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The Little-Known Story of Milton Friedman in China

BY JULIAN GEWIRTZ

On a hot June day in 1989, the general secretary of the Chinese Communist Party listened in stony silence as the most powerful leaders in Beijing denounced him. Just weeks earlier, as the world watched in horror, China's rulers had turned their troops against the student protesters massed in Tiananmen Square—violence that General Secretary Zhao Ziyang, a steadfast reformer, had opposed.

"[You were] attempting to topple the Communist Party and wreaking havoc with the socialist system in coordination with hostile powers at home and abroad," accused one wizened party elder. Zhao was dismissed as the party's general secretary and placed under house arrest, where he would remain until his death in 2005.

A few days after Zhao's dismissal, on June 30, the mayor of Beijing read out his report on the protests. Zhao had sought to overthrow the socialist order in China and replace it with a liberal capitalist system, the mayor declared. He offered damning evidence of how Zhao developed his supposed plot: "Especially worth noting is that last year on September 19, Comrade Zhao Ziyang met

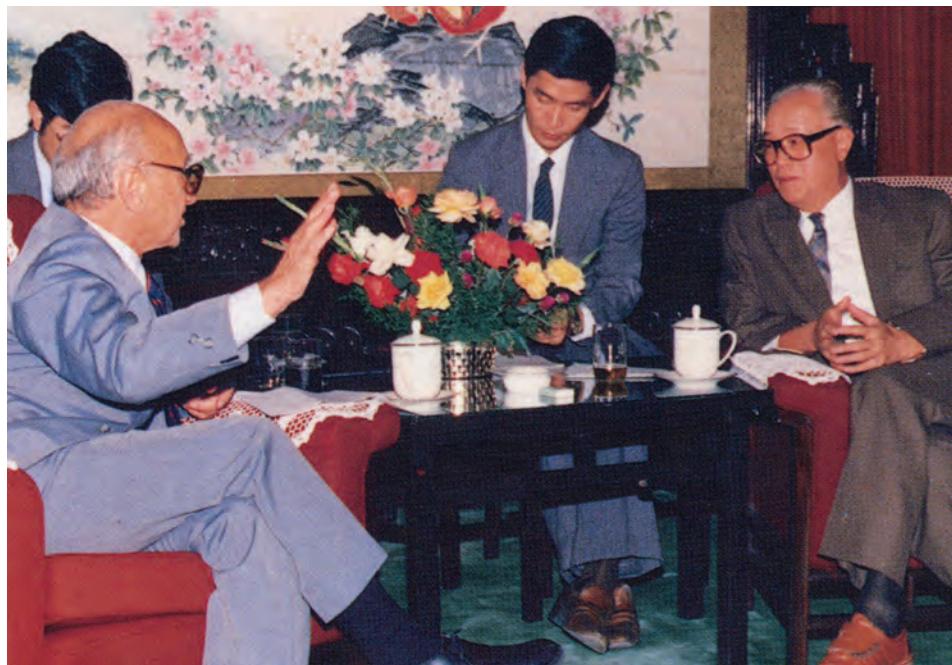
with one American 'extreme liberal economist.'"

Which "extreme liberal" had Zhao met on September 19, 1988? The answer opens the door to a strange, incongruous tale, because the American economist who had allegedly plotted with the general secretary of the Chinese Communist Party was none other than Milton Friedman.

FEAR OF LIBERALS

Friedman first traveled to China in 1980. When he celebrated his 68th birthday that year, he was perhaps the most famous economist in the world. He had appeared on the cover of *Time* in 1969, in an issue that focused on the "new values" that would define the 1970s. With his diminutive stature, forceful

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MILTON FRIEDMAN (left) meets with general secretary of the Chinese Communist Party, ZHAO ZIYANG, in China in 1988. Friedman and Zhao spoke for nearly two hours, as Friedman argued that China should decontrol prices in "one bold stroke." Friedman had come to China for Cato's conference in Shanghai and was then personally invited by Zhao to offer advice on China's economy.

JULIAN GEWIRTZ is the author of *Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China* (Harvard University Press, 2017), from which this excerpt is adapted.



BY ROBERT A. LEVY

“Cato books are in every major college library and have sold tens of thousands of copies.”

CHAIRMAN'S MESSAGE

Cato Turns 40 . . . and Beyond

As we celebrate our 40th year, I'd like to recap some of Cato's accomplishments and tell you where we're heading.

Cato has been a vigorous proponent of entitlement restraints, the right to bear arms, marriage equality, fundamental tax reform, downsizing government, property rights, drug legalization, school choice, free trade, immigration liberalization, criminal justice reform, and term limits. We have energetically resisted corporate welfare, campaign finance restrictions, government constraints on the Internet, global warming excesses, overarching executive power, infringements on civil liberties, the administrative state, imperial wars, dubious foreign entanglements, and unnecessary government secrecy.

Cato was the first to address Social Security's financial problems and offer a private-investment alternative. José Piñera, co-chairman of Cato's Project on Social Security Choice, was the architect of privatization in Chile. We're still fighting for entitlement reform here, where the fiscal implications for Social Security, Medicare, and Medicaid are dismal.

On the health care front, Cato's efforts yielded Health Savings Accounts—a significant step toward free market health care. And we led the battle against Obamacare. The 2015 Supreme Court challenge was crafted by Cato's director of health policy studies, Michael Cannon, who demonstrated Obamacare's flawed structure and legal infirmities.

Our Center for Constitutional Studies, under Roger Pilon's innovative leadership, has been a forceful advocate for a textual interpretation of the Constitution and a principled judicial engagement to bind the legislative and executive branches with the chains of the Constitution. Pilon and Ilya Shapiro, editor of the peerless *Cato Supreme Court Review*, compiled an amazing record of amicus briefs, with the Court favoring the party we supported in an overwhelming percentage of cases.

In 2014, we expanded our Center for the Study of Science, which challenges the pseudoscientific claims of climate-change alarmists. That same year, Cato's Center for Monetary and Financial Alternatives got underway—aggressively responding to the threat of an undisciplined central bank and fiat money.

We recognize, of course, that reaching a young audience is essential. Our Libertarian Leadership Project will enable us to dramatically expand our online contact with young, tech-savvy friends of liberty—complementing our intern program and Cato University. We've also fostered high-quality education through the work of the late Andrew Coulson,

who directed Cato's Center for Educational Freedom. Coulson produced a three-part documentary that embraces free-market reforms to make schools more innovative and responsive. *School Inc.—A Personal Journey with Andrew Coulson* is now available on PBS stations across the country.

Persuasion is key to our mission; and David Boaz's latest book, *The Libertarian Mind*, is the perfect messenger—a scholarly but readable work that popularizes and legitimizes libertarianism. Indeed, Cato books are in every major college library and have sold tens of thousands of copies. Cato scholars also deliver hundreds of college lectures annually, presenting the libertarian alternative to the next generation.

In the economic arena, our experts analyze tax reform and budget proposals—unraveling them so they're digestible. Cato's “Fiscal Report Card on the Nation's Governors” is widely quoted, and our Herbert A. Stiefel Center for Trade Policy Studies shaped the debates over Trade Promotion Authority and the Trans-Pacific Partnership.

Cato has also been a prominent defender of civil liberties—especially those related to government surveillance and privacy. Meanwhile, our Project on Criminal Justice has steered public opinion against police militarization and the drug war.

In addition, we're emphasizing the moral and philosophical arguments for liberty. Online courses are available from our Libertarianism.org website. They're aimed at young people but accessible to a large and growing audience, as is our CatoAudio app for iOS devices, which contains our daily podcast, archived policy forums, *Classics of Liberty*, the monthly CatoAudio magazine, and lots more.

A big focus of our 40th year has been finding ways to keep getting better and even more impactful. There is scope to be more connected and effective on Capitol Hill and in states, and in the academy, too, by hosting more visiting scholars. We also have great opportunities to expand the audience of our existing scholarship and research through the expanded use of technology and a broader array of content. We plan to strengthen our efforts to nurture young talent and the development of more organizations and initiatives across the liberty movement.

In short, Cato is an independent, nonpartisan source of intellectual ammunition to the public, government, educators, and the media. Ideas do matter. That's the reason Cato is indispensable. As our 40th year draws to a close, we reaffirm our enduring commitment to the cause of human freedom.

Robert A. Levy

A trio of new books from Libertarianism.org

The Essays of George H. Smith

How are intellectual and religious liberty related? What should libertarians think about the American Revolution? And is libertarianism really any more than “atomized individualism,” as its critics pejoratively name it? A trio of new books from Libertarianism.org, featuring selected essays by George H. Smith, tackle these three extraordinarily important topics. The essays are adapted from Smith’s weekly column at Libertarianism.org.

Freethought and Freedom traces the history of religious liberty and its impact, from St. Augustine’s defense of righteous persecution to Luther and Calvin’s persecution of heretics, to the development of libertarian deism, to how debates over original sin affected debates over private property. It illustrates the complex development of religious toleration and freedom of speech throughout history, and highlights the many philosophers whose ideas—for good or for ill— influenced their development.

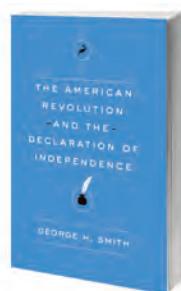
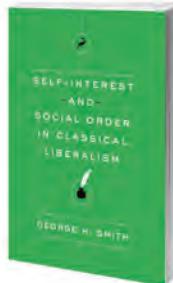
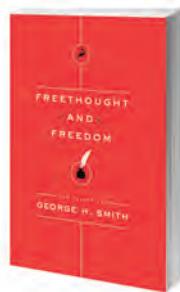
In *Self-Interest and Social Order in Classical Liberalism*, Smith tackles the notion that libertarianism rests on a selfish individualism that does not allow for social harmony. To refute this claim, he delves into the most important philosophical arguments over the nature of self-interest, from authors such as Hume, Adam Smith, Hobbes, Butler, Mandeville, and Hutcheson.

The American Revolution and the Declaration of Independence, meanwhile, examines the history of the American Revolution and the Declaration of Independence through a libertarian lens. Its essays consider the significance of important

moments in the Revolution and ask what lessons a libertarian ought to take. “There was much in colonial America (slavery in particular) that was ugly—but there was also the ideal of freedom that, however compromised in practice, was sincerely believed, felt, and acted upon by a significant portion of the population,” writes Smith. “This tells us, at the very least, that the ideal of individual freedom is more than a will-o’-the-wisp, that it was widely appreciated in the past and so may become widely appreciated in the future.”

All three books feature concise and readable essays to expand your understanding of libertarian ideas and the most famous philosophical, political, and religious debates that led to their development. ■

THE THREE COLLECTIONS ARE AVAILABLE AS FREE EBOOKS AT LIBERTARIANISM.ORG, OR FOR PURCHASE IN PAPERBACK AT AMAZON.COM.



Cato News Notes

CATO THANKS THE ACADEMY

The 2017 Anthem Film Festival, an annual libertarian film festival partnered with FreedomFest, gave awards to two films directed by Cato scholars. *School Inc.*, former Cato senior fellow Andrew Coulson’s documentary that explores the history of schooling and the importance of freedom and choice in education, won Anthem’s “Excellence in Filmmaking, Documentary Feature” award. (See more on *School Inc.*’s impact and critics on page 13.) And *Freedom on Trial*, Libertarianism.org’s courtroom drama about an employer prosecuted for violating minimum wage laws, won “Best Libertarian Ideals, Short Narrative.” Visit Cato’s website to watch both films online.

VICTORY FOR THE SLANTS

In a unanimous decision in June, the Supreme Court held that the “disparagement clause” of the Lanham Act, which banned the trademarking of terms deemed “disparaging” or taboo, is unconstitutional. The case was brought by an Asian American band, The Slants, who were denied a trademark for their name on the grounds that it was an ethnic slur. The Slants argued that they should have the right to reclaim a term once used to stereotype Asian Americans. In the case Cato filed a humorous amicus brief, whose profuse documentation of boundary-pushing and potentially offensive rock band and other brand names may not be safe for work. But as Cato argued, and the Court agreed, the government has no business deciding what is and is not a slur.

NEW BOOKS FOR SPANISH SPEAKERS

Two new Spanish-language books feature contributions from Cato’s Center for Global Liberty and Prosperity. Ian Vásquez, the Center’s director, authored a chapter on Trump’s harmful anti-immigration policies in *No, no te equivoques, Trump no es liberal: Por qué Trump es populista, protecciónista, machista, autoritario y nacionalista, pero en ningún caso liberal* (*No, make no mistake, Trump is no liberal: Why Trump is populist, protectionist, chauvinist, authoritarian, and nationalist, but in no way a liberal*), a collection edited by John Müller. Gabriela Calderón de Burgos, the editor of Cato’s Spanish-language website ElCato.org, wrote a chapter on Ecuador for *El estallido del populismo (The explosion of populism)*, a book edited by Álvaro Vargas Llosa that warns against the dire consequences that populism has had in numerous Spanish-speaking countries.



At “Banking Unbound,” Cato’s Summit on Financial Regulation held in Charlotte, NC, in June, MARK A. CALABRIA (left), chief economist to Vice President Pence and former director of financial regulation studies at Cato, discussed the administration’s plans for tax cuts, as well as the need to resist bailouts and the “too big to fail” approach to regulation. KELLY S. KING (right), chairman and CEO of BB&T, discussed how intensely banks are overregulated, and how this has increased rather than decreased risk in the system.



In July, the Cato Institute hosted the Austin Shakespeare company as they performed a staged reading from *The Unconquered*, Ayn Rand’s play adapted from her first novel, *We the Living*, directed by Ann Ciccolella. Set in 1920s Russia, the play follows the story of students trapped in a communist state. After the reading, CATHY YOUNG (left), a columnist at *Reason* and *Newsday*; SARAH SKWIRE of Liberty Fund and FEE.org; and ONKAR GHATE of the Ayn Rand Institute discussed Rand’s work and its relevance today. At right, actors read a scene.



REP. TULSI GABBARD (D-HI) came to Cato to record an episode of the *Cato Daily Podcast*, in which she discussed the government's warrantless surveillance of Americans as authorized by the FISA Amendments Act.

At a Cato Policy Forum, Cato's newest policy analyst COREY A. DEANGELIS presented his research suggesting a link between school choice and democratic values such as tolerance.



Ambassador MARTIN KIMANI (at head of table), the director of Kenya's National Counter Terrorism Centre, came to Cato for a lunch with Cato scholars, including TOM PALMER (second from right) and ANDREI ILLARIONOV (right).

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personality, and Cold War faith that the free market would inevitably vanquish communism, he was an instantly recognizable public personality, equally at home walking the plush carpets of the White House and expounding to the public from television studios.

Academically, Friedman had established himself as an expert on inflation and consumer behavior. Believing that people behave rationally in their own self-interest, he predicted in 1967 that a sustained period of inflation would not drive down unemployment, directly contrary to the mainstream view at the time. If one test of an economist is the ability to predict economic phenomena and their consequences, Friedman triumphed. He won the Nobel Prize in 1976.

In 1980, Friedman and his wife, Rose, released a popular overview of their ideas entitled *Free to Choose*. This full-throated defense of free-market principles also became a 10-part television series on PBS. It made Friedman's name synonymous with the free market. When he served as a senior economic policy adviser for Ronald Reagan's 1980 presidential campaign, his influence grew even greater.

In a television interview with Phil Donahue that aired in April 1980, wearing a tan suit under the bright studio lights, Friedman had contrasted his ideal society with socialist countries like China. Donahue asked intently, "Did you ever have a moment of doubt about capitalism and whether greed is a good idea to run on?"

Friedman cocked his head to the side and grinned. "Tell me, is there some society you know that doesn't run on greed? You think Russia doesn't run on greed? You think China doesn't run on greed? ... If you want to know where the masses are worst off, it's exactly in the kind of societies that divert from [free-market principles]."

So Friedman was astonished when, in late 1979, he received an official invitation to visit China. The United States and China had normalized their relations that January. Aca-

“Why had this socialist country invited Friedman, of all people, to provide economic advice? One word: inflation.”

demic exchanges had just resumed, and Friedman would be part of the first set of scholars invited to give lectures in China through a new official program. Friedman quickly accepted, but he confessed in a letter to a

incomplete, to say the least. At one internal meeting of banking officials, a young bureaucrat explained the “two factions” in American economics in broad strokes: “Keynesians advocate inflation, and Friedman is opposed to inflation.” They seemed completely unaware of Friedman’s commitment to spreading the free market gospel.

Friedman delivered four lectures on topics such as “the mystery of money” and “the Western world in the 1980s.” His audiences of officials and scholars listened as he dismissed the idea that inflation appeared only in



MILTON FRIEDMAN takes questions at Cato's 1988 conference on economic reform in Shanghai.

friend that the invitation was “a phenomenon that I find almost literally incredible.”

Why had this socialist country invited Friedman, of all people, to provide economic advice? One word: inflation. Under Mao, prices were fixed by state fiat, repressing any inflationary pressures for decades. Propagandists regularly announced that communism had successfully eradicated inflation in China, and they painted inflation as a scourge of capitalist (or “liberal”) societies.

As China’s rulers under Deng Xiaoping began to loosen controls and free up prices, they knew that inflation might appear. With his academic achievements in predicting the “Great Inflation” of the 1970s, Friedman seemed a natural fit to help teach the Chinese leaders how to avoid this alarming prospect.

But their perception of Friedman was

capitalist societies. Inflation was neither innately “capitalist” nor “communist.” Instead, he said, government itself was the root cause of inflation, which could be cured only by “free private markets.”

To the Chinese economists in the audience, these ideas were radical; to many of the country’s less liberal leaders, they were menacingly extreme.

Shortly after Friedman departed China, a prominent conservative elder delivered a speech that criticized liberalizing foreign influences as a grave danger to Chinese socialism. “Foreign capitalists are still capitalists,” he warned. “Some of our cadres are still very naïve about this.”

In the years after 1980, China boomed under the policies of “reform and opening.” Zhao Ziyang steered the economy as the

“ Friedman advocated that China decontrol prices in ‘one bold stroke’ and ‘end’ inflation by tightening money and limiting the government deficit. ”

country’s premier. Deng directed him to figure out how to bring the market reforms that had quickly taken hold in agriculture into the cities and state-owned enterprises, which made up the bulk of the economy—and to do so without destabilizing society as a whole.

As one element of this strategy, Zhao and his network of economists devised an ingenious approach. Enterprises would still have to meet planned quotas, and everything they produced to meet the quotas would still be sold at a state-set price. But beyond those quotas, enterprises could produce whatever quantity of goods they wanted and sell them at whatever price consumers would pay. It was a “dual-track” system: the old system remained in place, but it very quickly became only a small part of a much larger and more vibrant economy. Think of the old planned economy as a shriveled bonsai; Zhao didn’t suddenly stop watering it, he just planted a forest around it.

This policy worked, and growth skyrocketed in the years from 1984 to 1988. But it was a temporary solution; the unresolved problem of prices remained a thorn in the side of China’s rulers. In the summer of 1988, Deng Xiaoping, the paramount leader, finally lost his patience. He decided to order an overnight liberalization of the price system.

A crisis immediately followed. A fear of inflation seized the country, and a survey of 32 cities revealed that prices had risen nearly 25 percent in the month of August. Soon conservatives opposed to market liberalization were preparing retrenchment policies to roll back the reforms and stabilize the economy. At this moment of crisis, Zhao made a characteristically bold decision. He would meet with a leading foreign economist to seek advice about how to get inflation under control—and not just any economist, but the notoriously outspoken Milton Friedman, once again called upon for his expertise on inflation. Subsequent events would show that Friedman was a risky choice indeed.

CATO’S TRIP TO SHANGHAI

When the Friedmans planned their September 1988 trip, Milton did not yet know that he would be invited to meet with Zhao. The occasion for the trip was a conference on economic reform hosted in Shanghai by the Cato Institute and Fudan University.

Despite the summer’s economic chaos, the moment seemed right to Friedman to press his case for a rapid liberalization of the economy. The 76-year-old economist lectured to a crowd of 400 students at Fudan University, where he received an honorary professorship.

At the Cato conference at the Shanghai Hilton, he sat behind a table in the front of the room, his head just barely peeking over the microphone and jug of water provided for him. Next to him sat a Communist Party economist named Pu Shan, who wore a tightly buttoned Mao jacket and a crewcut like a silver helmet.

Friedman gave his usual impassioned case for free private markets. In his response, Pu Shan upbraided the distinguished visitor and asserted that China’s economic system might, in fact, prove superior to an economic system based on free private markets. Friedman dismissed the critique as the political correctness of an uncreative apparatchik—but it was clear that Friedman’s evangelizing message had once again failed to find as warm a reception from Chinese leaders as he had hoped.

In what was the trip’s most dramatic development, Friedman received word that Zhao had requested to meet with him. At the suggestion of his Chinese hosts, Friedman submitted a memorandum to Zhao, that

laid out his views on the best direction of China’s reform. Friedman began the document with a direct refutation of the central Chinese idea during this period that China’s experiences were exceptional and that “Chinese characteristics” were an aspect of every problem the country faced. “Every country always believes that its circumstances are special,” Friedman wrote, but the acceptance of free-market principles would be necessary regardless. Friedman advocated that China decontrol prices in “one bold stroke” and “end” inflation by tightening money and limiting the government deficit financed by money creation and credits granted to enterprises.

When they met in Beijing, Zhao Ziyang thanked Friedman for his memo but attempted to set the discussion on his own terms. Although he acknowledged difficulties in realizing the goals, Zhao referenced the Party’s 1987 decision to establish an economy in which “the state manages the market, and the market guides the enterprises.”

Friedman’s response was highly critical, as he believed the 1987 decision was “impossible”: “The state is organized from the top down; the market, from the bottom up. The two principles are incompatible.” He asserted that the dual-track system was making goods “more expensive, not less,” because, although prices were still held down, the costs of queuing, shortage, and other negative effects were high. Thus, inflation would persist as long as the dual-track system remained in place, Friedman argued.

However unconvinced Friedman and Zhao may have been with each other’s arguments, they spoke for nearly two hours with a friendly rapport. Friedman was clearly impressed with the Chinese leader’s command of economics. He remarked, “On hearing your analysis of China’s economic situation, I believe you are a professor by nature.”

“I only went to high school,” Zhao replied, laughing.

Zhao usually remained seated as his guests departed, but on that September day he had something else up his sleeve. He stood, walked

Friedman all the way out to his car, and even opened the car door for the American economist. Despite the inconclusive tone of the meeting, this extraordinary gesture provided ample fodder for Beijing's gossipy network of policymakers and scholars, who were used to parsing senior leaders' views from such minutiae. Rumors began spreading about the close connection forged between the two men.

In the Chinese press, Friedman's trip was reported in laudatory terms. The official *People's Daily* wrote buoyantly about the meeting. Meanwhile, Friedman remained optimistic about China's future. In a December 1988 interview with *Forbes*, he predicted that major pro-market changes were imminent.

ZHAO'S DEMISE

Yet almost immediately thereafter, the reform agenda in China collapsed. Soaring inflation made daily life more expensive and hurt job prospects for young people graduating from college. Many Chinese were angry about pervasive corruption and the lack of political reform.

Students nationwide launched protests centered on Beijing's Tiananmen Square in the spring of 1989. As weeks passed and the crowds in Tiananmen Square grew larger, the world watched the protesters with fascination, enthralled by their conviction, bravery, and youth.

In the secret halls of the leadership compound, the top party chiefs fought fiercely over whether to impose martial law and quell the protests by force. Zhao vociferously opposed turning the military on the people, but his views lost out after a string of combative meetings in May. Following the last of those heated sessions, Zhao walked out to the square to speak to the students directly. He held a small megaphone close to his mouth as his voice filled with emotion. "We came too late," he told the students. "Whatever you say and criticize about us is deserved."

The next day, with the approval of Deng Xiaoping, martial law went into effect across the land. The bloody crackdown began during

Zhao's name was eliminated from official histories and has rarely appeared in print in China. ,

the night of June 3. By the morning of June 4, Tiananmen Square had been emptied of the students who had camped there for weeks. An unknown number of protesters had been killed and wounded. They left behind only a few bloodstains on the stones, newly scarred with the tread marks of tanks.

Zhao was formally denounced for supporting the protests, "splitting the party," and undermining socialism. The engagement with foreign economists pursued by Zhao and his network of economists came under direct assault, evidence of his alleged mission to push China to abandon socialism. And there was the Beijing mayor's report citing Milton Friedman. Zhao's name was eliminated from official histories and has rarely appeared in print in China.

FRIEDMAN RETURNS TO CHINA

But Deng Xiaoping refused to abandon all the progress that China had made since the late 1970s. On January 17, 1992, he traveled to southern China for what was supposedly a family vacation. Putting his accumulated credibility on the line, the 88-year-old Deng surprised the world by giving a series of informal speeches urging the resumption of intensive reforms. The gambit worked: by mid-February, after two and a half years of deep freeze, reformers burst back onto the scene with sizzling vigor. Although Zhao remained under house arrest, many of his policies resumed—without acknowledgment of their supposedly treacherous origins.

Even the "extreme liberal" Friedman was welcomed back to China. Traveling to Shanghai and Beijing in October 1993 for official meetings, he was astonished at the rapid pace of development. At the end of his trip, he returned to the Great Hall of the People, the site of his

fateful encounter with Zhao, to meet with China's new president, Jiang Zemin.

In more recent years, the senior echelons of the Chinese Communist Party have occasionally returned, like Zhao 30 years ago, to an interest in Friedman's inflation-fighting wisdom. Senior officials at the People's Bank of China, the central bank, have even quoted from Friedman's *Free to Choose* to describe their anti-inflationary goals.

A more extreme and outspoken pro-market faction than existed in the 1980s has also emerged, with economists like Zhang Weiying and his mentor Mao Yushi asserting their intellectual lineage from Hayek and Friedman and calling for the radical removal of the state's role in the economy. Mao Yushi, now 88, founded the Unirule Institute of Economics, dedicated to free markets and reform. In 2012, the Cato Institute awarded him the Milton Friedman Prize for his advocacy of individual rights and free markets. And in 2015, Cato published a book of essays on reform by Zhang. Mao Yushi is regularly attacked as a "traitor" and a "slave of the West"—and in January 2017 the Chinese authorities closed down the social media accounts and websites of Mao and Unirule—but he continues undaunted.

I asked Mao in an interview for *The American Scholar* why he thought Friedman remained an important figure in China today. "Since the new government came to power, China's reforms have moved backward," he told me. "China is a state that opposes liberalism. The government places many unnecessary restrictions on the people's freedoms... so it is extremely important to promote liberal ideas in China. And this is the reason why [Friedman] is in demand."

WHITHER REFORM?

How can we understand the mixture of wariness and interest that occasioned Milton Friedman's invitations to China? China's rulers clearly believed that economics—and economists—could be dangerous. But their consistent interest in this particular interlocutor, as unpredictable and pugnacious as he was, reveals

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The Myth of an Opioid Prescription Crisis

According to the *New York Times*, drug overdoses are now the leading cause of death for Americans under age 50. Opioid overdoses, in particular, have been on the rise in recent years, killing over 30,000 people in 2015. In response, many have called for stricter regulations on prescription opioids. But are doctor-prescribed drugs truly the cause of the increase in overdoses? At a Capitol Hill Briefing in June, Arizona surgeon and Cato senior fellow JEFFREY A. SINGER argued that regulators, in their rush to interfere in the patient-doctor relationship, are actually causing more problems than they're solving.

THE SCIENCE OF OPIOIDS

Many people in the policy world really don't understand the science of opioids, so let's begin by clearing up a few myths. First, it's important to understand that the long-term use of opioids, unlike alcohol, really doesn't have deleterious effects on the body. That's why we place people on methadone maintenance, for example, sometimes for their whole lives. And so far there's no conclusive evidence that long-term use of opioids has any effect on cognitive faculties or on the brain itself.

Second, I want to clear up misconceptions about heroin. Heroin is a brand name. The chemical name is diacetylmorphine. Its generic name is diamorphine. It was invented by Bayer in the late 1800s and given the brand name of heroin, which is a derivation of a German word that has to do with "strength." It's still on the formulary and used by doctors and pain patients in a lot of developed nations, including the United Kingdom, Canada, and others. It was banned in this country in 1924 because the head of the Narcotics Bureau at the time was convinced that it corrupted moral character. And despite appeals by the physicians at the time to leave it legal because there weren't that many pain medications available, it was banned. So of course, as any economist will tell you, within a very short period of time heroin became the number one substance for opioid addicts—because what would you rather sell on the black market: something that's totally banned, or something there are other ways to get?

Heroin is about three times more potent than morphine; and methadone, which we give people on methadone maintenance—we'll get more into that later—is also two and a half to three times more potent than morphine. Dilaudid, which is legal and which we give to patients for whom morphine is not working, is three to four times more potent than heroin. And fentanyl, also legal, is 50 times more potent than morphine.

Another commonly held misconception is that if you take one hit of heroin, you're hooked. That's absolutely not true. If it is, then why isn't that the case with morphine or Dilaudid or any other legal opioids we give people? In fact, as early as the 1960s, studies done in the *New England Journal of Medicine* and *International Journal of Group Psychotherapy* identified heroin users who were true recreational users. They used it on occasion, on weekends. They had productive lives and were not addicted, just occasional users.

And although we often hear the words "addiction" and "physical dependence" used interchangeably, there is a difference. A recent article in the *New England Journal of Medicine* by Nora D. Volkow points out that, on the molecular level, physical dependence is when you actually develop withdrawal symptoms when the drug is taken away, so you need to be tapered off—as opposed to addiction, which is a behavioral disorder, in which you actually seek the drug. You will make major sacrifices in your lifestyle that have negative consequences for you because it's so important to

you to take the drug.

That's a lot different from physical dependence. I'm a surgeon, and most of our patients who come to the office dependent on opioids want to be off them, so we help them slowly taper off. An addict, on the other hand, *doesn't* want to be off them, which is why you have a high recidivism rate when you're treating drug addicts.

ARE OVERDOSES A PRESCRIPTION PROBLEM?

The National Survey on Drug Use in Health has found that the nonmedical use of prescription opioids such as oxycodone and hydrocodone actually peaked in 2012. Total opioid use was actually lower in 2014 than in 2012. Despite that, opioid overdose deaths have *increased*. There were 33,000 deaths in 2015.

An overwhelming majority of those deaths, however, are people who used mixtures of drugs. In 2013, New York City found that 94 percent of the people who died from heroin or other opioids had mixed drugs in their system. These were not necessarily chronic pain patients. And also, for the first time, this year more people died from heroin overdoses than from prescription opioid overdoses.

According to Chinazo Cunningham at Albert Einstein College of Medicine, who helped develop the 2016 Centers for Disease Control and Prevention (CDC) guidelines, the number of prescription opioid overdoses is actually stabilizing, but opioid overdose rates have not plateaued because heroin use is dramatically increasing. So that's important to understand—that the big cause of overdose problems now is heroin. We're also seeing heroin use become much more prevalent in people in upper socioeconomic groups, and among suburban and rural white individuals.

According to the National Survey on Drug Use and Health, only one-quarter of people who take opioids for nonmedical reasons get

them by obtaining a prescription. So the sequence that everybody thinks exists, in which a patient gets narcotics for pain, gets hooked, and then eventually dies from an overdose, is not your typical story. In fact, a 2014 *JAMA (Journal of the American Medical Association)* study of 136,000 patients treated for opioid overdoses in emergency rooms found that just 13 percent of them were chronic pain patients. And the CDC cites a study showing that the opioid-related overdose rate for people who are on chronic pain medicine under the guidance of a doctor is 0.2 percent.

New addictions in people who take opioids for pain, in general, are uncommon. The most rigorous comprehensive review, from the Cochrane Library, found that the addiction rate of people put on prescription opioids was about 1 percent. It's very rare that a doctor prescribes a painkiller for a patient in pain who then gets hooked and becomes a heroin addict.

THE TRUE CAUSE OF THE PROBLEM

Both the CDC and the Texas A&M College of Pharmacy report that what they *are* seeing, however, is that as pain patients who are physically dependent and are in pain are gradually cut off pain medicine by their doctors, who are getting pressured to stop prescribing, a lot of them go on to seek pain medicine through the illicit drug market. And of course when they go to the illicit drug market, they often buy counterfeit opioids, and they don't know what they're laced with. Oftentimes they're laced with fentanyl. And many of them are buying heroin, because heroin is, according to the CDC, about one-fifth the price of street-obtainable prescription opioids.

Also driving the opioid problem is the promotion of tamper-resistant opioids. The Food and Drug Administration (FDA) is encouraging pharmaceutical companies to develop drugs that are tamper-resistant—in other words, you can't use them for anything other than the medicinal use for which they were prescribed.

Mark Twain has been quoted as saying

that history may not repeat itself, but it rhymes. Many people may be aware that back during the days of alcohol prohibition, ethanol was still allowed to be produced for industrial use. But the government required that the manufacturers put in what was called denatured alcohol—they put ingredi-

That was the alcohol prohibition years' version of tamper-resistant alcohol, and it resulted in unintended consequences. I'm sure nobody wanted to see people die. But the same thing is happening today with tamper-resistant drugs.

For example—in 2010, OxyContin was converted to a tamper-resistant package. And when people couldn't crush it any more to snort it, they figured out how to boil it, turn it into an injectable form, and then inject it. A study published in the *Canadian Medical Journal* in 2015 found that "In Ontario and the US, overall rates of opioid-related deaths have continued to rise since the long-acting formulation of oxycodone (OxyContin) was replaced with a tamper-resistant formulation. . . . Rather, there is increasing evidence that individuals shift to other opioids, including uncontrolled formulations such as heroin." In *JAMA Psychiatry* in 2015, Cicero and Ellis found that nonmedical users of OxyContin switched to other opioids, or to heroin, after the tamper-resistant reformulation of OxyContin replaced regular OxyContin in 2010.

In June, the FDA asked the manufacturer of Opana ER to pull it off the market. Opana is the brand name for oxymorphone, stronger than oxycodone. It used to be very popular, when it was obtained in the black market, to crush it and snort it. The manufacturers then made it so that it was not crushable, so people figured out how to boil it and inject it. And then an outbreak of HIV was reported in the Indianapolis area from people sharing dirty needles to inject Opana ER. I understand what tamper-resistant measures are trying to do, but instead they're actually creating a lot of these problems.

At the same time, all but one state (Missouri) have adopted PDMPs, or prescription drug monitoring programs. These programs give us doctors a report card—in the case of Arizona, it's every quarter—of where you stand with respect to all of your colleagues in your specialty as to how many prescriptions you wrote for oxycodone, hydrocodone, and



JEFFREY SINGER

“Also driving the opioid problem is the promotion of tamper-resistant opioids.”

ents in it to make it unpalatable, so that bootleggers couldn't steal vats of ethanol and sell it on the black market. But bootleggers are pretty resourceful people, and they soon found out how to distill those impurities out and still sell it. So in 1926, the government required industrial ethanol manufacturers to add methyl alcohol, or methanol, also called wood alcohol, which can make you blind when you drink it. (That's where the expression "drinking himself blind" comes from.) So they put methyl alcohol and benzene in the ethanol, and that, despite attempts, could not be distilled out. At least 10,000 deaths are documented since 1926 from people who were drinking bootlegged alcohol that contained methanol and benzene.

so forth. It is not broken down by how many patients you saw, just how many prescriptions you wrote. And it ranks you in ranges from normal to outlier, to extreme outlier.

That casts a chilling effect on doctors. Nobody wants to be seen as an outlier. It pressures doctors to cut back on prescribing, and then their legitimately suffering patients are driven to the illegal market where they get laced opioids, or they go to cheaper heroin and, of course, that is where the overdoses occur. A study just came out in May from the University of Pennsylvania that examined the effect of PDMPs from 1999 to 2014, and they found that PDMPs were not associated with reductions in drug overdose mortality rates, and may be related to *increased* mortality from illicit and other unspecified drugs.

So what can we do from a policy standpoint? I'm an advocate of what's known as harm reduction: if we can't stop people from using these drugs, at least let's do what we can to make sure they don't harm themselves.

An example of harm reduction is methadone maintenance, which has been around for decades. You basically replace an addiction to heroin with an addiction to methadone in the form of a pill, which prevents withdrawal but doesn't give you the euphoria. It's sort of like the opioid version of a nicotine patch.

Another policy being used in several countries is—and this may sound weird—heroin maintenance programs. Now remember, heroin is diamorphine, which is a pharmaceutical that is available and used in many developed countries. In 1994, Switzer-

land started a heroin maintenance program. There are criteria to join it to make sure you're not trying to game the system, but you declare yourself a heroin addict; you come into a clinic in the morning; you're given pharmaceutical-grade diamorphine with a clean needle and syringe; a nurse is there watching you; you inject yourself; and then

“ We need to address drug prohibition, not the patient–doctor relationship. ”

you leave. You sign in and sign out. They've found that many addicts, once they aren't spending their whole day looking for their connection, get a job, some get married and have a family, and as they resume a more conventional lifestyle a significant number of them actually detox themselves off. A smaller program like this in the United Kingdom has been going on for about 10 years. In Vancouver, British Columbia, one just began in December 2016. Since heroin is a banned substance in this country, we would need to pass legislation to allow a few heroin maintenance pilot programs.

Another form of harm reduction, from the clinician's standpoint: Instead of pressuring doctors through things like these prescription drug monitoring boards to

decrease the amount of prescriptions we give to our patients, why don't you just let us be doctors? That's our job. When I have a patient who has recovered from major trauma surgery, and I know he's physically dependent, and he's asking me for another refill of oxycodone, and I think this has been going on a little longer than it should be—what I do ethically, as part of my profession, is have a discussion with my patient and see if I can get the patient to go along with my tapering him off. Sometimes patients are in denial. If they're addicted, I can refer them to someone who has more expertise in treating addiction. But if I'm faced with the decision between giving this guy another prescription under the condition that he'll see me in two weeks so we can talk about this again, or cutting him off and risking that he'll go get some counterfeit Percocet and maybe die of an overdose because it contained fentanyl or carfentanil—I think you should leave that judgment call to me, the doctor. If we can keep people on methadone maintenance, why can't I decide, under close supervision, to keep a person on oxycodone maintenance? There's no difference, chemically. My advice would be to stop interfering in the patient–doctor relationship—you're actually making it worse.

In summary, our opioid overdose problem is not a product of the patient–doctor relationship. It's a product of drug prohibition, because it's the illegal market that has led to all these impurities and to people getting substances that kill them. We need to address drug prohibition, not the patient–doctor relationship. ■

Continued from page 8

their extraordinary fascination with this dangerous knowledge. They needed the best ideas from around the world to allow the Chinese economy to boom, and sometimes that required dealing with thinkers whose expertise was invaluable but whose views were unpalatable. No outsider personifies this complex duality better than Milton Friedman.

The exploratory, open-minded spirit that

brought Friedman to China has weakened considerably there today. In August 2013, shortly after Xi Jinping came to power and began establishing his centralized, strongman style of rule, cadres from across China massed in Beijing to hear him speak. Facing the assembled officials at this National Propaganda and Ideology Work Conference, Xi painted an ominous landscape in dark brushstrokes. “Western anti-China forces” are seeking “to

overthrow the leadership of the Chinese Communist Party and China's Socialist system,” he reportedly told his subordinates. In the face of these threats, Xi said, the party must “dare to bare the sword.” ■

From Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China by Julian Gewirtz. Copyright © 2017 by the President and Fellows of Harvard College. Used by permission. All rights reserved.

Clark Neily to lead Cato's pioneering criminal justice team

America's Lawless Law Enforcement

In July, Attorney General Jeff Sessions rescinded Obama-era reforms to civil asset forfeiture laws, which allow police to seize, and in some instances keep, citizens' property without so much as accusing them of a crime. But Sessions immediately discovered that his decision was not popular, even among his own party—in a time of increasing partisanship, Sessions' decision was denounced by many voices on both sides of the aisle.

The growing bipartisan abhorrence for asset forfeiture is a sign that once-obscure criminal justice issues are gaining popular notice. From police misconduct to innocent citizens bankrupted by civil asset forfeiture, to SWAT teams raiding family farms after mistaking tomato plants or okra for marijuana, the media and public are now paying attention to problems that the Cato Institute has been decrying for decades. And with the addition of new Vice President for Criminal Justice Clark Neily, Cato plans to expand its efforts in this policy area even further.

In 1988, Cato executive vice president David Boaz published an op-ed in the *New York Times* titled, "Let's Quit the Drug War." He urged against allowing America to become the sort of society that "would condone strip searches, large-scale arrests, military occupation of its capital city and the shooting of possibly innocent people in order to stop some of its citizens from using substances that others don't like." In 1999, Cato released a briefing paper "Warrior Cops: The Ominous Growth of Paramilitarism in American Police Departments." It was an early warning to policymakers that the growing trend of sharing excess military equipment, such as armored vehicles, M-16s, and grenade launchers, with police was spawning a dangerous culture of paramilitarism that would lead to unnecessary killings as the police and military missions became confused. And in 1995, Cato published *Forfeiting Our Property Rights*, by the



CLARK NEILY, Cato's new vice president for criminal justice, discusses civil asset forfeiture on C-SPAN's *Washington Journal*.

late Rep. Henry Hyde (R-IL), then chairman of the House Judiciary Committee, explaining the dangers of abuse posed by civil asset forfeiture laws. In 2017, these warnings seem ever more prescient.

Radley Balko, then a Cato policy analyst and now a *Washington Post* columnist and Cato media fellow, became a leading voice on police militarization, beginning with his 2006 Cato white paper "Overkill: The Rise of Paramilitary Police Raids in America." He published an accompanying website, which painstakingly catalogued instances in which innocent people had been killed in these raids. Cato later continued its pioneering research into police misconduct with the 2012 launch of PoliceMisconduct.net, which records daily reports on police abuse.

In June, Cato welcomed Clark Neily as its new vice president for criminal justice. Before joining Cato, Neily spent 17 years at the Institute for Justice as a senior attorney. Neily is an adjunct professor at the University of Texas School of Law and the author of *Terms of Engagement: How Our Courts Should Enforce the Constitution's Promise of Limited Government*.

Neily also worked alongside then-Cato senior fellow (now Cato board chair) Robert Levy and cocounsel Alan Gura to develop the

District of Columbia v. Heller case, which challenged the District of Columbia's restrictive gun control laws. They ultimately carried the case to the Supreme Court, which upheld the individual right to possess firearms for the first time in history.

At Cato, Neily hopes to highlight numerous criminal justice problems in need of reform, including challenging the proliferation of arbitrary, unjustifiable criminal laws; rolling back the practical elimination of the criminal jury trial that has been achieved through rampant and often highly coercive plea bargaining; and calling for the urgent and immediate reconsideration of America's zero-accountability policy for law enforcement.

"I am honored and excited to join my friends and Cato and invest myself in the vital work of reforming America's increasingly arbitrary, unaccountable, and excessively punitive criminal justice system," said Neily. "Cato's advocacy on behalf of liberty and limited government is unparalleled, and the need for principled discourse on matters of criminal justice has seldom been more urgent. I look forward to leading that effort and helping ensure our justice system is one that all Americans can be confident in and proud of." ■

Documentary draws wrath of unions, activists

Docu-Drama: *School Inc.* Airs on Public TV

School Inc., Andrew Coulson's three-part documentary on educational freedom, began airing on public television stations this spring and summer. So far, it's been aired in 71 percent of all public television markets in the United States—and, consequently, has inspired a vicious backlash from teachers unions and left-leaning public school advocates.

Agitation over *School Inc.* began, in fact, even before it aired. Diane Ravitch, the former assistant secretary of education and well-known critic of school choice, published a blog excoriating PBS's decision to air the documentary and concluding that it must be an effort to "curry favor with the Trump administration." Ravitch called it "ironic and sad that public television would lend credibility to an attack on public education." The *Washington Post* later published several write-ups of Ravitch's attacks on *School Inc.*, along with a response from PBS, which defended its "high editorial standards" and its commitment to "offer programs that reflect diverse viewpoints and promote civic dialogue."

But *School Inc.*'s detractors were just getting started. In July, the National Education Association—the largest union in the country—at its national convention adopted an "official position of objection" to PBS's airing of *School Inc.* It urged its members to contact PBS and voice their objection to its airing. The *Daily Kos* then launched a petition denouncing *School Inc.* and requesting that PBS air Ravitch's response to *School Inc.*'s "right-wing propaganda" along with a pro-public school documentary. The petition gathered over 160,000 signatures. Media Matters also published an alarmed article on the documentary, expressing shock at *School Inc.*'s roots in the "radical, libertarian Cato Institute."

Ravitch and others have demanded that



ANDREW COULSON narrates *School Inc.*, his three-part documentary on educational freedom that aired on public television stations this spring and summer.

PBS show the "other side" of the story—arguing that they should not air *School Inc.* at all, and especially not without a simultaneous rebuttal. But PBS noted in response that it has *already* aired criticisms of private education models in the past. Cato Institute scholars have often argued that it would be best to abolish public broadcasting altogether and avoid these politicized arguments over what it should or should not air—but as long as public TV claims to be "diverse" and objective, arguments for educational freedom have every right to be heard. Cato's Neal McCluskey observed that, if anything, it is libertarian views that are underrepresented in public broadcasting. And as for the accusations of PBS's political motives in airing *School Inc.*, McCluskey wrote, "Of course, public schooling is intentionally controlled by those with the most political power, so if one worries about PBS currying favor with Trump, one ought to be sleepless over the far more immense threats to freedom and equality under the law with government-run schools."

School Inc.'s success is remarkable for a pro-school-choice documentary. It was the life's work of Andrew Coulson, the former director of the Cato Institute's Center for Educational Freedom and author of *Market Education: The Unknown History*. Coulson tragically passed away before he could see it air, but Bob Chitester of Free To Choose Media fought to see the project through at PBS. Coulson's documentary is a charmingly personal exploration of education, which sees Coulson travel around the world to find places where education is working—from Chile's flourishing private school networks to Korea's underground tutors who are so successful, they've become millionaires. He invites viewers to wonder whether it's a coincidence that the things these places have in common are freedom, parental choice, and profit motives. ■

IF YOU MISSED YOUR LOCAL STATION'S BROADCAST OF *SCHOOL INC.*, VISIT CATO.ORG/SCHOOLINC TO VIEW THE DOCUMENTARY ONLINE.



At Cato University's College of Economics in July, Nobel laureate VERNON SMITH asks a question during Cato trade policy director Dan Ikenson's remarks.



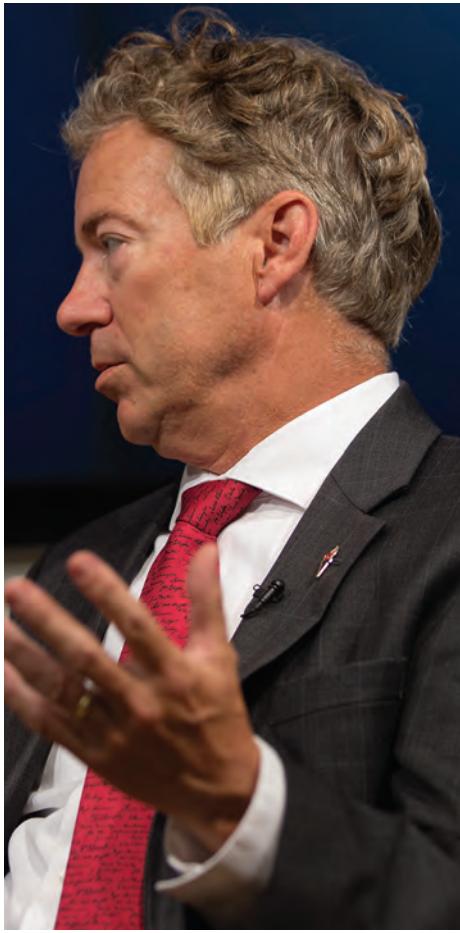
Peruvian minister of justice MARISOL PÉREZ TELLO visited the Cato Institute for a lunch with Cato scholars.



At a Cato Policy Forum, HERMAN MASHABA, the mayor of Johannesburg, discussed his efforts to tackle widespread corruption in his city and made the case that liberty and the private sector will be essential to achieving progress in South Africa.



In the years since the financial crisis, the government has done little to address the government-sponsored housing enterprises known as Fannie Mae and Freddie Mac. At a Cato Policy Forum, SUSAN WHARTON GATES discussed her book *Days of Slaughter: Inside the Fall of Freddie Mac and Why It Could Happen Again*, and JOHN ALLISON, former CEO of BB&T and of Cato, argued that subsidies for housing are particularly destructive.



Section 702 of the FISA Amendments Act, which allows the government to “incidentally” intercept an enormous amount of American communications, is set to expire at the end of the year. At a Cato Policy Forum, SENS. RON WYDEN (D-OR) and RAND PAUL (R-KY) discussed the dangers that Section 702 poses to Americans’ privacy, and how to fix it.

JUNE 6: Banking Unbound: The Cato Summit on Financial Regulation

JUNE 15: Financial Crisis and Reform: Have We Done Enough to Fix the Government-Sponsored Enterprises?

JUNE 16: South Africa at a Crossroad: Will Growing Opposition Remove the African National Congress from Power?

JUNE 28: A “Modern Plague”? How the Federal Government Should Address the Opioid Crisis

JUNE 29: Should Every School Serve Everyone?

JULY 11: Ayn Rand’s *We the Living*

JULY 17: *The Three Languages of Politics*

JULY 20: The Search for Truth in Regulatory Science

JULY 24: *A Debt against the Living: An Introduction to Originalism*

JULY 26: School Choice and Democracy: Friends or Foes?

JULY 27: The Future of Surveillance: Re-form, Repeal, or Renewal for Section 702?

JULY 27-29: Cato University: College of Economics

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Speakers include Jed Rakoff, Scott Greenfield, Ron Davis, and Laura Donohue.

RENEGOTIATING NAFTA: PROMISE AND REALITY

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OCTOBER 26, 2017

Speakers include James Bacchus, Phil Levy, Edward Alden, Dan Griswold, and Jennifer Hillman.

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The “unending cycle” of religious intolerance

Religious Freedom, from Past to Future

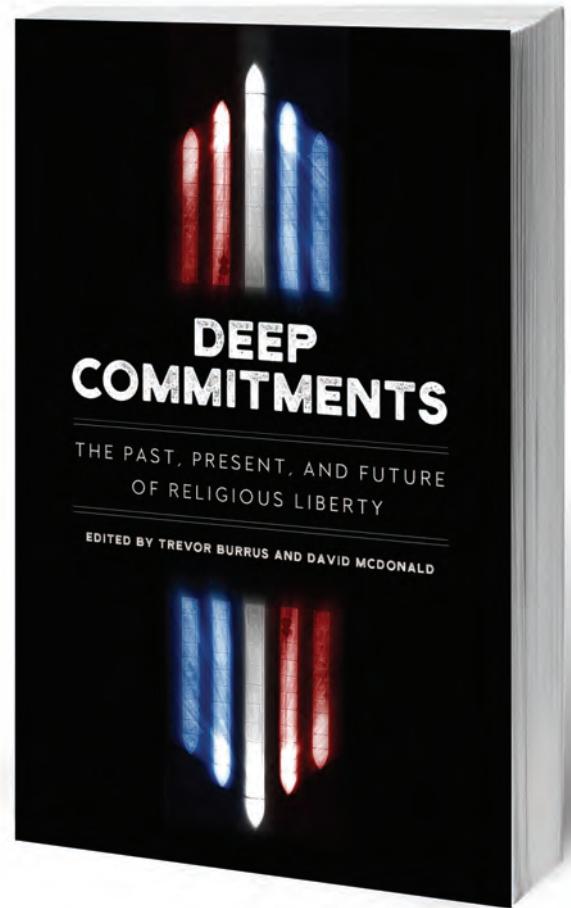
Should Christian bakers be forced to bake cakes for gay weddings? Can public schools ban religious attire, such as Muslim head coverings? Can the government require nuns to pay for birth control? Year after year, there is no shortage of controversies involving the right to practice one's religion in the public sphere. In June 2016, the Cato Institute hosted a timely conference on religious liberty, gathering scholars from Cato's Center for Constitutional Studies and its Center for Educational Freedom, along with a number of distinguished outside scholars. Those presentations have now been adapted into essays and published in a book, *Deep Commitments: The Past, Present, and Future of Religious Liberty*.

The book begins with a chapter by Douglas Laycock of the University of Virginia School of Law on the history of America's political battles over the Religious Freedom Restoration Act (RFRA). Originally a bipartisan effort, RFRA's first opposition came not from the left, but from the pro-life right, which feared that RFRA would be twisted into a justification for abortion in the event that the Supreme Court overturned *Roe v. Wade*. Two decades later, RFRA's political supporters and detractors have switched places—it is now the right that defends RFRA (although often, Laycock argues, for the wrong reasons), while the left accuses it of being a “license to discriminate.” Groups such as the American Civil Liberties Union have demoted religious liberty to a lesser-tiered right they're willing to dispense with if it conflicts with other values. And although conservatives defend RFRA, they often do so in the context of denigrating the gay community or religious minorities such as Muslims. Neither side wants to protect the rights of the others. Laycock argues that religious liberty

should never have become a partisan issue in the first place. “Both sides in the culture wars seem to be equally intolerant of the other,” he writes. “And these attitudes make it very difficult to protect religious liberty.”

Other essays and excerpts from panel discussions explore the history and philosophy of religious liberty, examine conflicts over religious liberty in public education, and debate the tension between religious liberty principles and equal protection antidiscrimination principles. Edited by Cato's Trevor Burrus and David McDonald, *Deep Commitments* includes contributions from Princeton's Robert P. George, Charles C. Haynes of the Religious Freedom Center, Mark L. Rienzi of the Catholic University of America, and Louise Melling of the American Civil Liberties Union. In the final chapter, Judge William H. Pryor of the U.S. Court of Appeals for the Eleventh Circuit discusses the right of religious people to be left alone, as well as what role, if any, religious beliefs should play in a judge's work.

In the introduction, Burrus surveys the history of arguments over religious freedom, from George of Cappadocia's execution in Egypt in 361 CE up to the present day. He notes that, despite our modern age's increasing secularism and notions of tolerance, modern “liberalism” is often just as intolerant as those ancient mobs. “We seem to be locked in an unending cycle: those who once asked for tolerance become intolerant when they acquire power,” he writes. History teaches us that it is times of great political division in which calls for



religious liberty and toleration are most necessary. “Now more than ever, the ideas of religious toleration and liberty of conscience should not be put to the flames,” Burrus concludes. ■

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Cato Journal tackles the immigration debate

The Economics of Immigration

Immigration policy once played only a small role in policy debates—but the 2016 election changed that. Immigration has since become one of the most hotly debated policies in the country and remains a major focus of the White House's agenda. Key to these debates are questions over how immigrants actually affect the U.S. economy. Do immigrants depress wages for low-income Americans? Do they have negative effects on American economic and cultural institutions? The Fall 2017 edition of the *Cato Journal* is dedicated to unpacking these questions, presenting the research of leading scholars in this field. It draws from presentations at Cato's September 2016 conference, "Immigration Economics." The resulting articles discuss how immigration affects housing prices; what impact

immigration has on neighborhood segregation; and how immigrants promote entrepreneurship, as well as several articles discussing America's approach to border security. Contributors include Giovanni Peri of the University of California, Davis; Ethan Lewis of Dartmouth College; Douglas S. Massey of Princeton University; Susan M. Wachter of the University of Pennsylvania; and Benjamin Powell of the Texas Tech Institute. In the introduction, Cato immigration policy analyst Alex Nowrasteh, who coedited this edition with *Cato Journal* editor Jim Dorn, notes that immigration tends to be an emotional issue for most Americans. "Our hope is that this issue of *Cato Journal* will help cool some of those emotions and instead shed light on this important policy debate," he writes. ■



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Summer edition of Regulation magazine

How Regulation Nearly Killed Chinese Food

A hundred years ago, Americans waged a war against something they considered "a serious menace to society": Chinese restaurants. Or, as they were disparagingly named by one commentator, the "iniquitous Chinese chop suey joints." Chinese restaurants were accused of employing too many Chinese workers to the detriment of white unionists—they were even accused of posing a danger to white women, with one writer claiming that "beer and noodles in Chinese joints have caused the downfall of countless American girls." Among other tactics, American officials discriminated against Chinese restaurants through licensing and regulation. Happily, the anti-Chinese campaign lost, and there are now more Chinese restaurants in the United States than there are McDonald's,

Burger King, and KFC restaurants combined. Nevertheless, the anti-Chinese propaganda war did have grave and harmful effects in stereotyping Chinese people and nearly halting their immigration altogether. In the Summer 2017 edition of *Regulation* magazine, Gabriel J. Chin of the University of California and lawyer John Ormonde examine the repercussions of this unfortunate war, and the lessons that this unfair regulatory treatment provides today. Elsewhere in the issue, Christina Sandefur stands up for free speech in medicine; Michael L. Marlow asks whether government should subsidize and regulate electronic health records; and Jonathan Klick and Murat Mungan make the case for compensating the falsely convicted, along with other articles and book reviews. ■



With Minimum Wage, Diners Lose

Could the minimum wage be the death knell to your favorite greasy spoon diner? In “The Impact of the Minimum Wage on Firm Exit: Evidence From Yelp Data” (Research Briefs in Economic Policy no. 81), Dara Lee Luca of Mathematica Policy Research and Michael Luca of Harvard University examine evidence from the San Francisco Bay area, which saw 21 local minimum wage changes in the past decade. They examine the performance of restaurants, by Yelp rating, after a minimum wage change, and find that the minimum wage turns restaurants into an ever more cutthroat business. An increase in the minimum wage increases overall restaurant exit from the market, particularly for lower-rated restaurants—a \$1 increase in the minimum wage led to a

roughly 14 percent increase in the likelihood of exit for median 3.5-star restaurants.

VOTES FOR SALE

In 2009, Congress passed a massive stimulus bill, the American Recovery and Reinvestment Act (ARRA).



The bill bestowed nearly \$800 billion in spending, mainly on infrastructure projects. Given that it was an extremely partisan measure that was very strongly associated with the Democratic Party, did this spending have any impact on the votes of its beneficiaries? In “Stimulating the Vote: The American Recovery and Reinvestment Act (ARRA) Road Spending and Vote Share” (Research

Briefs in Economic Policy no. 80), Emiliano Huet-Vaughn of Middlebury College finds that living within three miles of an ARRA road project led to a roughly 1.7 percentage point increase in the presidential vote share received by the Democratic Party.

DO GOOD SAMARITAN LAWS WORK?

Overdose deaths are at a record high in the United States, and in response, some states have adopted “Good Samaritan Laws,” under which individuals can seek medical assistance for an overdose without fear of prosecution. Numerous states have also passed Naloxone Access Laws (NALs), which authorize trained responders, and in some cases private citizens, to administer an opioid antagonist (naloxone) to stop a drug overdose. In “With a Little Help from My Friends: The Effects of Naloxone Access

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Benjamin H. Friedman	Research Fellow	Senior Fellow
Robert Garber	Director, Marketing	Senior Fellow
John Glaser	Associate Director, Foreign Policy Studies	Associate Director
Eric Gomez	Policy Analyst	Associate Director
Juan Carlos Hidalgo	Policy Analyst on Latin America	Associate Director
Daniel J. Ikenson	Director, Trade Policy Studies	Associate Director
Andrei Illarionov	Senior Fellow	Associate Director
Thaya Knight	Assoc. Director, Financial Regulation Studies	Associate Director
Jason Kuznicki	Research Fellow	Associate Director
Tate Lacey	Policy Analyst	Associate Director
David Lampo	Publications Director	Associate Director
Simon Lester	Trade Policy Analyst	Associate Director
Neal McCluskey	Director, Center for Educational Freedom	Associate Director
Jon Meyers	Art Director	Associate Director
Patrick J. Michaels	Director, Center for the Study of Science	Associate Director
Jeffrey Miron	Director of Economic Studies	Associate Director
Daniel J. Mitchell	Senior Fellow	Associate Director
Harrison Moar	Director of Development	Associate Director
John Mueller	Senior Fellow	Associate Director
Johan Norberg	Senior Fellow	Associate Director
Alex Nowrasteh	Immigration Policy Analyst	Associate Director
Walter Olson	Senior Fellow	Associate Director
Randal O’Toole	Senior Fellow	Associate Director
Tom G. Palmer	Senior Fellow	Distinguished Senior Fellow
Daniel R. Pearson	Senior Fellow, Trade Policy Studies	Distinguished Senior Fellow
Alan Peterson	Director of MIS	Distinguished Senior Fellow
Aaron Ross Powell	Director, Libertarianism.org	Distinguished Senior Fellow
Alan Reynolds	Senior Fellow	Distinguished Senior Fellow
Flemming Rose	Senior Fellow	Distinguished Senior Fellow
Nicholas Quinn Rosenkranz	Senior Fellow	Distinguished Senior Fellow
Julian Sanchez	Senior Fellow	Distinguished Senior Fellow
George Selgin	Director, Center for Monetary Alternatives	Distinguished Senior Fellow
Ilya Shapiro	Senior Fellow	Distinguished Senior Fellow
Michael Tanner	Senior Fellow	Distinguished Senior Fellow
A. Trevor Thrall	Senior Fellow	Distinguished Senior Fellow
Marian Tupy	Senior Policy Analyst	Distinguished Senior Fellow
Peter Van Doren	Editor, <i>Regulation</i>	Distinguished Senior Fellow
Ian Vásquez	Director, Ctr. for Global Liberty and Prosperity	Distinguished Senior Fellow
Richard Lindzen	Distinguished Senior Fellow	Distinguished Senior Fellow
José Piñera	Distinguished Senior Fellow	Distinguished Senior Fellow
Radley Balko	Media Fellow	Distinguished Senior Fellow
Randy E. Barnett	Senior Fellow	Distinguished Senior Fellow
Vladimir Bukovsky	Senior Fellow	Distinguished Senior Fellow
Steve H. Hanke	Senior Fellow	Distinguished Senior Fellow
John Hasnas	Senior Fellow	Distinguished Senior Fellow
Penn Jillette	Mencken Research Fellow	Distinguished Senior Fellow
David B. Kopel	Associate Policy Analyst	Distinguished Senior Fellow
Deepak Lal	Senior Fellow	Distinguished Senior Fellow
Gerald P. O’Driscoll Jr.	Senior Fellow	Distinguished Senior Fellow
P. J. O’Rourke	Mencken Research Fellow	Distinguished Senior Fellow
William Poole	Senior Fellow	Distinguished Senior Fellow
Jim Powell	Senior Fellow	Distinguished Senior Fellow
Vernon L. Smith	Senior Fellow	Distinguished Senior Fellow
Toller	Mencken Research Fellow	Distinguished Senior Fellow
Lawrence H. White	Senior Fellow	Distinguished Senior Fellow
Cathy Young	Research Associate	Distinguished Senior Fellow
James M. Buchanan (1919–2013)	Distinguished Senior Fellow	Distinguished Senior Fellow
F. A. Hayek (1899–1992)	Distinguished Senior Fellow	Distinguished Senior Fellow
William A. Niskanen (1933–2011)	Chairman Emeritus	Distinguished Senior Fellow

and Good Samaritan Laws on Opioid-Related Deaths” (Research Briefs in Economic Policy no. 78), Daniel Rees and Laura Argys of the University of Colorado-Denver, Joseph Sabia of the University of New Hampshire, Joshua Latshaw of San Diego State University, and Dhaval Dave of Bentley University find that the adoption of an NAL is associated with a 9 to 11 percent reduction in opioid-related deaths—and a 13 percent reduction when the laws allow citizens to administer naloxone as well. They do not find that these laws increase the recreational use of prescription painkillers.

INFRASTRUCTURE SPENDING MYTHS

President Trump has promised to spend \$1 trillion on infrastructure over the next decade, claiming that this will boost the economy and improve productivity. In “**Would More Government Infrastructure Spending Boost the U.S. Economy?**” (Policy Analysis no. 812), Ryan Bourne, Cato’s R. Evan Scharf Chair for the Public Understanding of Economics, makes the case that no economic arguments support the idea that this spending would accomplish either of these goals. Bourne also argues that government is a poor means of delivering infrastructure—in fact, he writes, “A rushed attempt to begin ‘shovel-ready’ projects or ‘create jobs’ will likely harm the economy in the longer term, as resources are misallocated and infrastructure is delivered in the wrong places.” Bourne suggests alternatives to bolster infrastructure, including privatization and revising regulations that make infrastructure more expensive.

THE RIGHT TO COMMERCIAL SPEECH

The Supreme Court tends to provide less protection for commercial speech than it does for other categories such as political or artistic expression. Meanwhile, academic commentary often disparages protections for commercial speech, arguing that it trivializes the First Amendment. In “**Commercial Speech and the Values of Free Express-**

sion” (Policy Analysis no. 813), Martin H. Redish, author of *The Adversary First Amendment*, mounts a vigorous defense of freedom for commercial speech. “There exists no rational basis on which to categorically set commercial speakers apart, other than the ideologically driven desire to penalize those who benefit from the capitalistic system,” he writes. It is time, he says, for the Court to explicitly acknowledge that commercial speech deserves the same footing as other kinds of expression that enjoy full First Amendment protection.

FIFTEEN YEARS OF WAR

Over 15 years after the terrorist attacks of September 11, 2001, it is clear that America’s war on terrorism has destabilized the Middle East and accomplished little in the way of making America safer. In “**Step Back: Lessons for U.S. Foreign Policy from the Failed War on Terror**” (Policy Analysis



no. 814), A. Trevor Thrall and Erik Goepner critique the failings of the War on Terror and suggest a different approach. Thrall and Goepner demonstrate that, after many years, many lives lost, and billions of dollars spent, there is no evidence that the War on Terror has made Americans safer. They argue that the failure of the war has two fundamental sources: first, the inflated assessment of the actual terror threat facing the United States, and second, the adoption of an aggressive strategy of military intervention.

TAXING AWAY INNOVATION

Are corporate taxes stifling innovation? In “**Do Corporate Taxes Hinder Innovation?**” (Research Briefs in Economic Policy no. 79), Abhiroop Mukherjee and Alminas Žaldokas of the Hong Kong University School of Technology Business School and Manpreet Singh of the Georgia Institute of Technology examine how companies

respond to corporate income tax changes in the United States. Using patents as their measure of innovation, they find that firms become less innovative following an increase in taxation of corporate income in their home state, filing fewer patents and slowing their research and development investment.

CYBERSECURITY AS FIG LEAF

For years now, China and the United States have been waging a technology trade war against one another, in the name of cybersecurity. The U.S. government has banned Chinese information and communications technology (ICT) companies and advised U.S. companies against buying their products, while China has recently passed new laws with stringent requirements for U.S. ICT companies. In “**Cybersecurity or Protectionism? Defusing the Most Volatile Issue in the U.S.–China Relationship**” (Policy Analysis no. 815), Cato’s Daniel Ikenberry argues that both countries are using cybersecurity concerns as “fig leaves” for protectionist policies. Both, he maintains, could open up trade without compromising their security.

ARE OVERSEAS BASES OUTDATED?

The United States maintains a staggering 800 military bases in 70 countries throughout the world. In “**Withdrawning from Overseas Bases: Why a Forward-Deployed Military Posture Is Unnecessary, Outdated, and Dangerous**” (Policy Analysis no. 816), Cato’s associate director of foreign policy studies John Glaser makes the case for abandoning America’s numerous bases in Europe, the Middle East, and Asia. Glaser argues that not only do these bases cost around \$180 billion a year, but also their presence can actually backfire and cause unnecessary tension with other countries. Glaser also notes that technology has largely made these bases obsolete—troops can now deploy anywhere in the world in an extremely short amount of time. ■

CATO POLICY REPORT

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“To Be Governed....”

A SMALL PRICE TO PAY FOR THE MAYOR'S OFFICE

D.C. Mayor Muriel E. Bowser's campaign committee has been ordered to pay \$13,000 in fines for taking campaign donations in excess of legal limits during her successful run for office three years ago.

—*WASHINGTON POST*, JUNE 8, 2017

IT WOULD IF SHE LOST HER JOB

“How's your job?” [Virginia gubernatorial candidate Tom Perriello] asked.

“I make \$9.66 an hour after working for years,” Candace Niles, 27, said with a sigh. “I'm a single mom with three kids.”

“Would it change your life much if minimum wage was \$15 an hour?” Perriello asked, referencing a policy he and Northam support but Republicans in the legislature oppose.

—*WASHINGTON POST*, JUNE 12, 2017

WELL, THERE'S YOUR PROBLEM

[Texas House Speaker Joe] Straus was in no hurry to impose order. He looked at the scrum of lawmakers around [Rep. Jonathan] Stickland. “Just think,” he said. “These are the people responsible for spending two hundred and eighteen billion dollars.”

—*NEW YORKER*, JULY 10, 2017

WHY IS HEALTH INSURANCE SO EXPENSIVE?

The aim of forest bathing [walking quietly in a forest], [certified Forest Therapy guide Melanie] Choukas-Bradley explained, is to slow down and become immersed in the natural environment. She helped us tune into the smells, textures, tastes and sights of

the forest. . . .

“It's my hope that the health care system will include [forest therapy] into the range of services they reimburse for,” [Amos] Clifford [the founder of the Association of Nature & Forest Therapy] says.

—*NPR*, JULY 17, 2017

NEIGHBORLY HELP UNWANTED

A Toronto man who spent \$550 building a set of stairs in his community park says he has no regrets, despite the city's insistence that he should have waited for a \$65,000 city project to handle the problem. The city is now threatening to tear down the stairs because they were not built to regulation standards.

Retired mechanic Adi Astl says he took it upon himself to build the stairs after several neighbours fell down the steep path to a community garden in Tom Riley Park, in Etobicoke, Ont. Astl says his neighbours chipped in on the project, which only ended up costing \$550—a far cry from the \$65,000–\$150,000 price tag the city had estimated for the job.

“I thought they were talking about an escalator,” Astl told CTV News Channel on Wednesday.

Astl says he hired a homeless person to help him and built the eight steps in a matter of hours.

—*CTV NEWS*, JULY 19, 2017

UNIONS DON'T GET OUR GOAT

A union has filed a grievance in response to Western Michigan University's hiring of goats to clear 15 acres (6.07 hectares) of woodland on campus.

The *Kalamazoo Gazette* reports that Kathi Babbit is the chief steward of the American Federation of State, County and

Municipal Employees local union. Babbit wrote in a July newsletter that the grievance had been filed in relation to subcontracting and the unreported use of goats.

The university hired the team of goats after a half-acre trial run last year. Officials of goat rental company Munchers on Hooves say the animal consumes 3 to 5 pounds (1.36 to 2.27 kilograms) of vegetation per day and leaves behind natural fertilizer.

—*DETROIT NEWS*, JULY 13, 2017

I WILL GLADLY PAY YOU TUESDAY, 30 YEARS FROM NOW, FOR A HAMBURGER TODAY

In Prince William, the board of supervisors is considering a proposal in which it would use bond money to build the stadium. The team would then reimburse the county the entire cost over the course of a 30-year lease. . . .

“If the team doesn't make their revenue targets—if the team is not able to pay its annual projection lease amount—there's no guarantees anywhere that they have to make up the difference,” said Pete Candalan, one of Prince William's eight county supervisors. “The taxpayers are the ones on the hook.”

—*WASHINGTON POST*, JULY 17, 2017

WHAT ARE CRONIES FOR?

Gov. Terry McAuliffe doled out some of Virginia's juiciest political plums to seven current or former administration officials and two of their wives on Friday, appointing them to boards overseeing state colleges and universities . . . in his last round of Board of Visitors picks before he leaves office in January.

—*WASHINGTON POST*, JUNE 4, 2017