penny owned by every person earning more than a million dollars a year, you would raise roughly $16.6 trillion—nowhere near enough to fund our debt.

In reality, the tax hike needed to pay our way out from under the mountain of future debt is almost beyond comprehension. Consider that, in 2008, the Congressional Budget Office estimated that in order to simply pay for then-projected spending, we would have to raise both the corporate tax rate and the top individual tax rate to 88 percent, raise the rate for middle-income workers to 63 percent, and raise the rate for low-income Americans to 25 percent. Since then we've added another $8.84 trillion in debt, meaning rates would have to be even higher today. Does anyone really believe that such tax rates are possible?

Meanwhile, Republicans give frequent lip service to the debt crisis, but pretend that you can deal with the debt crisis by eliminating "waste, fraud, and abuse" in the federal budget. Nor can you balance the budget by focusing on the usual suspects that Republicans love to criticize. Foreign aid amounts to less than 1 percent of federal spending. Federal subsidies to Planned Parenthood and the Corporation for Public Broadcasting amount to a combined 0.0002 percent.

In fact, all domestic discretionary spending—everything from the Department of Education to the FBI, from NASA to the Food and Drug Administration—accounts for just 15 percent of all federal spending. And that percentage is declining. President Obama proudly, and correctly, points out that even in his bloated budget, domestic discretionary spending will amount to just 2.2 percent of GDP by 2025, a historic low. That is not to say we shouldn't cut those programs. Many are indeed wasteful. Some do more harm than good. Most would probably be better left to the private sector and civil society. Every dollar in savings is a good thing, but the sad fact remains that cuts like that come nowhere near balancing the budget or significantly reducing the debt.

The simple truth is that there is no way to address America's debt problem without reforming entitlements, notably Social Security, Medicare, Medicaid, and our newest entitlement program, Obamacare. Social Security, Medicare, and Medicaid alone account for 46 percent of federal spending today, a portion that will only grow larger in the future. And, while the spending for Obamacare has just begun, it too will soon consume an ever larger portion of the federal budget.

Social Security will run a $69 billion cash-flow deficit this year. Every year after, that shortfall will grow worse. Altogether, Social Security is facing future shortfalls worth almost $25 trillion. The so-called Trust Fund is simply an accounting measure, specifying how much money the federal government owes the program out of general revenues, not an actual asset that can be used to pay benefits. At the same time, Social Security taxes are already so high that most young people will receive a rate of return far below historic market returns.

Medicare is in even worse financial shape. Even under the most optimistic scenarios Medicare's future shortfall will approach $48 trillion. And, if health inflation returns to previous levels, or life expectancy increases more than expected, Medicare's long-term costs could be far higher.

Medicaid's financial problems are measured somewhat differently since the federal portion is funded entirely from general revenues. Nonetheless, the program will cost the federal government $343 billion this year, and cost an additional $150 billion at the state level. Moreover, program costs

are rising rapidly. Federal Medicaid costs are estimated to more than double to $576 billion by 2025.

And, if all that was not bad enough, we have now adopted a massive new health care entitlement. The Affordable Care Act will add as much as $1.3 trillion to the federal debt over the next 10 years.

Moreover, as bad as all these numbers are, it is vital to remember that the debt is merely the most visible symptom of a much bigger issue—the size of government. The federal government currently consumes more than 20.4 percent of GDP. Add in state and local spending, and government consumes more than a third of everything produced in this country. As spending for entitlements rises in the future, government will eventually top 45 percent of GDP. Think about it: the government will consume almost half of everything produced in this country. That would be a problem regardless of whether or not the budget was balanced. Indeed, we would likely be better off with an unbalanced federal budget that spent half of what we currently spend.

CHOOSING A FUTURE

How can entitlements be reformed? It's really not rocket science. If you have more money going out than coming in, you only have two options. You can increase the amount coming in, but raising taxes would only hurt the economy—and, as we've seen you, couldn't raise them enough to solve the problem anyway. That means that we will have to reduce the amount being paid out, cutting benefits and otherwise reducing the size of these programs.

> "As Margaret Thatcher said about the problem facing modern welfare states, eventually they 'run out of other people's money.'"

For Social Security there are several proposals on the table for trimming benefits, ranging from raising the retirement age to reducing Cost of Living Allowances (COLAs). The best route may be to change the formula used to calculate initial benefits from one based on wage growth to one based on inflation. The problem is that, regardless of how benefits are cut back, it would make Social Security a worse deal for young people. Therefore, to offset this loss, we should allow younger workers to invest a portion of their Social Security taxes privately through personal accounts.

We face the same fundamental choice with Medicare. Seniors will ultimately have to pay more for their care or accept fewer benefits. President Obama and others would like to do this from the top down by imposing price controls on doctors and hospitals. A better approach would be to give more power to individual consumers through some type of voucher or premium-support option. This approach would provide seniors with a fixed amount of money that they could use to purchase private insurance.

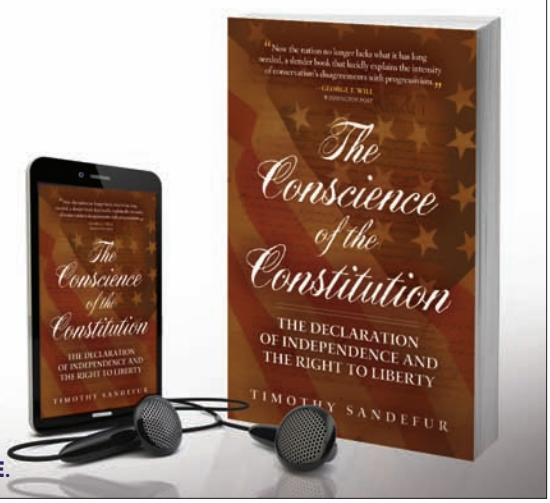
And Medicaid is such a mess that it should be gotten out of Washington altogether. Funding for the program should be returned to the states as a block grant, giving them the power to experiment with a variety of cost-cutting reforms.

It is a truism that things which cannot continue forever eventually stop. Or as Margaret Thatcher said about the problem facing modern welfare states, eventually they "run out of other people's money." Clearly, we are on a course that cannot continue. The question isn't will it stop, but how. Will we find our way to a soft landing that minimizes disruption, allows for renewed economic growth, and protects those Americans who are most vulnerable? Or are we on the road for the turmoil and economic stagnation that we see in countries like Greece?

If a family were to live recklessly, running up their credit cards, and then leaving that debt for their children to pay, we would call them irresponsible. What, then, do we call politicians, from both political parties, who do the same thing on a much bigger scale? ■

Paperback and Audiobook Now Available

The Conscience of the Constitution provides a dramatic new challenge to the status quo of constitutional law and argues a vital truth: our Constitution was written not to empower democracy, but to secure liberty. Yet the overemphasis on democracy by today's legal community has helped expand the scope of government power at the expense of individual rights. Now, more than ever, the Declaration of Independence should be the framework for interpreting our fundamental law. It is the conscience of the Constitution.



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The War on Free Expression

IN SEPTEMBER 2005, the Danish newspaper *Fyllands-Posten* printed a dozen cartoons—prompted by recent examples of self-censorship by the European media—related to Islam, one of which depicted the Muslim prophet Muhammad with a bomb wrapped in his turban. Their publication quickly spiraled into a violent international uproar, as Muslims around the world erupted in protest and the paper's culture editor was branded by some as "the Danish Satan." In *The Tyranny of Silence*, a book published by the Cato Institute in November, Flemming Rose grapples with the difficult issues surrounding his decision to run those cartoons. At Cato's 27th Annual Benefactor Summit in Naples, Florida, Rose spoke about the lessons he learned in the process of reconciling the tension between respect for cultural diversity and the protection of democratic freedom.

When I was writing my book back in 2009, I interviewed Salman Rushdie and he said something very important to me. I'd been having difficulty coming to terms with the fact that others were telling my story without, I felt, knowing who I was. Rushdie observed that from childhood, we use storytelling as a way of defining and understanding ourselves. It's a phenomenon that derives from a language instinct that is universal and innate in human nature. It's in fact one of the things that makes us different from other creatures.

Any attempt to restrict that impulse and put limits on speech therefore isn't just a violation of our political rights. It's an act of violence against human nature, an existential assault that turns people into something they are not. What differentiates open and closed societies is the right to tell and retell our own and other people's stories. In a democracy, no one can claim that exclusive right, be it an oppressive state or a minority.

Rushdie told me that the conflict over the right to tell a certain story was at the center of his own controversy. He said: "This goes back to the question of what sort of society we want. If you wish to live in an open society, it follows that people will talk about things in different ways, and some of them will cause offense and anger. From the moment you begin to talk about limiting and controlling certain expressions, you step into a world where freedom no longer reigns, and from that moment on, you are only discussing what level of un-freedom you want to accept. You have already accepted the principle of not being free."

Rushdie's words came just at the right time for me. They opened my eyes and helped me define my own project. Even though the Muhammad cartoons were conceived in a Danish and European context, the debate is global. It touches on issues fundamental to any kind of society: freedom of speech and of religion, tolerance and intolerance, immigration and integration, Islam and Europe, majorities and minorities, and globalization, to name but a few. And what I realized is that we are all entitled to tell whatever story we wish.

That insight is very fundamental. It goes to the heart of the relationship between the person who speaks and those who hear—between individuals and communities—and to what extent individuals, groups, and institutions have a right to determine speech limits. In the U.S. constitutional system, there is more focus on the speaker, on the individual. You have the right to autonomy.

In much of the rest of the world, including the European Union, it's the other way around. The community—those on the receiving end—have broad powers to determine what an individual is allowed to say. And this difference in approach has had far-reaching consequences for the concept of tolerance. Originally, tolerance implied one's ability to bear what one couldn't stand. Freedom of speech meant freedom for the speech we hate—that's how Justice Oliver Wendell Holmes put it. But because the receiver of speech has so much discretion in many parts of the world, tolerance has been turned on its head. That's a very dangerous development.

There are two factors that are driving the challenges of free speech in a globalized world. The first is migration: the fact that people are moving across borders in numbers never before seen in human history.

Every society is getting more and more diverse in terms of culture, ethnicity, and religion, which means that it's a lot easier to get offended by what people around you say because we are increasingly exposed to different ways of living. How do we negotiate the right to freedom of expression and freedom of speech in this increasingly multicultural world?

The other factor that is driving this process is the digitization of communication technologies. Now when something is being published in one place, it is immediately published everywhere. And when information travels, context is lost. This creates a huge space for misunderstanding, not to mention outright manipulation. That is something I experienced personally during the cartoon crisis.

But migration and digitization also means that all of us are being impacted by what's going on outside our own country. You have competing approaches to free speech that are beginning to clash. The disappearance of borders and the spread of technology means that there is a need for universal standards no matter where you live. To a certain extent this goes on within the United Nations. But often things seem to be moving in the opposite direction. More and more countries are passing laws that fragment and undermine any universal standard, a point stressed by Miklós Haraszti, the former representative on freedom of the media for the Organization for Security and Co-operation in Europe. Haraszti writes that "the very notion of an international standard for limits on free speech become obsolete if the fragmentation into separate content-oriented, historically based, culturally defined, politically shaped, country-specific approaches to speech restriction becomes accepted."

In other words, no international advocacy for free speech is possible without a shared assumption that only incitement of actual crimes should be illegal. Otherwise offensive speech should be countered by speech, not courts. Unfortunately, this fragmentation of the international standard, to a certain extent, started in Europe with the passing of Holocaust denial laws. And one of the big surprises I experienced writing my book was to find out that the vast majority of these laws were in fact passed *after* the fall of the Berlin Wall. This indicated to me that they were not passed right after the Holocaust to prevent incitement to violence, but for other reasons. It's important to note that the horror of the Holocaust serves as the founding narrative legitimizing European integration, and it is the key motivation for hate-speech laws on the continent.

FLEMMING ROSE

> "We are all entitled to tell whatever story we wish."

The Council of Europe Commissioner for Human Rights has called for all 47 member states to pass laws against Holocaust denial, based on a widely accepted interpretation of what led to the Holocaust. It says that anti-Semitic hate speech was the decisive trigger—that evil words beget evil deeds—and that if only the Weimar government had clamped down on verbal persecution of the Jews in the years prior to Hitler's rise to power, then the Holocaust may never have happened.

In my research, I looked into what actually happened in the Weimar Republic and found that, contrary to what most people think, Germany did have hate-speech laws that were applied quite frequently. The assertion that Nazi propaganda played a significant role in mobilizing anti-Jewish sentiment is irrefutable. But to claim that the Holocaust could have been prevented if only anti-Semitic speech had been banned has little basis in reality. Leading Nazis, including Joseph Goebbels, Theodor Fritsch, and Julius Streicher, were all prosecuted for anti-Semitic speech. And rather than deterring them, the many court cases served as effective pubic-relations machinery for the Nazis, affording them a level of attention that they never would have received in a climate of a free and open debate.

In the decade from 1923 to 1933, the Nazi propaganda magazine *Der Stürmer*—of which Streicher was the executive publisher—was confiscated or had its editors taken to court no fewer than 36 times. The more charges Streicher faced, the more the admiration of his supporters grew. In fact, the courts became an important platform for Streicher's campaign against the Jews. Alan Borovoy, general counsel of the Canadian Civil Liberties Foundation, points out that cases were regularly brought against individuals on account of anti-Semitic speech in the years leading up to Hitler's takeover of power in 1933. "Remarkably, pre-Hitler Germany had laws very much like the Canadian anti-hate law," he writes. "Moreover, those laws were enforced with some vigour. During the 15 years before Hitler came to power, there were more than 200 prosecutions based on anti-Semitic speech... As subsequent history so painfully testifies, this type of legislation proved ineffectual on the one occasion when there was a real argument for it."

The same can be said about Yugoslavia. Before the 1990s, Yugoslavia had rather tough laws criminalizing incitement to national, racial, or religious hate. In fact, people were being put in jail for telling an ethic joke. Obviously, these laws did little to help prevent the ethnic violence that we saw in the wars following the disintegration of Yugoslavia.

Nevertheless, the dominant view in Europe is that too much freedom of expression will destroy the peace. In that sense, the EU is driven by a vision of what I call a benign utopia, one that aims to eliminate hate and create an insult-free public space. This became particularly evident in 2012, when it was awarded the Nobel Peace Prize. In receiving the prize, the leaders of the EU made no reference to the close relationship between freedom and peace. Instead they focused on the EU's efforts to avoid division and create a continent without conflict.

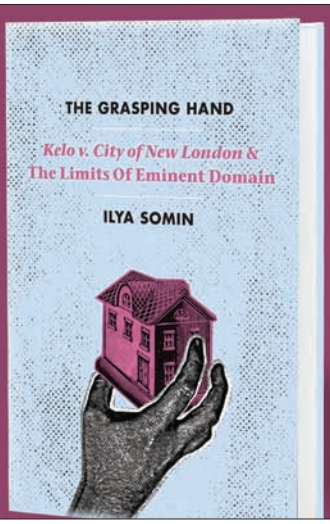
I believe that Europe would do itself a great service if the narrative about the Holocaust was integrated into a broader anti-totalitarian framework. Hate speech wasn't the trigger for mass murder during World War II. It was the clash between two totalitarian powers in the center of Europe—the Nazi regime and the Soviet regime—that was the primary cause. And if that's the case, it means that the destruction of Jews in Europe was closely connected to the destruction of freedom. Moving forward, it would mean that the struggle against evil doesn't require less freedom, but in fact, quite the contrary.

> "Freedom and tolerance are, to me, two sides of the same coin, and both are under pressure."

It seems there are two available responses to threats against free speech. One option is, basically, "If you accept my taboos, I'll accept yours." If one group wants protection against insult, then all groups should be so protected. If denying the Holocaust or the crimes of communism is against the law, then publishing cartoons depicting the Muslim prophet should also be forbidden. But that option can quickly spiral out of control: before we know it, hardly anything may be said.

The second option is to say that, in a democracy, there is no "right not to be offended." Since we are all different, the challenge is then to formulate minimum constraints on freedom of speech that will allow us to coexist in peace. A society comprising many different cultures should have greater freedom of expression than a society that is significantly more homogenous. That premise seems obvious to me, yet the opposite conviction is widely held, and that is where the tyranny of silence lurks. At present, the tendency in Europe is to deal with increasing diversity by constraining freedom of speech, whereas the United States maintains a long tradition of leading off in the other direction. And it appears that the United States will increasingly stand alone with its tradition of upholding near-absolute freedom of expression.

My personal view is that the Americans are right. Freedom and tolerance are, to me, two sides of the same coin, and both are under pressure. As noted earlier, the world is undergoing rapid change. Taking offense has never been easier, or indeed more popular: many have developed sensitivity so exquisite that it has become excessive. It almost tempts one to ask Europe's welfare states to spend some money, not on "sensitivity training"—learning what not to say—but on insensitivity training: learning how to tolerate. For if freedom and tolerance are to have a chance of surviving in the new world, we all need to develop thicker skin. ■



New Book from the Cato Institute

"Somin's thorough rebuttal of the constitutional reasoning and philosophical implications of the Supreme Court's *Kelo* decision demonstrates why that ruling was a constructive disaster: It was so dreadful it has provoked robust defenses of the role of private property in sustaining Americans' liberty."

—GEORGE F. WILL

CATO INSTITUTE

A CATO INSTITUTE BOOK PUBLISHED BY THE UNIVERSITY OF CHICAGO PRESS
AVAILABLE JUNE 5TH.

The former investment banker is Cato's new president

Peter Goettler Takes the Helm

The Cato Institute is pleased to welcome Peter Goettler, a former managing director at Barclays Capital, as its new president and CEO. Goettler took charge on April 1, stepping in at a moment when the ideas underpinning a free society are increasingly gaining currency in the national conversation surrounding America's policy future.

"The Cato Institute has played a major role in the increasing recognition of libertarianism as a vital political philosophy in the United States and the world," Goettler said. "Indeed, journalists now talk about a 'libertarian moment' in American politics, reflecting both the failure of excessive government and the effective work of Cato and other libertarian organizations."

Goettler retired in 2008 as a managing director and head of Investment Banking and Debt Capital Markets, Americas, at Barclays Capital, the investment banking division of Barclays Bank, PLC. He also served as chief executive officer for the firm's businesses in Latin America and as head of Global Loans and Global Leveraged Finance. He has also served on the Board of the New York City–Southern New York chapter of the National Multiple Sclerosis Society since 2008, and chaired the board for the last two years.

Goettler has been a member of the Cato Institute's board since last year and a supporter of the Institute for 15 years. "In one policy area after another, Cato's scholarship has highlighted the ill effects of state intervention on both freedom and economic growth," he said. "In the process, Cato's work has helped to limit government and protect our liberty."

Goettler will replace John Allison, who is retiring after more than two exemplary years on the job. Under the leadership of Allison, who was formerly chairman and CEO of BB&T, Cato's financial support grew by 64 percent. During his tenure, Allison played a significant role in launching two new policy centers at Cato: the Center for Monetary and Financial Alternatives and the Center for the Study of Science. Allison also completed two books, one on the causes of the financial meltdown and another offering a free-market approach to leadership. His first book, *The Financial Crisis and the Free Market Cure*, quickly became both a *New York Times* and a *Wall Street Journal* bestseller.

At the annual State of the Institute meeting, PETER GOETTLER, Cato's new president and CEO, addressed the staff for the first time, focusing in particular on how his own background has prepared him to lead a think tank.

Allison joined Cato in October 2012 as part of the resolution to an internal dispute over the Institute's governance structure. "John Allison guided Cato through a significant transition process, and for that we will always be grateful to him," said Robert Levy, chairman of the Institute. "Under John's leadership, the Institute has prospered and grown while enhancing its reputation for intellectual rigor, advocacy of libertarian principles, and influence in the public policy community. The board is especially grateful for John's willingness to tackle internal governance issues and help resolve conflicts that had jeopardized the Institute's mission." Allison will continue to serve on the board of directors, in addition to acting as chairman of the executive advisory council for the Center for Monetary and Financial Alternatives.

The Cato Institute was cofounded in 1977 by Edward H. Crane, who, as president and CEO for 35 years, led the think tank from a three-person outfit in San Francisco to one of the major public policy research organizations on the national stage. Goettler's leadership will mark the next step in that journey.

"In the fight for liberty, Cato is the indispensable institution," Goettler said. "There is no more important contribution I can make to our fight than to dedicate myself fully to the ongoing success of the Cato Institute." ■

Cato University

SUMMER SEMINAR ON POLITICAL ECONOMY

JULY 26–31, 2015 • CATO INSTITUTE • WASHINGTON, D.C.

Cato University is the Cato Institute's premier educational event of the year. In a time of pitched battles over critical policy issues, our nation's capital is the perfect setting to examine the roots of our commitment to liberty and limited government. Speakers for this year's program will include Randy Barnett, Georgetown University Law School; John Tierney, the *New York Times*; Amity Shlaes, author and Chair of the Board of the Calvin Coolidge Presidential Foundation; Jeffrey Miron, Harvard University; Robert McDonald, United States Military Academy at West Point; and Tom G. Palmer, Cato Institute.

NO PRICE INCREASE FOR 2015—To make the program as accessible as possible, we are keeping the cost at $995. This includes all meals, receptions, lectures, materials, books, and evening events, but not overnight room charges. However, we've arranged low room rates for Cato University participants at a nearby hotel. We hope you will be able to join us for this one-of-a-kind program.

ADVANCING CIVIL SOCIETY

FOR ADDITIONAL DETAILS AND REGISTRATION VISIT WWW.CATO-UNIVERSITY.ORG.

In a special live edition of *EconTalk*, a podcast hosted by George Mason University economist RUSS ROBERTS (right), Cato senior fellow and George Mason University economist LAWRENCE H. WHITE answered questions about his new book, *Renewing the Search for a Monetary Constitution*. The book is a collection of essays on how to reform the government's role in the monetary system.

At a Cato Policy Forum, Sen. JEFF FLAKE (R-AZ) addressed President Obama's decision to ease the embargo on Cuba, marking the beginning of the end of more than 50 years of failed efforts by Washington to achieve reform on the island through economic sanctions and diplomatic isolationism.

Contrary to myth, Obamacare's opponents have many alternatives to the health care law that is once again before the Supreme Court. At a Cato Policy Forum in February, (from left) AVIK ROY of the Manhattan Institute, PHILIP KLEIN of the *Washington Examiner*, JEFFREY H. ANDERSON of The 2017 Project, and MICHAEL F. CANNON of the Cato Institute laid out a free-market vision for health care and debated three competing approaches to getting there: reform, replace, and restart.

At a private lunch with Cato scholars, NING WANG, coauthor (with Nobel laureate Ronald Coase) of *How China Became Capitalist*, discussed the future of classical liberalism in the context of China's economic rise.

Cato Calendar

CAPITAL UNBOUND: THE CATO SUMMIT ON FINANCIAL REGULATION
NEW YORK • WALDORF-ASTORIA
JUNE 2, 2015
Speakers include Mark A. Calabria, George Selgin, Thaya Knight, Kevin Dowd, Joshua Rosner, Michael Piwowar, and J. Christopher Giancarlo.

PROPERTY RIGHTS ON THE 10TH ANNIVERSARY OF *KELO V. CITY OF NEW LONDON*
WASHINGTON • CATO INSTITUTE
JUNE 11, 2015
Speakers include Ilya Somin, Ilya Shapiro, Scott Bullock, and Dana Berliner.

CATO UNIVERSITY
WASHINGTON • CATO INSTITUTE
JULY 26–31, 2015
Speakers include Sen. Jeff Flake, Tom G. Palmer, Jeffrey Miron, Randy Barnett, John Tierney, Amity Shlaes, Judy Shelton, and David Boaz.

CONSTITUTION DAY CONFERENCE
WASHINGTON • CATO INSTITUTE
SEPTEMBER 17, 2015

CATO CLUB 200 RETREAT
SEA ISLAND, GA • THE CLOISTER
SEPTEMBER 24–27, 2015

RETHINKING MONETARY POLICY
33RD ANNUAL MONETARY CONFERENCE
WASHINGTON • CATO INSTITUTE
NOVEMBER 12, 2015
Speakers include James Bullard, Jeffrey Lacker, George S. Tavlas, George Selgin, and John B. Taylor.

28TH ANNUAL BENEFACTOR SUMMIT
LAS VEGAS • FOUR SEASONS HOTEL
FEBRUARY 25–28, 2016

CATO CLUB 200 RETREAT
PARK CITY, UT
MONTAGE DEER VALLEY
OCTOBER 13–16, 2016

FEBRUARY 4: Cato Institute Policy Perspectives 2015 (Naples, FL)

FEBRUARY 5: Toward a New Era in U.S.-Cuba Relations

FEBRUARY 5: Private Funding, Public Debate: Reviving the Spirit of Inquiry in Higher Education

FEBRUARY 6: The Libertarian State of the Union

FEBRUARY 10: How Should Ridesharing Be Regulated?

FEBRUARY 10: Reddit iAMA with David Boaz on *The Libertarian Mind: A Manifesto for Freedom*

FEBRUARY 12: *A Republic No More: Big Government and the Rise of American Political Corruption*

FEBRUARY 19-22: 27th Annual Benefactor Summit (Naples, FL)

FEBRUARY 24: *Overcoming Obamacare: Three Approaches to Reversing the Government Takeover of Health Care*

FEBRUARY 25: *Renewing the Search for a Monetary Constitution: Reforming Government's Role in the Monetary System*

MARCH 4: The Future of NATO and the Transatlantic Security Framework

MARCH 11: Cato Institute Policy Forum and Luncheon 2015 (Coral Gables, FL)

MARCH 12: Cato Club Naples

MARCH 16: Operation Choke Point and Alternative Currencies: A Panel at South by Southwest Interactive

MARCH 16: The Pentagon Budget: Prospects for Reform

MARCH 17: Harnessing the Debt Ceiling Debate to Limit Government: What Can Be Done to Check and Balance Washington?

MARCH 19: *The Libertarian Mind: A Manifesto for Freedom*

MARCH 20: Policy Priorities for the 114th Congress

MARCH 26: Can We End Poverty? (New York City)

MARCH 27: New Incentives from Federal Transportation Funding

AUDIO AND VIDEO FOR ALL CATO EVENTS DATING BACK TO 1999, AND MANY EVENTS BEFORE THAT, CAN BE FOUND ON THE CATO INSTITUTE WEBSITE AT WWW.CATO.ORG/EVENTS. YOU CAN ALSO FIND WRITE-UPS OF CATO EVENTS IN PETER GOETTLER'S BIMONTHLY MEMO FOR CATO SPONSORS.

A new book on our unsustainable fiscal path

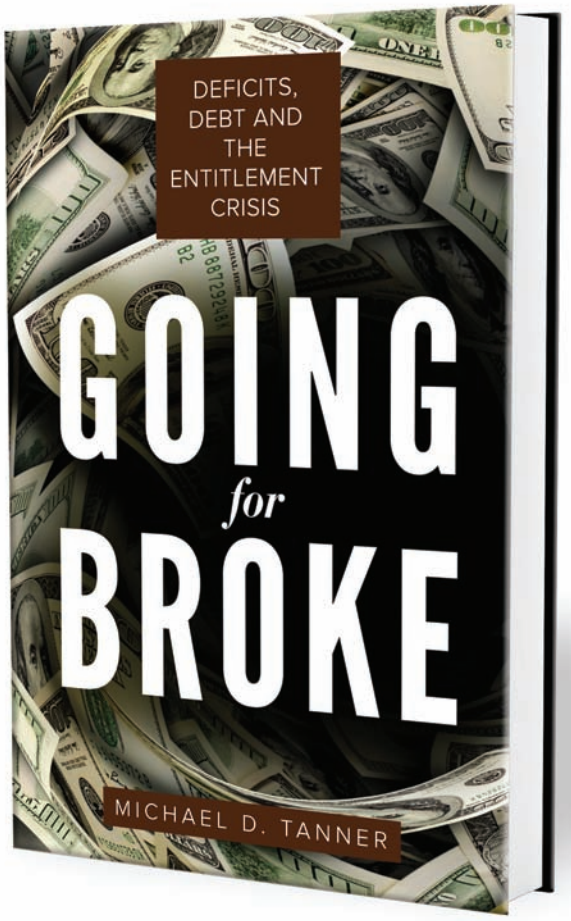
Deficits, Debt, and the Entitlement Crisis

Throughout the European Union, both short-term budget deficits and long-term debt have reached crushing levels. "The continent's ongoing crisis provides an extraordinary laboratory, enabling us to review the results once the modern welfare state becomes wholly unaffordable," Michael Tanner, senior fellow at the Cato Institute, writes. The EU, however, is hardly unique in facing this crisis. "The instability being seen in Europe today presents the likely endpoint for the United States, unless we are able to put our economic house in order."

As Tanner points out in his new book *Going for Broke*, the U.S. national debt recently topped $18 trillion and is projected to reach $26.5 trillion within 10 years. Debt is a "particularly insidious" form of taxation without representation, Tanner writes. We reap the benefits of government spending today, while passing on the obligation to repay that debt to future generations. Those left with the tab, of course, have no vote on the matter.

At the same time, the debt is merely the most visible symptom of a much bigger issue: the size of government. The federal government currently consumes more than 20.4 percent of GDP. Include state and local spending, and government consumes more than a third of everything produced in this country. "That would be a problem regardless of whether or not the budget was balanced," Tanner writes. A government that has grown too large carries significant costs—in reduced economic growth, less personal responsibility, and lost freedoms—regardless of how it is financed.

Throughout his book, Tanner shows how our looming fiscal train wreck has been amply abetted by both political parties. "But unless the United States learns to live within its means, a true economic disaster beckons," he writes. Both discretionary and defense spending will have to be scrutinized and pared back to affordable—not to mention constitutional—levels. But no meaningful effort to control the size and cost of government can occur without dealing with entitlement spending. "Continuing to duck entitlement reform may well be 'politically convenient,'" Tanner notes, "but doing so will condemn our children and our grandchildren to a world of mounting debt and higher taxes."



Social Security, Medicare, and Medicaid alone account for 47 percent of federal spending today, a portion that will only grow larger in the future. Eventually, they will gradually squeeze out everything else in the budget. And as much of federal spending as we devote to these three programs today, they are going to take even more in the future with the government's newest entitlement program—Obamacare.

"One might have thought that, given the enormous debt and future obligations that this country is facing, we would avoid taking on yet another entitlement program," Tanner writes. The Patient Protection and Affordable Care Act will cost more than $2.6 trillion over the next 10 years and will add more than $1.3 trillion to the national debt. It will force millions of Americans to change their current coverage to plans that meet government requirements. And it will significantly burden U.S. businesses. Charles Blahous, a former trustee of the Medicare and Social Security systems, describes Obamacare as "the greatest act of fiscal irresponsibility ever committed by federal legislators."

As Tanner ably argues throughout his book, we are on a course that cannot continue. In the end, the question of reform is one not of politics, but of math. "We are far beyond the point where 'tweaking' those programs—revising them around the edges, cutting a few dollars here, adding a little bit more in taxes there—will forestall the budgetary disaster lurking in our fiscal future," he concludes. The only thing left to ask is whether our political leaders will have the courage to act before it's too late. ■

VISIT THE STORE.CATO.ORG/BOOKS, AMAZON, OR BOOKSTORES NATIONWIDE TO GET YOUR COPY OF *GOING FOR BROKE: DEFICITS, DEBT, AND THE ENTITLEMENT CRISIS* TODAY.

A Cato Institute conference on private alternatives to welfare

The War on Poverty after Fifty Years

On January 8, 1964, President Lyndon Johnson delivered a State of the Union address to Congress in which he declared an "unconditional war on poverty in America." Johnson's goal was not only to "relieve the symptom of poverty, but to cure it and, above all, to prevent it." Since then, federal and state governments have spent more than $19 trillion fighting poverty. But what has really been accomplished?

In March, the Cato Institute held a special half-day conference at Columbia University, bringing together a wide range of experts. Panelists discussed whether the War on Poverty succeeded in its goals, what remains to be done, and whether private charitable efforts would be a better alternative to government welfare programs.

In March, the Cato Institute held a half-day conference at Columbia University, bringing together scholars from across the political spectrum to analyze the outcomes of federal anti-poverty programs and discuss private alternatives to welfare. Speakers throughout the day included John McWhorter of Columbia University, Michael Tanner of the Cato Institute, and Angela Glover Blackwell of PolicyLink, among many others.

In his keynote address, John McWhorter discussed how to "radically change the degree and nature of poverty." A linguist at Columbia University who frequently writes on race and cultural issues for the Manhattan Institute, McWhorter offered a number of solutions—from rethinking the way reading is taught to addressing the problem of single-parent homes—that would help alleviate the worst cases of impoverishment. But he emphasized in particular eliminating the war on drugs. Our failed attempt to combat drug use, he said, encourages violence. It destroys black families. It's largely responsible for the country's high incarceration rate. But perhaps most of all, high black-market prices make selling drugs a tempting alternative to stable employment. "The war on drugs discourages black men who have been dealt a bad hand by life from getting legal work," McWhorter said. "It's as simple as that."

Michael Tanner, a senior fellow at the Cato Institute, began by stressing just how expansive the War on Poverty is, noting that there are currently 126 different federal anti-poverty programs. Have they worked? The evidence suggests that, since the early years of the War on Poverty, the country successfully reduced many of the deprivations of material poverty. Yet, despite some initial success, the programs it spawned have long since reached a point of diminishing returns. "The War on Poverty has failed to make those living in poverty independent or increase economic mobility among the poor and children," Tanner concluded. "We may have made the lives of the poor less uncomfortable, but we have failed to truly lift people out of poverty."

Throughout the day, experts from across the political spectrum offered their varied perspectives. Robert Doar, a fellow in poverty studies at the American Enterprise Institute, discussed how civil society can help provide opportunities for the most vulnerable Americans. Angela Glover Blackwell, the founder and CEO of PolicyLink, focused on the complexities of intergenerational poverty. "We need to stop arguing and debating about whether we need to spend government dollars to help people get out of poverty," she said. "We need to spend those dollars."

What are the alternatives? Harriet Karr-McDonald spoke about the genesis and history of the Doe Fund, a private charity in New York, of which she is the cofounder and executive vice president. Since the mid-1980s, the Doe Fund has successfully helped the poor and disadvantaged without government involvement, providing tools and incentives to help the poor become self-sufficient. "We believed then as we do now that work is the solution to poverty," she said. The charity's centerpiece social entrepreneurial project, Ready, Willing & Able, is a meticulously structured yearlong roadmap to success that equips individuals for the long-term, providing them with "a hand up, not a handout," according to Karr-McDonald. The Doe Fund exemplifies how private alternatives to government programs can empower individuals to lead independent, productive lives, thereby reducing poverty with extraordinary success. ■

EACH OF THE PRESENTATIONS FROM THE CONFERENCE CAN BE VIEWED ONLINE AT WWW.CATO.ORG/EVENTS/ARCHIVES.

To Congress: First, Do No Harm

Pundits have lately been declaring the 112th and 113th Congresses the "least productive" in recent history, pointing to the fact that they passed fewer than 600 laws between them. One leading writer even called the 113th "by just about every measure, the worst Congress ever," surely overlooking the Congresses that passed, for instance, the Fugitive Slave Act, the Indian Removal Act, the internment of the Japanese Americans, Prohibition, conscription, or indeed, the income tax. In **"Policy Priorities for the 114th Congress"** (White Paper), Cato's scholars take a different view. They propose that passing more laws—more mandates, bans, regulations, taxes, subsidies, boondoggles, transfer programs, and proclamations—is at best a dubious accomplishment. In fact, given that the American people pondered the "least productive Congress ever" twice, and twice kept the government divided between the two parties, it just might be that most Americans are fine with a Congress that passes fewer laws. The Cato Institute stands firmly on the bedrock American values of individual liberty, limited government, free markets, and peace. Throughout its 38 years, Cato's scholars have been willing to criticize officials of both parties when they sought to take the country in another direction—and have been pleased to work with officials of both parties when they seek to expand freedom or limit government. In this paper, various scholars outline practical steps that Congress and the administration could take in the next two years in that direction—reforms of health care, financial regulation, taxes, surveillance, marijuana policy, civil asset forfeiture, war powers, immigration, transportation, and more.

THE BITTER TASTE OF U.S. SUGAR

For decades, political support for the U.S. sugar program has been underpinned by the general sense that the costs of producing

sugar in this country are quite high relative to prices prevailing in world markets. Thus, the elimination of government support would lead to the certain death of the sugar industry. In **"Toward Free Trade in Sugar"** (Policy Analysis no. 768), Daniel R. Pearson, a senior fellow with the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies, reviews the

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F. A. Hayek (1899–1992).....Distinguished Senior Fellow
William A. Niskanen (1933–2011).....Chairman Emeritus

recent history of U.S. government intervention in sugar markets from the time price supports were reestablished as part of the 1981 farm bill. "Since then," he writes, "sugar has been subject to a higher degree of government control than any other major agricultural commodity." Among the consequences of those protectionist policies have been higher incomes for U.S. sugar growers, expanded domestic production, reductions in imports from traditional suppliers, increased trade frictions, U.S. unwillingness to provide meaningful sugar market access during trade negotiations, higher costs to consumers, and transfer of confectionary manufacturing capacity away from the United States to countries with more open and competitive sugar markets. The paper concludes with a discussion of the primary alternatives for ending U.S. sugar protectionism. "The best approach may be to set an example for the world by enacting unilateral reforms, then use the resulting moral leverage to build momentum for multilateral liberalization," Pearson writes.

EXTENDING ONLINE MEDICINE

The Internet revolution has been disrupting traditional industries for years by enabling online provision of various services. The first industries to convert have been digitized media services, such as journalism, music, and videos. But less obvious candidates for online provision are emerging. One of these is telemedicine, which is the delivery of health care services from one site to another via electronic communications. "As medical treatment moves online, the potential for treating patients across borders grows," Simon Lester, a Cato trade policy analyst, writes in **"Expanding Trade in Medical Care through Telemedicine"** (Policy Analysis no. 769). In the United States, medical treatment has typically been segregated along state lines. With the ease of access between patients and doctors in different jurisdictions, however, this is beginning to change. "Regulations will need to be adjusted to allow interstate trade so that consumers can reap the benefits," Lester adds. Similarly, at the international level, governments should adapt their national regulations to allow trade in these services. This can be done, in part, through a number of ongoing trade negotiations that address barriers to trade in services, including the Trans Pacific Partnership, the Transatlantic Trade and Investment Partnership, and the Trade in Services Agreement negotiation. By using these trade negotiations to remove barriers and promote more international trade in medical services, Lester concludes, governments can bring new competitive forces to a sector that has traditionally been characterized by an oligopolistic structure.

DISENTANGLING PETROSTATES

In what the Obama administration describes as a "years-long" coalition effort to "degrade and destroy" ISIS, the United States has reentered conflict in the Middle East. The White House heralds its close cooperation with Arab allies, including a number of petrostates such as Saudi Arabia and Qatar, describing their cooperation as vital to the success of the campaign. Yet, as Cato visiting fellow Emma Ashford argues in **"Friends Like These: Why Petrostates Make Bad Allies"** (Policy Analysis no. 770), petrostates are unlikely to be good allies for the U.S. campaign in Iraq and Syria. According to Ashford, the reliance of those countries on oil and gas revenues distorts both foreign policy decisions and their implementation. "First, petrostates have weak foreign policy institutions, producing policy that is of poor quality and strongly driven by personalities," she writes. "Second, the vast flow of oil income enables the states to

back nonstate actors in conflicts, but their weak civil service cannot control the flow of arms or funds. Third, oil income also enriches private citizens, some of whom directly fund terrorist organizations such as ISIS." As allies, petrostates are especially likely to draw America into unnecessary and intractable conflicts. In particular, Ashford concludes, Washington should largely disentangle itself from the Saudi alliance and from reliance on Saudi intelligence and diplomatic services. Keeping Saudi Arabia at arm's length will help to minimize involvement in Middle East conflicts that are not vital to U.S. interests. ■

Regulation Magazine: Why Are Oil Prices Falling?

In the Spring 2015 issue of *Regulation*, economist Pierre Lemieux argues that the recent oil price decline is at least partly the result of increased supply from the extraction of shale oil. The increased supply allows the economy to produce more goods, which benefits some people, if not all of them. Thus, contrary to some commentary in the press, cheaper oil prices cannot harm the economy as a whole. Also in this issue, Shirley Svorny describes how state medical licensure boards do very little to discipline doctors who cause medical errors, Christina Sandefur examines questionable legal maneuvering by states to implement aspects of the Affordable Care Act, and Henry Miller shows that the regulatory pathway for most biologic drugs won't have a large effect on burgeoning health care costs.

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"To Be Governed..."

YOUR TAX DOLLARS AT WORK LOBBYING FOR MORE OF YOUR TAX DOLLARS

UW–Madison will tap influential alumni and the parents of students in a campaign to convince state legislators that Gov. Scott Walker's proposed $300 million budget cut to the University of Wisconsin System is too much to bear.

UW–Madison Chancellor Rebecca Blank outlined a strategy Monday. . . .

"We will be working to involve our alumni across the state in this conversation and—we've never done this before—we're going to be sending letters to try to involve parents," Blank said.

"We'll also be looking for people who have good connections to various legislators, who may have been donors involved in their campaigns and who are alumni from us," she added.

—*CAPITAL TIMES,* 02/03/2015

LIBERTARIAN TRENDS?

As Mr. Frank notes at the outset and conclusion of his book, the most sweeping and unexpected change from the moment he became interested in politics as a boy in Eisenhower-era America is that prejudice toward gay people has plummeted while skepticism toward government has spiked.

—REVIEW OF BARNEY FRANK'S AUTOBIOGRAPHY, *NEW YORK TIMES,* 03/11/2015

LOBBYISTS LOVE WINNERS

In the months after his surprise victory, Gov. Larry Hogan (R) and the Maryland Republican Party raised an eye-popping $2.4 million, some of it from Annapolis insiders and business interests that bankrolled the campaign of his Democratic opponent. . . .

"A lot of people speculatively invested in the Brown campaign and now realize they made the wrong choice," said Jennifer Bevan-Dangel, executive director of Common Cause Maryland, a group that closely monitors campaign contributions. "Donors give because it gets them in the door, regardless of who's in power."

The reports show that Hogan raised nearly $1.4 million in the two months after the election—roughly the amount that Martin O'Malley (D) raised after he was elected governor in 2006.

—*WASHINGTON POST,* 02/03/2015

Two candidates backed by Mayor Muriel E. Bowser have built big fundraising leads ahead of an April 28 special election to fill a pair of D.C. Council seats, according to financial reports filed late Monday.

—*WASHINGTON POST,* 02/03/2015

15 YEARS OF INTERVENTION

The Middle East has descended into a state of disarray unusual even for that troubled region, imperiling President Barack Obama's policy dreams and leaving him with limited ability to control events.

—*WALL STREET JOURNAL,* 03/26/2015

BACK TO THE FUTURE?

The rules apparently do not apply to Hillary Clinton because the gifts were accepted before she took the oath. Yet they were given, many of them, precisely to facilitate her chosen lifestyle as a senator.

The Clintons have spent many years in public service and public mansions, and no, we don't begrudge them a furnished private home—not even two—but once again a corner has been cut.

No previous president appears to have accepted parting gifts of such magnitude, nor did the Clintons approach their last year's total in prior years. The [gift] list demonstrates again the Clintons' defining characteristic: They have no capacity for embarrassment. Words like shabby and tawdry come to mind. They don't begin to do it justice.

—*WASHINGTON POST,* 01/28/2001

THE PARASITE STATE FINDS ANOTHER HOST

Last year, Google spent $16.8 million on lobbyists, more than any other company except for Comcast, according to lobbying disclosures.

The 2014 total by Google is more than triple the company's lobbying spending in 2010, the year before the FTC antitrust probe began, according to the Center for Responsive Politics. Google has about 100 individual lobbyists at 20 lobbying firms.

—*WALL STREET JOURNAL,* 03/24/2015

THEY HAVE A POINT

Of all the challenges Greece has faced in recent years, prodding its citizens to pay their taxes has been one of the most difficult. . . .

During the country's centuries long occupation by the Ottomans, avoiding taxes was a sign of patriotism. Today, that distrust is focused on the government, which many Greeks see as corrupt, inefficient and unreliable.

"Greeks consider taxes as theft," said Aristides Hatzis, an associate professor of law and economics at the University of Athens.

—*WALL STREET JOURNAL,* 02/25/2015