

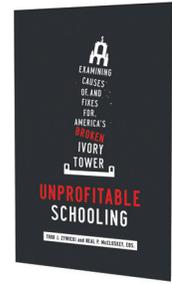
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Cato Policy Report

JANUARY/FEBRUARY 2019

VOL. XLI NO. 1

Myths and Facts of Immigration Policy

BY ALEX NOWRASTEH

Each administration has a policy that dominates its tenure in office. For George W. Bush it was foreign policy; for Barack Obama, health care. For President Trump, throughout his campaign and his time in office, that dominant issue has been immigration. Today, the biggest gap between Republicans and Democrats on any policy issue is on how to deal with the problem of illegal immigration. Trump's preferred policy of halving legal immigration and increasing deportations is new to modern American politics. Indeed, in the latest Gallup Poll only 29 percent of Americans want to reduce legal immigration. The other side, which includes many Republicans and conservatives, wants to expand legal immigration and legalize some illegal immigrants.

Policy debate too often focuses on visible costs rather than the larger but less visible benefits. When it comes to trade, the impact of cheaper imports on older industries in the Midwest attracts disproportionate attention relative to the much larger benefits to other economic sectors, consumers, and regions of the country. When it comes to guns, the statistically rare mass shooting gets more attention rather than the far larger number

of crimes prevented by Americans with firearms. When it comes to immigration, concerns about wage competition, crime, terrorism, and cultural assimilation dominate the debate while the enormous benefits are largely ignored.

FIRST PRINCIPLES AND HUMAN BEINGS

Starting with first principles is the best way to approach this issue. Devils lurk in the details, but one must understand the big

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Economists DINO FALASCETTI, GEORGE SELGIN, JIM DORN, JEFFREY A. FRANKEL, LAWRENCE H. WHITE, MICHAEL D. BORDO, SCOTT SUMNER, and WENDY LEE GRAMM, and former Cato and BB&T CEO JOHN ALLISON listen to a presentation at Cato's 36th Annual Monetary Conference.

ALEX NOWRASTEH is a senior immigration policy analyst at the Cato Institute's Center for Global Liberty and Prosperity.



BY DAVID BOAZ

“Maybe there’s room for a new political grouping, what we might call the libertarian center.”

EDITORIAL

Ronald Reagan and Us

When I graduated from college in 1975, my first job was as the first employee of Young America’s Foundation, the tax-exempt arm of Young Americans for Freedom. Forty years later, I had the honor of being invited back to speak at the foundation’s Reagan Ranch Center in Santa Barbara, California.

I told them, “I feel like I’m back home in a place I’ve never been,” because my earliest political involvements involved YAF and Ronald Reagan. I met Reagan when he came to Vanderbilt just after leaving the governorship, and I worked for his nomination at the 1976 Republican convention in Kansas City. Later, when he spoke at YAF’s national convention, and I was editor of YAF’s magazine, *New Guard*, he shook my hand and told me, “I always read your magazine.”

But not long after that I decided that I was a libertarian, not a conservative, and I went off to make a career in the nascent libertarian movement. In the years since I’ve thought a lot about libertarianism, conservatism, modern liberalism, and some much worse ideas.

Liberalism arose in the 17th and 18th centuries. In those days it was associated with John Locke, Adam Smith, the American Founders, and John Stuart Mill, among others. *Encyclopedia Britannica* defines liberalism as a political doctrine focused on “protecting and enhancing the freedom of the individual.” But in the late 19th century, and especially in the administration of President Franklin D. Roosevelt, “liberalism” came to mean activist government with high taxes, transfer programs, and economic regulations, along with a slowly growing commitment to civil rights and civil liberties.

The conservative movement began to take shape in the 1950s in response to that new form of liberalism. Conservatism, as defined by William F. Buckley, Jr., Barry Goldwater, and Ronald Reagan, offered a program of free markets, traditional values, and a strong national defense.

And where did libertarians fit in? Libertarianism is the philosophy of freedom, both personal and economic. Libertarianism is the idea that you should be free to live your life as you choose so long as you respect the equal rights of others.

Obviously, there’s some overlap there with liberals on free speech and personal freedom issues, and with conservatives on free markets and limited government. And those were the opposing factions from the 1960s until about 2015.

And then along came Donald Trump.

Trump didn’t really campaign on “free markets, traditional values, and a strong national defense.” Instead, he focused his campaign on opposition to our relatively open trade and immigration policies, with heavy reference to Mexicans, Muslims, and Chinese. He also made some typical Republican promises about tax cuts, deregulation, and judges, but the theme and tone of his campaign were very different from Reagan’s.

I’m a libertarian, but I have always believed that the best aspect of American conservatism is its commitment to the principles of the Declaration of Independence and the Constitution. Ronald Reagan spoke for that brand of conservatism. And that’s the conservatism that seems hard to find in today’s Washington and in today’s Republican Party.

Both philosophically and politically, we need to develop a defense of liberty, equality under the law, and constitutionalism.

Libertarians are well positioned to do that. We stand where we always have: for individual rights, free markets, limited government, and peace.

Maybe there’s room for a new political grouping, what we might call the libertarian center: people who are fiscally conservative and socially tolerant, who appreciate the benefits of capitalism as well as the benefits of openness and diversity.

Reagan is often remembered as a hardline conservative. But in many ways he was closer to this libertarian center than you might think. He opposed the anti-gay Briggs Initiative; welcomed immigrants; campaigned against draft registration (though he later flipped on that); and withdrew troops from the Middle East when intervention came at too high a cost in American lives.

And indeed Reagan used to say “the very heart and soul of conservatism is libertarianism.”

These are challenging times. But as long as enough Americans retain their commitment to life, liberty, and the pursuit of happiness, then Ronald Reagan’s last words to America will remain true:

I will leave with the greatest love for this country of ours and eternal optimism for its future.

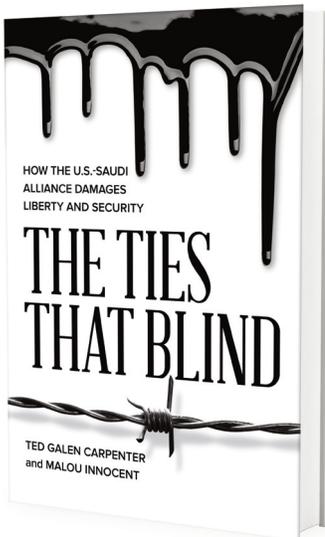
I now begin the journey that will lead me into the sunset of my life. I know that for America there will always be a bright dawn ahead.

Cato scholar makes case against toxic U.S. romance with Riyadh

Senate Reclaims War Powers, Rebukes U.S.-Saudi Alliance

Discussing the role of libertarian advocacy, Milton Friedman once explained that “When [a] crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.”

Advocating a more restrained and peaceful foreign policy often seems futile, with hawks and interventionists in both parties dominating the discussion. But by steadily making the case over many years through policy analyses, books, and events, and in the media, the Cato Institute has been able to lay the intellectual groundwork for major policy shifts in this arena. One example has been the work of Cato’s foreign policy scholars on one of America’s most problematic allies: Saudi Arabia.



In late November, the Senate took an extraordinary step in reasserting its powers over war and foreign policy. For the first time, the chamber adopted a resolution under the 1973 War Powers Act to end U.S. involvement in a foreign war. The resolution would have the effect of ending U.S. support and assistance for Saudi Arabia’s war in Yemen. The Senate had rejected a nearly identical proposal in April, but the murder of *Washington Post* columnist Jamal Khashoggi in the Saudi consulate in Istanbul has given new momentum to critics of the U.S.-Saudi alliance. This time, the Sanders-Lee-Murphy resolution was passed with

56 senators in favor and 41 opposed, despite the last-ditch lobbying campaign by secretary of state Mike Pompeo and then secretary of defense James Mattis. Even before the vote, the administration announced that it was stopping the practice of refueling Saudi warplanes en route to airstrikes in Yemen.

It’s a remarkable rebuke to the Saudis, whose privileged place in America’s foreign policy doctrine has long made them effectively immune from accountability and criticism on Capitol Hill. But it’s not a new stance for Cato, whose scholars have long questioned the wisdom of an American commitment to the oppressive theocracy. Thanks to their efforts, these ideas were ready and waiting when the politically impossible suddenly became the politically inevitable.

Ted Galen Carpenter has two chapters on U.S.-Saudi relations in his 2015 book *Perilous Partners*. In light of the sudden developments in late 2018, Cato was able to quickly bring these chapters to print in a special stand-alone volume with a new introduction by Carpenter, *The Ties That Bind: How the U.S.-Saudi Alliance Damages Liberty and Security*. As Carpenter explains in the introduction, “The reality is that the United States has no truly vital interests in the Middle East that warrant the kind of distasteful moral compromises that are inherent in maintaining an alliance with Saudi Arabia.”

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Cato News Notes

CATO SCHOLARS’ BOOKS FEATURED IN YEAR’S-BEST ROUNDUPS

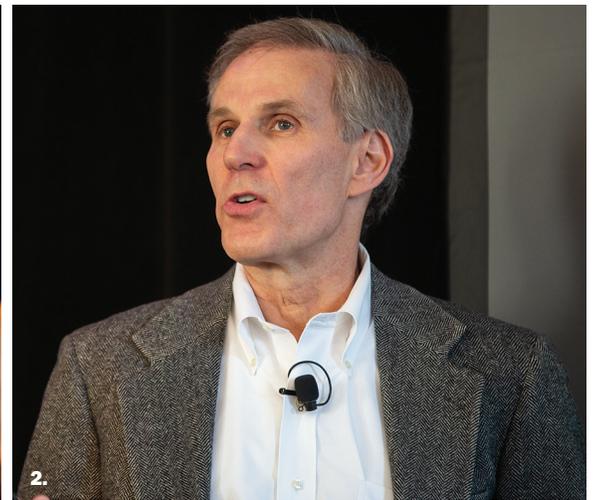
Books by Cato scholars have received praise in end-of-the-year roundups by leading periodicals. Former congressman James Bacchus, an adjunct scholar at the Cato Institute, was included in the *Financial Times* list of “Best Books of 2018” in the category of economics for his recent release *The Willing World: Shaping and Sharing a Sustainable Global Prosperity*. Another Cato adjunct scholar, Timothy Sandefur, was noted in the *Wall Street Journal’s* “Who Read What in 2018” for his biography *Frederick Douglass: Self-Made Man*, released last year to coincide with the bicentennial of Douglass’s birth. Sandefur’s book was selected for inclusion by the noted Lincoln scholar Allen C. Guelzo.

CIVIL RIGHTS COMMISSION RELIES ON CATO RESEARCH

In November, the United States Commission on Civil Rights released a landmark report, *Police Use of Force: An Examination of Modern Policing Practices*. The report repeatedly cites both the testimony and the research of Cato’s Jonathan Blanks on issues such as the need for better data on police use of force and the ways in which excessive use of force hinders community relations. In addition, the commission cited and expressed agreement with the concerns raised by Cato’s Clark Neily, vice president for criminal justice, on the need to roll back the doctrine of qualified immunity, which shields police from civil liability for violations of constitutional rights.



CLARK NEILY (left), Cato's vice president for criminal justice, moderates a policy forum on coercive plea bargaining, featuring SOMIL TRIVEDI (right), staff attorney for the ACLU's Trone Center for Justice and Equality.



In October, the Cato University College of Economics brought attendees together for an intensive three-day seminar in Boston. 1. LYNNE KIESLING of Purdue University speaks on spontaneous order. 2. JEFFREY MIRON of Harvard University, Cato's director of economic studies, gives a presentation. 3. DEIRDRE NANSEN MCCLOSKEY of the University of Illinois-Chicago during a panel with Kiesling. 4. Audience members participate in a question and answer session.



At a Cato book forum in October, authors GREG LUKIANOFF and JONATHAN HAIDT discuss *The Coddling of the American Mind: How Good Intentions and Bad Ideas Are Setting Up a Generation for Failure* with moderator EMILY EKINS.



Historian STEPHEN KOTKIN of Princeton University delivers the Joseph K. McLaughlin Lecture in November on the topic of “Stalin’s Propaganda and Putin’s Information Wars.”



In October, Cato scholars participated in the World Trade Organization’s Public Forum 2018 in Geneva on the future of international trade under rising populism. Left to right: JAMES BACCHUS, SIMON LESTER, DAN IKENSON, INU MANAK, and trade lawyer SCOTT ANDERSEN, managing partner at Sidley Austin.

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picture before confronting them. On the individual level, immigration is a voluntary series of exchanges between an American and a foreign-born person. An immigrant who rents property, sells his labor to an employer, and buys goods and services from other willing sellers is engaged in mutually beneficial economic exchange. Down the line, he could start a business, file patents, buy a house, and have American-born children who will also voluntarily exchange with other Americans.

Voluntary exchanges are positive-sum for the participants. Claims of exploitation are, except for slavery or other forms of involuntary servitude, often disagreements over the dollar amount of wages voluntarily offered and accepted in a market. The geographic location of the birth of the parties who voluntarily exchange goods and services is irrelevant to whether the outcome is positive-sum, for both the participants and society's total output. American institutions of private property, contract rights, and cultural norms iron out the rest of the details to such an extent that violence or other costly problems rarely arise.

Our analysis rarely ends with first principles because human beings and the world are complex. The effects of a market for loaves of bread are easy to analyze, but liberalizing the sale of labor across borders means that workers must move here. Unlike loaves of bread, those immigrants can bring bad things with them, such as crime, terrorism, and cultural beliefs and practices that are incompatible with a free society. These concerns are real, legitimate, and critical to understanding whether there actually are benefits to liberalizing immigration laws. Fortunately, crimes and terrorist attacks committed by immigrants are less common than media coverage might lead you to believe. One of the core functions of government is to protect our lives, liberties, and private property. A more restrictive immigration system will weaken, not strengthen, the government's effectiveness at fulfilling those functions.

“Immigrants of all skill levels expand the productive potential of Americans.”

THE ECONOMICS OF IMMIGRATION

The wealth produced by immigration is vast and the potential of further liberalizations makes other policy reforms look rather minor by comparison. The median immigrant from a developing country can expect a fourfold increase in their economic output by working here. American capital, security, and freer markets make them that much more productive with virtually all of the gains captured by the U.S. economy. Economist Michael Clemens wrote that even small immigration liberalizations are potentially worth trillions of dollars in economic output as immigrants move from countries where they are unproductive to ones where they have tremendously higher output. He described that wasted opportunity as akin to leaving “trillion-dollar bills on the sidewalk.”

After they arrive, immigrant workers, entrepreneurs, and investors increase the productive possibility of the U.S. economy and currently account for about 11 percent of all economic output. Crucially, they do so with very little impact on the wages of native-born American workers. According to the most negative estimate in the peer-reviewed academic literature, immigrants increased native wages by 0.6 percent overall and caused them to fall for high school dropouts by about 1.7 percent from 1990 through 2010. Other estimates find similar overall wage effects for all American workers, but the wages of native high school dropouts rose by 0.6 percent. Immigration is the only policy where pundits argue heatedly over a price difference of 2.3 percentage points for the small number of American workers who are high school dropouts. Not every American worker in every occupation is untouched by immigrant wage competition, but immigration has an overall positive effect on the wages of Americans.

Immigrants also add to our economy by starting businesses and innovating. According to the Kauffman Foundation, immigrants are twice as likely to start a new business as native-born Americans. Large firms such as Google and Intel were cofounded by immigrants, but many smaller businesses are, too. In California, the large number of Hispanic low-skilled immigrants is reflected in the state's entrepreneurship figures: about half of the entrepreneurs are high school dropouts. Immigrants were 36 percent of New York City's population in 2011 but they owned 48 percent of that city's small businesses.

In 2006, about 24 percent of international patent applications from the United States had at least one noncitizen inventor. That high rate of patenting undercounts the patent contributions of immigrants by excluding those who became U.S. citizens, as highly skilled immigrants are wont to do. Economists Jennifer Hunt and Marjolaine Gauthier-Loiselle found that a 1 percentage point increase in college-graduate immigrants as a share of the population increases patents per capita by 9 to 18 percent.

Immigrants of all skill levels expand the productive potential of Americans directly and our personal family options. Immigrant child-care workers help boost the labor market participation of American women while also increasing their fertility, allowing Americans the option of fulfilling careers and larger families. Far from replacing us, immigrants help us multiply more than we otherwise would under an alternative legal regime of even tighter immigration regulations.

A larger American population is an economic blessing, whether it happens directly by the immigrants themselves and their children or indirectly through their positive impact on native fertility. The late economist and Cato Senior Fellow Julian Simon was known for his cornucopian vision of humanity which valued people as the ultimate resource. According to Simon, there are lasting economic benefits from continuous population growth that can overcome the scarcity

“Western tradition is full of exhortations to welcome immigrants.”

of the natural world by boosting human ingenuity, discovering substitutes, and developing new technology all made possible by more human minds working together. And so, he concluded, immigration is also a blessing.

The current gains from immigration are small compared to what they could be under a more liberalized system. Potential immigrants and Americans are unable to take advantage of most of the voluntary exchanges available to them, leaving a vast economic potential unrealized simply because of our severely restrictive immigration laws.

THE AMERICAN IMMIGRATION TRADITION

Our traditional open immigration policy and national mythology obscure just how restrictive the current U.S. legal immigration system is. Elizabeth Hull of Rutgers University wrote that, “With only a small degree of hyperbole, the immigration laws have been termed ‘second only to the Internal Revenue Code in complexity.’ A lawyer is often the only person who could thread the labyrinth.” There is no way to immigrate on a permanent basis except for those who are closely related to Americans or for the 140,000 skilled immigrants and their immediate family members, a small number of refugees and asylum seekers, and about 50,000 winners of the so-called green card lottery. The small number of guest worker visas for temporary jobs in agriculture or leisure industries is woefully insufficient and too regulated to substitute for the paucity of green cards.

About one million legal immigrants come annually, the same number as in 1910, when the United States had about 71 percent fewer people. Adjusting for the size of the U.S. population, annual immigrant flows today are only about one-fourth the per capita annual flow in 1910. Altogether, about 13.7 percent of residents in the United States today are immigrants, according to the New American Community Survey data for 2017. If this legal system existed during the first century after the signing of the Constitution

then far fewer of us would be here today.

Public belief about the current state of our immigration laws bears almost no relation to reality. I gave a speech several years ago in Arizona where an elderly woman came up to me afterward and said, “Why don’t illegal immigrants go to the Post Office to register and become legal?” During our conversation, she revealed that she thought the Ellis Island system of open immigration was still in operation and that it was simple to legally immigrate to the United States except for criminals, national security threats, or those who were ill.

With such an incorrect belief about the state of the law, no wonder she was so worried by illegal immigrants! After all, if it was easy to come legally or to legalize after arriving, then only those who had something nefarious to hide would refuse to do so. The saddest part of my job is explaining to people like her that Ellis Island closed long ago and that it is impossible for most immigrants who would want to come here to do so legally.

Our immigration laws contrast sharply with our image of America as a land of immigrants. The notion that “anybody can become an American” is deeply ingrained in our culture but not in our policy. Former president Ronald Reagan was fond of quoting a letter he received that described the result of our cultural and historical openness toward immigration that read: “You can go to Japan to live, but you cannot become Japanese. You can go to France to live and not become a Frenchman. . . . Anybody from any corner of the world can come to America to live and become an American.”

The tens of millions of immigrants who have arrived over the course of our nation’s history have produced a country where we

don’t define membership by blood, race, or ethnicity. Indeed, the sheer diversity of our country would make such a standard ludicrous. Openness to immigration and the belief that anybody can become an American if they believe in certain principles is itself an important component of our culture.

Our cultural openness to immigration goes even further back than the early decades of the United States. Hillsdale College history professor Bradley J. Birzer wrote that “it is nearly impossible to claim that there is a long tradition of excluding those who ‘aren’t us’ through immigration restrictions. Western tradition is full of exhortations to welcome immigrants, from the commands of Zeus in Homer’s *Odyssey* to the Bible, and the most successful civilizations were always the most open in this and other respects. Athens allowed guest workers and occasionally naturalized large groups of foreigners. Rome filled its legions, the ranks of the Senate, and even the Imperial residences with the descendants of immigrants who became Roman citizens. Roman strength of arms conquered much of the known world, but Roman naturalization, immigration, and assimilation policies cemented its rule for centuries.

The authors of the Declaration of Independence complained that King George III “endeavoured to prevent the Population of these States; for that Purpose obstructing the Laws for Naturalization of Foreigners; refusing to pass others to encourage their Migrations hither.” The American colonists were upset that immigration was unduly restricted and that naturalization laws made it difficult for them to buy land and be productive in their new home. After the creation of the United States, we had essentially open immigration until the Chinese Exclusion Act of 1882. Our government’s turn against legal immigration is a relatively recent one that contrasts mightily with our history and heritage.

THE COSTS OF IMMIGRATION

The murders of Kate Steinle and Mollie Tibbetts by illegal immigrants were ghastly

crimes. Every murder is a tragedy, but it feels worse when the murderer was not supposed to even be in the United States. Nobody can read about these crimes and not feel anger and disgust toward an immigration and law enforcement system that could have prevented these crimes from happening in the first place. Crimes like these tear at our hearts, and need to be minimized and the perpetrators punished to the fullest extent of the law. But we also need to compare the costs of these infrequent tragedies to the benefits of immigration.

Immigrants are less likely to be incarcerated than native-born Americans, are less likely to be convicted for crimes, and are less likely to be arrested—all results that have held for about a century. This even extends to illegal immigrants who, based on detailed conviction data from the state of Texas in 2015, have a 50 percent lower criminal conviction rate than native-born Americans. In the same year in Texas, the legal immigrant criminal conviction rate was 66 percent below that of natives.

Critics also blame immigrants for terrorism, but the risk of being murdered in a terrorist attack committed by a foreign-born person on U.S. soil was about one in 3.8 million per year from 1975 through 2017. It is important to continue to vet immigrants and other visitors for crime and terrorism. From 2002 through 2016, only about 1 in every 29 million visas issued by the U.S. government went to a foreign-born person who was radicalized *before* coming to the United States. The terrorist threat is real, small, and largely kept at bay through the current vetting procedures in the American immigration system.

Cultural change or the perceived lack of immigrant assimilation is at the root of much opposition to immigration. From our individual perspectives, assimilation into American culture appears nonexistent because we hear different languages every day on the streets of American cities, see different clothes, smell different foods, and it does not appear to diminish year by year. Assimilation moves slowly and almost imperceptibly over multiple

“Benjamin Franklin was especially worried about the Germans.”

generations, just as was the case in the 19th century. The good news is that today's immigrants, their children, and grandchildren are about as assimilated into America's culture and economy as were those a century ago. Economist Jacob Vigdor even noted in one study published by the Free Market Institute of Texas Tech University, “Basic indicators of assimilation, from naturalization to English ability, are if anything stronger now than they were a century ago.”

Multiculturalism or other left-wing cultural movements aren't currently weakening assimilation, but they could if two other facts change. The first is that the public schools would have to become effective at teaching these ideas—and they have a hard-enough time teaching children to read as it is. There is no evidence that government attempts to encourage assimilation in the early 20th century worked, and some evidence that they actually backfired and slowed assimilation, so it's unlikely that government attempts to do the opposite would succeed today. The second is that modern multicultural groups would have to be more effective than those in the past. I have attended large meetings of La Raza and they were conducted in English—and that was before they changed to the less polarizing name of UnidosUS, another sign of assimilation into mainstream American culture. They are tame compared to the ethnic lobbies of the past.

The Knights of Columbus was a charity, mutual aid society, fraternal organization, and powerful ethnic lobby in the early 20th century that pushed to create the new holiday of Columbus Day to honor Italians, the largest new immigrant group at the time. From its first celebration by Italian immigrants in New York in 1866 to today, Columbus Day

has been a point of ethnic pride for many Italian Americans. American conservatives who are most opposed to the corrosive effects of multiculturalism today defend Columbus Day against a modern multicultural lobby that wants it abolished. And that point of ethnic pride is minor compared to the National German-American Alliance in the late 19th and early 20th centuries that actively *opposed* assimilation and learning English.

Immigrant ethnic lobbies were prominent even during the Founding era. During the first congressional elections in 1788, Germans in Pennsylvania demanded representation in proportion to their percentage of the population. Nobody made legal changes to ensure ethnic representation, but enough candidates were German to satisfy that important constituency. Benjamin Franklin was especially worried about the Germans and he was not pleased by political attempts to appeal to that ethnic minority. He wrote, “Why should Pennsylvania, founded by the English, become a Colony of Aliens, who will shortly be so numerous as to Germanize us instead of our Anglifying them, and will never adopt our Language or Customs, any more than they can acquire our Complexion.” Had Franklin lived longer, perhaps he would have seen that German immigrants and their descendants assimilated well and defended so many of the freedoms that the Founding Fathers fought for. German Americans reemerged frequently as a voting bloc throughout American history to oppose slavery, anti-Catholic laws, anti-immigrant movements, and legislative efforts targeting their freedom. Today's immigrant groups and their American-born children engage in the same activities and American political parties treat them in the same way.

It is a testament to the universal appeal of the values of the American Founding, expanded over time, that so many individuals of so many different origins can describe themselves as American even though many also add an ethnic, religious, or cultural

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Anchors Awry: The Jones Act Debate

For nearly 100 years the Jones Act has restricted the transportation of cargo between two points in the United States to ships that are U.S.-built, U.S.-crewed, U.S.-owned, and U.S.-flagged. In December, Cato's Project on Jones Act Reform hosted a daylong conference bringing together industry and policy experts to discuss the law and its consequences. The day's discussions concluded with a debate between a defender of the Jones Act, George Landrith, president and CEO of the Frontiers of Freedom Institute, and reform advocate Rob Quartel, CEO and chairman of NTELX.

GEORGE LANDRITH: I'd like to begin by placing the Merchant Marine Act of 1920 in context very quickly. After World War I, Congress felt that the United States had been unprepared, and that they didn't want to be unprepared again. So they put in place what's become known as the Jones Act. It was designed to make sure we had sufficient shipbuilding and ship repairing capacity, as well as a robust merchant marine, so that we would be better prepared for potential conflicts in the future.

The Jones Act applies to the movement of goods *within* the United States. About 98 percent of the goods that come into the United States come in on foreign-flagged ships; they can do that. But what they can't do is then make other stops at U.S. ports. To do that you have to be a U.S.-built and U.S.-flagged ship, and you also have to be crewed by Americans. This policy has its roots in our Founding. This is not some relatively new kind of big-government program. The first cabotage law was passed as the fourth act of the very first Congress. That Congress included many of the signers the Declaration of Independence and the Constitution. These were not big-government types. But they understood the importance of developing a sea-faring capability.

Adam Smith, the father of modern free-market economics, and obviously a great promoter of free trade, supported the British version of the Jones Act. In *The Wealth of Nations*, he talks about it. It was the British Nav-

igation Act, and he said that it was important for defense because they would need capable sailors, and they'd need the ability to ship military ships and maintain a navy. I'm very comfortable standing with Adam Smith and the Founders on this issue.

Now the question is, does the Jones Act significantly increase costs to consumers as some of its detractors claim? There really is no clear evidence of that. I understand that, in theory, there can be some modest costs, but they're difficult to determine with any reasonable certainty. One of the reasons is that any alleged costs are very small and it's hard to detect and track those kinds of minuscule movements. A Government Accountability Office report found that it was entirely unclear what, if any, impact the Jones Act had on costs.

When detractors say cost differentials are large, it's usually because they take the shipping rates from South Korea and then compare them to our shipping rates and they say, in effect, "Theirs are lower. So that's the price we would get." But of course, if they start shipping within the United States they'll have to comply with U.S. laws, regulations, taxes, and other things, so their prices would go up. So this methodology is faulty and creates false and entirely unreliable comparisons.

Now, I want to get to why the Jones Act actually makes a lot of sense. It's important from a national security perspective. Vice Chair of the Joint Chiefs of Staff Paul Selva

supports the Jones Act. After pointing to the benefits, such as a vibrant shipbuilding industry and that we have these qualified mariners, he asked the question, "Why would I tamper with that?" General James McAdoo of the Air Force Reserve points out that the sealift capability is important, and that without that they really can't supply our soldiers and make sure they are in the place they need to be. Coast Guard Commandant Paul Zukunft, who recently retired, argues that repealing the Jones Act would eventually lead to our shipbuilding industry going away, and that eventually our fleet would not have the things that it needs to prevail. These are America's top generals and admirals saying we need the Jones Act to maintain our defenses.

History also teaches this lesson. Napoleon left Paris with almost 700,000 troops—the finest army the world had ever seen. His military was superior to every opponent they faced while marching toward Moscow. But because they had a long supply chain that was not able to maintain itself, they slowly wore down and began to meet with defeat from inferior forces. They began a full retreat and by the time they got back to Paris, he only had about 27,000 troops who could fight. That's pretty amazing—the world's greatest army was so resoundingly defeated because it could not supply itself. And it changed the balance of power in Europe for the next hundred years.

So the point is, the Jones Act is important; it's not just some silly, antiquated idea. We must be able to supply our troops with the things that they need to defend us and to prevail. In today's world, that means having a shipbuilding and ship repairing industry and having trained and experienced mariners.

The Jones Act is also taxpayer friendly. The Navy has all sorts of warships. They've got submarines. They've got aircraft carriers. But what they don't have is a lot of ships

that are designed to carry goods to the troops. So when we mobilize, we need these ships, and to build that capability, it has been estimated, would be a \$65 billion proposition. Right now, we get that essentially at whatever nominal cost we see in shipping rates, and that's very important.

Since September 11th, the Jones Act has taken on some other importance: it helps us with homeland security. The Coast Guard points out that without the Jones Act their job would be much more difficult. We have frontline ports that are used for international trade, and that's where we put most of our assets to protect the country and to make sure that we're keeping an eye on what's coming and going. Once you get inland, you're inside that defensive ring where we don't put a lot of assets, so we rely on our Jones Act vessels. There are about 40,000 Jones Act vessels of various sizes and shapes. Their crews are trained, background checked, and vetted, and they are keeping an eye out for suspicious activity. That becomes an important part of our nation's layered homeland defense.

Joan Mileski, head of the maritime administration department at Texas A&M University, argues that if you were to have foreign-flagged ships just sailing with an unknown crew anywhere in the United States, up the Mississippi, for example, homeland security becomes a real problem.

The Coast Guard points out that repealing the Jones Act would leave us vulnerable to terrorist acts within our ports and waterways, and it would give our enemies the means of transporting the terrorists and the material they need to commit acts of terrorism virtually everywhere.

The border with Mexico is about 2,000 miles. We have more than 25,000 miles of navigable waters, and if you basically turn all of those into entry points, I'm not sure how you guard every possible entry point. The Jones Act effectively becomes a virtual wall for these inland waterways and the holes that would exist there. The Customs and

Border Protection Jones Act Enforcement Division specifically makes that point. This is an important point. Part of the reason this is important is because we do have an Achilles' heel. There's a study done by the Department of Homeland Security that determined that the Poe Lock, which is by the



GEORGE LANDRITH

“This policy has its roots in our Founding. This is not some relatively new kind of big-government program.”

Great Lakes, if it were damaged through some sort of attack, could bring a recession to the United States. Just that one act could cause 11 million people to be unemployed, and for those who were lucky enough to keep their jobs, they would see reduced economic opportunities because of the overall impact on the U.S. economy.

So it's very important that these national security and homeland security benefits not be just dismissed as theoretical. I am very happy to risk buying T-shirts from an unreliable foreign supplier, because we'll survive that. But I don't want to get my missile de-

fense from someone I can't rely on. Expecting foreign ships and foreign crews to protect America's heartland is simply not realistic.

In conclusion, I just want to reiterate three important points. One, our nation's Founders and Adam Smith supported cabotage laws that are very much like the Jones Act. Two, to maintain our national security and our military strength, we must have trained mariners and the ability to build and repair ships. Three, no one should be willing to give hostile foreign governments, rogue actors, and terrorists access to our heartland and to our infrastructure in hopes of obtaining some unrelated theoretical and unsubstantiated boon.

ROB QUARTEL: The reality is the Jones Act is not the same thing as the 1920 Merchant Marine Act. The Merchant Marine Act of 1920 was, as George said, intended to rebuild the fleet. But the Jones Act, in Section 27 of the Merchant Marine Act, was actually an afterthought. No committee heard it. No one debated it on the floor. It was done solely to protect railroads operating on the West Coast, Sen. Wesley Jones's constituents, from competition from foreign ships. And from a purely economic standpoint, that's something that has been very effective. The Jones Act has essentially raised the cost of shipping above the cost of rail and trucks, so it has actually moved cargo, as was intended, from ships to rail.

The Jones Act is not about national security; it never was intended to be. I'm really amused by the reference to Adam Smith and the Founding Fathers. One of the things that caused the Revolution was the Navigation Acts, because they so restricted trade with the colonies. And one of the things the Founders decided was that they were not going to do Navigation Acts. What they did do is create a form of cabotage that restricted shipping in between ports in the U.S. to American-flagged ships. But the definition of American-flagged ships in those days was not that they had to be built in the

United States and owned by Americans, etc. So it was a very different set of qualifications than the restrictions imposed by the Jones Act today.

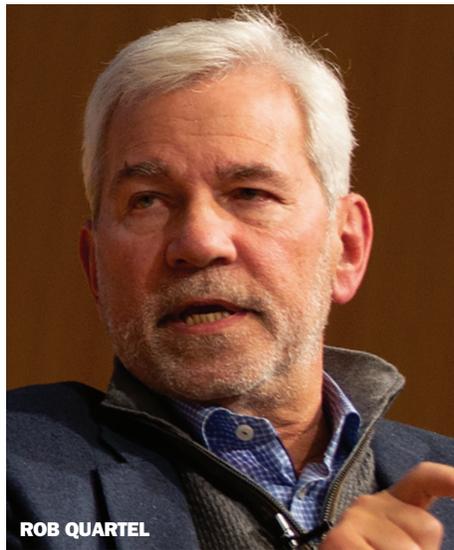
The reference to Napoleon is interesting, too. If you remember, there's a great chart of the size of Napoleon's army. It's a classic of data analytics. It shows the army starting out in Europe as very large. And then as he moves through the continent, it gets smaller and smaller. He entered Russia with almost 700,000 troops and ended up with about 22,000. But they were nowhere near where a ship could deliver cargo, so that was not the problem with their supply lines. They didn't have enough horses. They were in the middle of winter, in the middle of the continent, and it had nothing at all to do with ships. So it's a great example of supply line requirements, but it has nothing to do with ships.

The Jones Act, in fact, does raise the cost of consumer goods in markets where it actually is in play. It does raise the cost of shipbuilding; we know that for a fact. We know it raises numerous other associated costs and makes it impossible for certain businesses to compete, such as timber, for example. We used to have a very robust timber industry in the United States, and they were one of the leaders of the Jones Act Reform Coalition. One of the reasons is that they could no longer ship timber on timber vessels, because there were no deep-draft, self-propelled, over-1,000-ton ships to carry their timber. So they basically moved their timber-growing operations offshore to foreign countries, and they'd bring the timber back to the United States. Or they would ship American timber to Canada, and now we have a trade dispute with Canada partly as a consequence of that.

If you believe that the Jones Act supports the military, that's wrong for three reasons. It supposedly provides a lot of crew. It supposedly provides ships for those crews to sail on during peacetime, and it supposedly provides shipbuilding to build ships in peacetime, as opposed to simply for warships. The Jones

Act fails the test on these things completely.

George mentioned there were 40,000 ships—that term, I wrote it down, ships—in the U.S. fleet. There are not 40,000 ships. There are probably 39,650 barges. There may be 300, close to 300, actual ships and there may be 80, if there are that many, Jones Act



ROB QUARTEL

“The Jones Act is not about national security; it never was intended to be.”

ships. Ships are very different from barges. One of the things that is problematic for customers under the Jones Act, and in fact the entire American maritime industry, is that this is an industry that doesn't care about its customers. It doesn't care what they want. When a grain producer wants to put his grain on a grain ship, they offer him an oil tanker instead, because they don't have any grain carriers. When the cattlemen want a specialized cattle ship to carry their cattle to the mainland to the feed lots, they put them in “cow-tainers,” half containers, because there are no longer any ships that are built to carry cattle.

Industry after industry after industry is like that, as the fleet has shrunk. So, why has the Jones Act actually destroyed the fleet?

Because the restrictions have essentially eliminated a competitive market for shipbuilding, which we haven't had since about 1865 when they began the switch from tall masts to steel and engines. Because the costs are so high for an American ship, it's a vicious cycle. An American ship costs anywhere between three and eight times what a ship costs overseas. We know that American shipyards can't build large ships. They can build tugboats. They can build service ships for oil rigs and they can build barges competitively, but they can't build the big ships that we really need for trade, nor can they very well build the big ships we really need for the military at reasonable cost.

So when you start looking at it and breaking down the costs of shipping, like in Hawaii, the biggest factor raising the cost of shipping is in this cost of the capital equipment, meaning the ship itself, which is many times the cost on the world market. And then after that is labor.

There had been a lot of talk earlier about repealing the Jones Act, and there was a reference to the Jones Act Reform Coalition. The Jones Act Reform Coalition did not call for repealing the Jones Act. What it called for was treating this industry like every other national critical transportation industry in the United States, meaning you can buy your equipment from anywhere you want to buy it. The ship can be owned by anybody who wants to own it, as long as they're an American corporation. To be an American corporation you don't have to be an American; you just have to incorporate in the United States. So those are the key factors we would retain. But the Jones Act Reform Coalition basically said, you can buy your ships anywhere you want. You can finance them anywhere you want. You have to register in the U.S. if you're going to do business here, like any other U.S. corporation.

Even without the shipbuilding provisions of the Jones Act, when you're doing business in the United States, you would still have to use U.S. labor. And of course you have to

obey OSHA [Occupational Safety and Health Administration] and all the other regulatory requirements.

But, by the way, American requirements are not quite as tough as requirements in the shipping industry anywhere else on the planet. We are all signatories to international treaties, and the United States actually had to upgrade its standards when we signed those treaties. We do have occasionally different shipbuilding standards, but they're really things like putting a fire hydrant on this side of the ship versus on that side of the ship. If you have any engagement in shipbuilding, you really can't find anything substantial between our ships and anybody else's ships on that basis. George's reference to that in his remarks is a complete shibboleth.

Regarding homeland security: I actually know a little bit about homeland security. I was the guy who figured out that ocean shipping containers could be weaponized and came up with a paradigm that we now use, which is not to physically inspect containers but to use the data associated with containers. Our company created systems of predictive analytics and artificial intelligence. And the government uses this paradigm of taking the data, running analysis against it to figure out who the likely "bad actors" are, and then targeting those people who were suspect.

Foreign-flagged ships travel up the Mississippi every day. They travel into the Great Lakes. They travel all the rivers of our country. They are in our ports. As George said, 98 percent of the capacity of the trade of the United States is on foreign ships. They don't sit offshore, nor do their crews. They come into the ports. They come into the cities. The crews get off the ship. They walk all around. They are licensed, just like ours are licensed. So, the notion that the Secretary of Homeland Security said that this is a wall or a barrier is, intellectually, completely ludicrous.

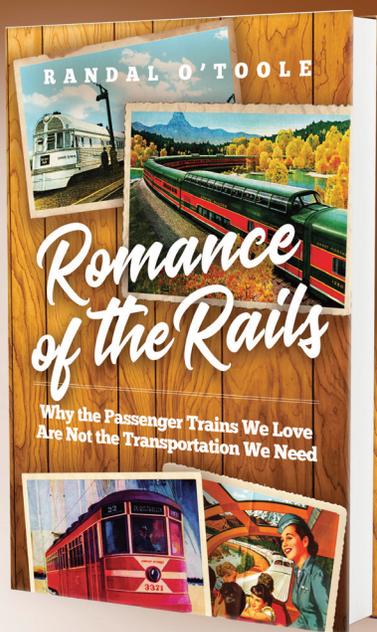
So to me, this is really an example of what's

wrong with this conversation: a lot of assertions that are misleading and have nothing to do with fact, a lot of so-called facts but they aren't the full facts. One of the things you hear frequently is that a quarter-million jobs in the maritime industry are dependent on the Jones Act. Well, no they're not. There may be a quarter-million people operating in U.S. ports—the guys putting the cargo on, running the trains back and forth, and all of these kinds of things. But remember, 98 percent of what comes in and out of American ports is on foreign ships. So just the remaining 2 percent gets you to about 4,800 people. In the passenger service industry, it's about

650 people. Or actually, in the Jones Act segment of the industry, it used to be those numbers maybe 30 years ago. It's probably almost no one today.

If you continue down the path of the Jones Act, what you're going to see is the complete elimination of the U.S. Merchant Marine, because it will continue to get more and more expensive. Shipbuilding on the commercial side will continue to decline as it has now for 65 years. We really do have to reform it, and the way to do that is just to make the industry comply with all the other rules that the rest of us do in daily life, without any special restrictions. ■

Are we being taken for a ride?



“Finally, a book that captures the excitement of rail travel without losing sight of economic reality. O’Toole has given us a primer on the history of passenger rail and rail transit, and a careful look at the future viability of both.”

—ROBERT POOLE
*Director of transportation policy,
Reason Foundation*

Newly published by the Cato institute, this book is a rich history of rail in America, an exposé on the government funds pouring into inefficient and outdated rail projects, and a guide to solutions to the transportation challenges we face.



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AND IN BOOKSTORES NATIONWIDE.

“Trump as Destiny: Why a Reality Show President Was Inevitable”

Intern Alumnus Makes Case against Superhero Presidency

In November, Cato hosted the special premiere screening of *Trump as Destiny: Why a Reality Show President Was Inevitable*, a new short documentary created for We the Internet TV by former Cato intern and filmmaker Rob Montz. Gene Healy, vice president of the Cato Institute, hosted the screening and after-film discussion. Healy was also interviewed throughout the film, which builds on many of the themes of Healy’s 2008 book *The Cult of the Presidency: America’s Dangerous Devotion to Executive Power*.

Through this fast-paced documentary aimed at young online audiences, Montz lays bare a dynamic that is often an unremarked background assumption of American politics: the messianic, all-encompassing obsession with the presidency. As a cultural phenomenon, presidents have placed themselves firmly at the constant center of attention. On policy matters, presidents have usurped vast powers from the legislative and judicial branches. The office has become exactly what the Framers hoped to avoid: an elective monarchy occupied by demagogues with nearly unlimited power.

Presidents of both parties have spent most of the past century holding themselves out as a combination of national entertainment figure and strongman savior. Instead of “characters pre-eminent for ability and virtue” as envisioned by Alexander Hamilton



Former Cato intern ROB MONTZ narrates his film *Trump as Destiny*, outlining the history of the imperial presidency and how chief executives have long used the office to manipulate public opinion.

in *Federalist* no. 68, the office has become tailor-made for celebrities with dubious qualifications. It was only a matter of time, then, before a pop-culture celebrity claimed the office with a focus on the performative aspects of the modern presidency. In this understanding, the current chaotic administration is less of a break from tradition and more of an inevitable culmination of presidential aggrandizement from FDR to Obama.

Cato’s internship program is highly competitive, and interns work closely with policy

scholars in their assigned departments. All interns also complete an intensive seminar program covering both professional development and libertarian policy perspectives. Many former Cato interns have gone on to successful careers in public policy advocacy, and the institute is always pleased to showcase the results of its investments in the next generation of liberty advocates. ■

TRUMP AS DESTINY CAN BE FOUND ON WE THE INTERNET TV’S YOUTUBE CHANNEL, AND THE DISCUSSION WITH ROB MONTZ AND GENE HEALY CAN BE VIEWED ON CATO’S WEBSITE.

Continued from page 8

identifier. The specific additional identifier used may seem very important today but will lose meaning to future generations as the inexorable friction of assimilation, intermarriage, cultural change, and the constant addition of new identifiers supplants the older ones in importance. Such is the pattern of assimilation in the United States—yesterday, today, and by all indications, tomorrow.

APPRECIATING THE BENEFITS, CUTTING THE COSTS

The government should focus on reducing the risks of crime and terrorism committed by immigrants, but we should not let such a focus blind us to the enormous gains from immigration and the need to expand them. Our restrictive immigration laws contrast sharply with American traditions and limit our ability to benefit from the voluntary

and peaceful movement of people across borders. American culture is globally dominant, and our freedom and prosperity are still hailed as models for others. We should make it easier for people to come here legally. For that to happen, it would be helpful if media coverage focused less on real but rare problems and more on the broad benefits of immigration to our economy and society. ■



Panelists discuss the case against mandatory paid parental leave at a Cato Capitol Hill briefing. Left to right: VANESSA BROWN CALDER, Cato policy analyst; EMILY EKINS, Cato director of polling; VERONIQUE DE RUGY, senior research fellow at the Mercatus Center; and RACHEL GRESZLER, research fellow at the Heritage Foundation.



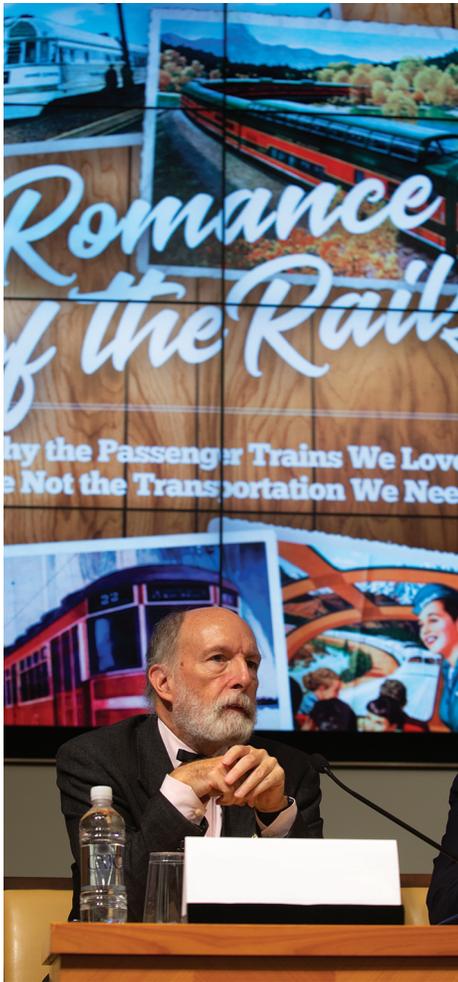
MUSTAFA AKYOL, senior fellow at the Cato Institute's Center for Global Liberty and Prosperity, speaks at a policy forum on China's systematic oppression of Uyghur Muslims.



Former U.S. senator PHIL GRAMM (top) spoke at Cato's 36th Annual Monetary Conference, introduced by fellow Texan and outgoing House Financial Services chairman JEB HENSARLING (bottom).



STEPHEN M. WALT, professor of international affairs at the Harvard Kennedy School of Government, signs copies of his book after a Cato forum for *The Hell of Good Intentions: America's Foreign Policy Elite and the Decline of U.S. Primacy*.



Cato senior fellow RANDAL O'TOOLE takes questions at a book forum for his latest release, *Romance of the Rails: Why the Passenger Trains We Love Are Not the Transportation We Need*.

OCTOBER 1: The Federal Role in Public Transit

OCTOBER 1: *The Coddling of the American Mind: How Good Intentions and Bad Ideas Are Setting up a Generation for Failure*

OCTOBER 2: The Future of Public Transit

OCTOBER 5: Trump's Attack on the Trade Regime: A Search for Solutions

OCTOBER 10: *Romance of the Rails: Why the Passenger Trains We Love Are Not the Transportation We Need*

OCTOBER 12: Cato Institute Policy Perspectives 2018, New York

Cato Calendar

CATO INSTITUTE POLICY PERSPECTIVES 2019

NEW YORK • INTERCONTINENTAL BARCLAY • MARCH 1, 2019

Speakers include Phil Gramm, Michael Tanner, and Michael Munger.

HARM REDUCTION: SHIFTING FROM A WAR ON DRUGS TO A WAR ON DRUG-RELATED DEATHS

WASHINGTON • CATO INSTITUTE MARCH 21, 2019

Speakers include Edward Rendell, Maia Szalavitz, and Donald S. Burke.

31ST ANNUAL BENEFACTOR SUMMIT

WASHINGTON • CATO INSTITUTE APRIL 4–7, 2019

Speakers include Douglas Ginsburg, Johan Norberg, and Ben Carson.

FREEDOM: ART AS THE MESSENGER

WASHINGTON • CATO INSTITUTE APRIL 11–JUNE 14, 2019

CATO INSTITUTE POLICY PERSPECTIVES 2019

SAN FRANCISCO • ST. REGIS APRIL 26, 2019

Speakers include Monika Bickert and Magatte Wade.

18TH ANNUAL CONSTITUTION DAY

WASHINGTON • CATO INSTITUTE SEPTEMBER 17, 2019

37TH ANNUAL MONETARY CONFERENCE

WASHINGTON CATO INSTITUTE NOVEMBER 14, 2019

CATO CLUB 200 RETREAT SCOTTSDALE, AZ

FOUR SEASONS RESORT SEPTEMBER 12–15, 2019

MILTON FRIEDMAN PRIZE PRESENTATION DINNER

NEW YORK • CIPRIANI MAY 20, 2020

CATO CLUB 200 RETREAT BLUFFTON, SC

MONTAGE PALMETTO BLUFF OCTOBER 1–4, 2020

OCTOBER 12: Parental Leave: Is There a Case for Federal Action?

OCTOBER 17: *The Hell of Good Intentions: America's Foreign Policy Elite and the Decline of U.S. Primacy*

OCTOBER 18: Coercive Plea Bargaining

OCTOBER 25–27: Cato University: College of Economics

NOVEMBER 1: Stalin's Propaganda and Putin's Information Wars

NOVEMBER 8: *The Rise of the Superhero President*

NOVEMBER 9: Cato Institute Policy Perspectives 2018, Los Angeles

NOVEMBER 15: 36th Annual Monetary Conference: Monetary Policy 10 Years after the Crisis

NOVEMBER 28: The New Gulag Archipelago: How China "Reeducates" the Uyghurs and Why the World Should Be Alarmed

NOVEMBER 30: Cato Institute Policy Perspectives 2018, Chicago

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Book takes aim at America's higher education dysfunction

The Leaning Tower of Ivory

The usual trend in a healthy economy is for the quality of products to increase while prices decrease. This sort of progress can be observed all around us, from complicated technologies such as computers and automobiles to simple consumer goods such as clothing and groceries. Yet for some reason higher education in the United States has gone in the opposite direction. In their new book *Unprofitable Schooling: America's Broken Ivory Tower*, editors Todd Zywicki and Neal McCluskey consider the causes and consequences of that failure, with contributions from leading scholars of education policy and history.

The book starts with a simple yet sobering fact: “Inflation-adjusted undergraduate tuition and fees at public four-year colleges have roughly tripled over the past 30 years. At some of the priciest private institutions they now exceed \$50,000 a year.” Despite this skyrocketing price inflation, outcomes are, at best, stagnant if not declining. For students who entered college in 2010, the six-year completion rate for four- and two-year programs was only 54.8 percent. Those who do graduate often find their degrees simply aren't worth what they've paid for them.

For decades, policymakers have shoveled increasing amounts of loans, grants, and other subsidies at higher education on the premise of making college more affordable and accessible. Yet today's students often find themselves drowning in a mountain of debt

while falling behind on both educational and career-value metrics.

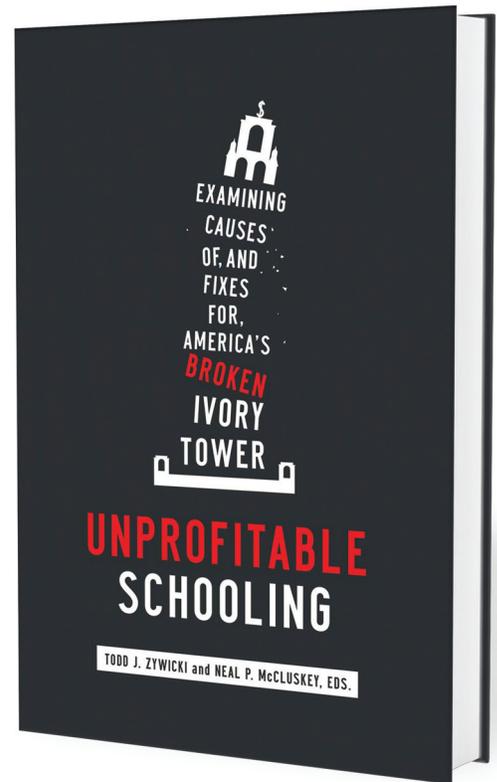
Unprofitable Schooling traces the history of higher education in America to explain how we arrived at this dismal reality and what can be done to fix it. The central lesson is simple but comes with wide-ranging implications. Subsidies have disconnected higher education from the market signals that are necessary to deliver value to students in an affordable, rational manner. Bloated administrative staff, unaccountable professors, and ever-increasing tuition are all symptoms of the same underlying dysfunction.

Each chapter of *Unprofitable Schooling* explores crucial aspects of the provision of higher education, informed by the authors' deep experiences and analyses of how higher education and many other markets work, with an eye to bringing about innovation, improved quality, and lower costs. The opening section offers a history of for-profit education before the Morrill Act—the federal legislation that funded land-grant universities. It then reviews the act's impact and concludes with an exploration of federal student aid and how it prevents new funding options from entering the market. Section two examines higher education as it stands today: factors driving up college prices, the tenure system, administrative growth, and system-

Continued from page 3

By laying the groundwork for seemingly radical ideas like ending the U.S.-Saudi alliance, Cato has been able to provide quick, ready, and credible policy arguments when events overtake a flawed Washington consensus—in this case through numerous media interviews, public events, and meetings on

Capitol Hill. Although the Senate vote in its lame-duck session was largely symbolic, with the House refusing to take up the bill before the new Congress was seated, it sends a clear signal that the political winds have shifted. What was once unthinkable is now becoming increasingly inevitable, as public opinion turns harshly against Saudi Arabia and its



atic flaws in current university governance. The third and final section shows how robust competition in higher education can be energized and takes an in-depth look at for-profit versus nonprofit institutions. With a student debt crisis looming large over American politics, *Unprofitable Schooling* offers an important contribution to the ongoing debate about higher-education policy in the United States and how it has gone awry. ■

PURCHASE PRINT OR EBOOK COPIES OF UNPROFITABLE SCHOOLING AT CATO.ORG/STORE.

crown prince Mohammed bin Salman. Policymakers and members of the public alike should now carefully consider the warnings of noninterventionists like Carpenter, who have long pointed out the flaws in America's entangling alliance with Riyadh. ■

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Grading Governors on Fiscal Policy

Governors across the country have long touted (or disputed) their ranking in Cato's "Fiscal Policy Report Card on America's Governors." In the 2018 edition of the biennial report, Chris Edwards examines state fiscal policy and budget actions to assign a letter grade to the chief executives who have been in office over the past two years. Governors who cut taxes and spending receive the highest grades, while those who have increased taxes and spending receive the lowest. Five governors were awarded an A in the 14th edition of the report: Susana Martinez (R-NM), Henry McMaster (R-SC), Doug Burgum (R-ND), Paul LePage (R-ME), and Greg Abbott (R-TX). Eight governors earned an F: Roy Cooper (D-NC), John Bel Edwards (D-LA), Tom Wolf (D-PA), Jim Justice (R-WV), David Ige (D-HI), Dennis Daugaard (R-SD), Kate Brown (D-OR), and Jay Inslee (D-WA).

GOOD INTENTIONS, UNINTENDED CONSEQUENCES

Proponents of a federal mandate for paid parental leave argue that the market does not or cannot provide sufficient paid leave.



Moreover, proponents believe government-supported leave would improve labor-market outcomes and reduce gender and labor-market inequality. In "Parental Leave: Is There a Case for Government Action?" (Policy Analysis no. 850), Cato policy analyst Vanessa Brown Calder outlines the evidence against such a policy. Voluntary paid leave is more common than mandate advocates claim, and a mandate could have substantial negative consequences: reducing wages and other benefits as well as increasing sex discrimination and female unemployment.

CHECK YOUR PREMISES

Atul Gawande's bestselling book *Checklist Manifesto* argues that dramatic improvements in complex decisions can be achieved by cheap and easy-to-use checklists. The book, which has received considerable positive attention, advocates for implementing more checklists in decisions ranging from financial regulation to criminal justice. In "Do Checklists Make a Difference? A Natural Experiment from Food Safety Enforcement" (Research Briefs in Economic Policy no. 133), Daniel E. Ho and Sam Sherman, both of Stanford Law School, and Phil Wyman of the Snohomish Health District in Washington State, examine an unintentional natural experiment. When the Public Health Department in Seattle and King County, Washington, revised its health code, roughly half of the violations were subjected to a new checklist. Examining the data from 95,087 inspections both before and after the new checklist was adopted, the authors find that there was no appreciable effect on the behavior or effectiveness of inspectors.

IMMIGRANT WAGE CONVERGENCE

One of the primary economic concerns expressed by opponents of immigration is that immigrants form a low-wage class, dragging down native-born wages and also hindering assimilation into American society. In "Immigrant Wages Converge with Those of Native-Born Americans" (Immigration Research and Policy Brief no. 9), Andrew Forrester and Alex Nowrasteh examine the literature and conclude that immigrant wages tend to converge with those of native-born Americans and that the initial wage gap has narrowed in recent years compared with the 1990s. Furthermore, the main driver of the gap and delayed convergence is the legal barriers affecting illegal immigrants, suggesting that legalization would cause immigrant wages

to rise more quickly and converge with native-born wage levels sooner.

INTERSTATE COMMERCE IN MARIJUANA

As more states legalize the recreational use and possession of marijuana, an increasing concern has been the possibility of spillover effects and smuggling to states that maintain a policy of prohibition. Nebraska and Oklahoma even unsuccessfully sued Colorado over that state's legalization policy, claiming increased law enforcement costs. In "The Grass Is Greener on the Other Side: How Extensive Is the Interstate Trafficking of Recreational Marijuana?" (Research Briefs in Economic Policy no. 134), Benjamin Hansen, Keaton Miller, and Caroline Weber consider the natural experiment that resulted in two neighboring states when first one, and then the other, adopted legalization. Using administrative data from Washington State, which legalized in 2014, the authors find that the quantity of marijuana sold in counties along the Oregon border fell by 41 percent when Oregon's own legal market opened in 2015. However, the public health effects and other externalities were minimal. Washington's legal sales merely crowded out Oregon's prelegalization black market rather than driving any increase in the use of marijuana by Oregonians.

PUBLIC OPINION ON IMMIGRANTS AND REDISTRIBUTION

Public opinion on immigration is shaped by widespread ignorance on the number of immigrants, affecting support both for immigration and for redistribution programs seen as benefiting immigrants. In "Immigration and Redistribution" (Research Briefs in Economic Policy no. 135), Alberto Alesina, Armando Miano, and Stefanie Stantcheva of Harvard University consider polling data covering 22,500 respondents from six countries: France,

Germany, Italy, Sweden, the United Kingdom, and the United States. They find that the public tends to overestimate the immigrant share of the population in their respective countries and that support for redistributive welfare programs is closely correlated with the perceived characteristics of immigrants as either hard-working or as a cultural threat.

INDIA'S NEW PROTECTIONISM

Indian prime minister Narendra Modi has sharply criticized rising U.S. protectionism under the Trump administration. Yet Modi,



too, has embarked on measures to protect and support manufacturing jobs in India. In “**India’s New Protectionism Threatens Gains from Economic Reform**” (Policy Analysis no. 851), Swaminathan S. Anklesaria Aiyar examines the ideological origins and negative economic impact of this resurgence in tariffs and trade barriers.

LICENSING ACCOUNTANTS

Over the past four decades, U.S. states have adopted an increase in the education requirement to become a certified professional accountant (CPA). The requirement was increased from 120 hours to 150 hours of education, equivalent to an extra year of schooling, on the theory that it would improve the quality of those engaged in this critical profession. In “**Occupational Licensing and Accountant Quality: Evidence from the 150-Hour Rule**” (Research Briefs in Economic Policy no. 136), John M. Barrios uses the staggered implementation of this rule across different jurisdictions to see if it did indeed improve the skill level and quality of work done by CPAs. While requiring an extra year of education did reduce the number of people taking CPA licensing exams, the reduction affected both higher-skilled and lower-

skilled potential applicants, leaving the pool of CPAs smaller but with no significant increase in quality.

EFFECTS OF PATENT DISCLOSURE MEASURED

Patents in the United States work on the basis of what the Supreme Court has called a “quid pro quo” under which patent holders are given temporary monopoly rights in exchange for disclosing to the public the technical information of their invention. Before this information was made available online in 1997, the only way for Americans to obtain it was through a “patent library”—a local library that had been provided with a full copy of the U.S. Patent and Trademark Office’s patent documents. In “**Disclosure and Subsequent Innovation: Evidence from the Patent Depository Library Program**” (Research Briefs in Economic Policy no. 137), Jeffrey L. Furman, Markus Nagler, and Martin Watzinger find that having this information available locally did cause a significant increase in the number of patents filed by residents of the area. The finding suggests, contrary to persistent skepticism, that the disclosure attached to filing a patent does help boost subsequent innovation.

WHEN POPULISM ISN'T POPULAR

The recent implementation of protectionist tariff and trade policies has not been driven by intense public demand for such policies. In “**The ‘Protectionist Moment’ That Wasn’t: American Views on Trade and Globalization**” (Free Trade Bulletin no. 72), Scott Lincicome finds that recent public opinion polling shows these policies do not have strong public support and that, in fact, foreign trade and globalization are generally popular among those who have any opinion at all on the matter. These insights provide important guidance for how policymakers and advocates of free trade can overcome the push for increasing trade barriers.

CIVIL LIBERTIES AND IMMIGRATION ENFORCEMENT

Enforcing America’s immigration laws requires a vast apparatus to gather information, not just on foreign nationals but on American citizens as well. In “**Walling Off Liberty: How Strict Immigration Enforcement Threatens Privacy and Local Policing**” (Policy Analysis no. 852), Matthew Feeney examines the impact of immigration enforcement on the Fourth Amendment rights of Americans and the nation’s decentralized model of local policing. To mitigate these harms, Feeney proposes a set of reforms to strengthen privacy protections at the border and to limit federal mandates on state and local law enforcement.

CREATIVE DESTRUCTION

The net effect of immigration on economic growth has been one of the most contentious points of debate between advocates of restricting immigration and those who want to liberalize immigration laws. In this debate, one of the neglected effects has been the increase in creative destruction: the pace of reallocating resources from obsolete, lower-value products to newer, higher-value products. In “**High-Skill Immigration, Innovation, and Creative Destruction**” (Research Briefs in Economic Policy no. 138), Gaurav Khanna and Munseob Lee examine the effect on this rate of firm-level product reallocation in companies that have hired high-skilled immigrants under the H-1B visa program. They find that firms that hire more high-skilled immigrants tend to have a significantly higher rate of product reallocation, boosting both profitability for the firm and overall economic growth.

THE RISE AND FALL OF PUBLIC TRANSIT

In spite of high levels of subsidies, the number of riders on America’s public transit has declined substantially in recent years. In

“Charting Public Transit’s Decline” (Policy Analysis no. 853), Randal O’Toole examines this precipitous decline and concludes that America reached “peak transit” in 2014. Since then, low gas prices, increasing automobile ownership, and the rise of ride-hailing services such as Uber and Lyft have resulted in a steady decline in the number of Americans using public transit. Even ample subsidization of these services has not stopped urbanites from increasingly adopting other options that better serve their transportation needs.

RETHINKING K-12 RANKINGS

State education rankings, compiled by publications such as *U.S. News & World Report* and *Education Week*, play a prominent role in debates over education policy at the state and local levels. In **“Fixing the Bias in Current State K-12 Education Rankings”** (Policy Analysis no. 854), Stan Liebowitz and Matthew L. Kelly find that the traditional way of compiling these statistics can produce highly misleading results. By accounting for demographic differences and spending levels, the authors produce a set of efficiency rankings that upend the usual trend, in which rankings are led by Northern states with low minority populations and high spending levels. Instead, they find that across all racial and ethnic groups, states in the South and Southwest rise to the top of the rankings, producing better educational outcomes at a lower cost.

CONNECTIONS PAY OFF

Financial panics can cause substantial declines in investment and employment, disrupting access to finance and credit. One possible way to moderate these problems is through greater connections between specific firms and the banks that finance them. In **“Banks, Insider Connections, and Industrialization in New England: Evidence from the Panic of 1873”** (Research Briefs in Economic Policy no. 139), Eric Hilt studies a unique data opportunity available

from Massachusetts financial disclosure records during and after the Panic of 1873. Controlling for a number of variables, Hilt finds that bank affiliations such as having a bank director on a corporation’s board substantially ameliorated losses during the economic slump.

THE CASE FOR CASH

Around the world, central banks and governments have increasingly been considering, and in some cases adopting, policies to limit the availability and use of physical currency. By forcing transactions out of cash and into more easily monitored and controlled payment systems, policymakers hope to crack down on illicit black markets while also enabling greater flexibility in monetary policy. In **“Should Governments Restrict Cash?”** (Policy Analysis no. 855), Jeffrey Rogers Hummel outlines the downsides of this policy from both an economic and a civil liberties perspective. He finds that the empirical evidence for the claimed benefits of going cashless are often overstated and unsupported, and that advocates place too much faith in governments to implement such policies benevolently and competently.

CHINA AND THE WORLD TRADE ORGANIZATION

The Trump administration has argued that the World Trade Organization (WTO) has failed to address unfair trade practices by China. In **“Disciplining China’s Trade Practices at the WTO: How WTO Complaints Can Help Make China More Market-Oriented”** (Policy Analysis no. 856), James Bacchus, Simon Lester, and Huan Zhu find this criticism unmerited. While often accused of flouting the rules, China is reasonably compliant when found at fault through the WTO’s dispute mech-



HUMMEL

anism. Instead of walking away from the WTO, the United States should more rigorously use WTO complaints.

LABOR MARKET INCENTIVES FOR TEACHERS

Analysis of different models for paying teachers has been hindered by the lack of variations to study, with most public schools locked into a rigid pay schedule that primarily considers simple seniority. In **“The Labor Market for Teachers under Different Pay Schemes”** (Research Briefs in Economic Policy no. 140), Barbara Biasi takes a closer look at a rare example of a variation from that norm. In 2011, school districts in Wisconsin were given far greater flexibility to set teachers’ compensation by the passage of Act 10, and about half used that discretion. The findings show that teachers who produced greater value toward educational outcomes did indeed tend to move to districts that had adopted more flexible pay structures. ■

CATO POLICY REPORT is a bimonthly review published by the Cato Institute and sent to all contributors. It is indexed in PAIS Bulletin. Single issues are \$2.00 a copy. ISSN: 0743-605X. ©2019 by the Cato Institute. Correspondence should be addressed to *Cato Policy Report*, 1000 Massachusetts Ave., N.W., Washington, D.C. 20001. www.cato.org • 202-842-0200

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“To Be Governed...”

WHEN NEWSPAPERS CALL IT A RARE BIPARTISAN VICTORY . . . IT'S A SPENDING BILL

President Trump signed a sweeping opioids bill into law Wednesday, a rare piece of legislation that garnered bipartisan support.

—*WASHINGTON POST*, OCTOBER 24, 2018

The intense partisanship engulfing Supreme Court nominee Brett Kavanaugh has diverted attention from a raft of recent bipartisanship in the Senate during the past few weeks, drowning out issues that could appeal to voters in the midterms.

The chamber on Wednesday passed legislation to reauthorize the Federal Aviation Administration for five years by a 93-6 vote. That legislation included a measure to double funding for big infrastructure projects around the world, combining several little-known government agencies into a new body with authority to do \$60 billion in development financing.

Also on Wednesday, the Senate advanced an opioid bill to President Trump's desk by a vote of 98-1. That bill includes several changes to Medicare and state Medicaid programs, such as requiring Medicare to cover services provided by certified opioid treatment programs.

And last week, Mr. Trump signed into law a spending bill that increases military spending for the next fiscal year.

—*WALL STREET JOURNAL*, OCTOBER 4, 2018

NOW THAT'S PORK-BARREL POLITICS

A Chinese-owned pork producer will sell at least \$240,000 worth of ham products to the federal government as part of the Trump administration's farm bailout program, the administration said Wednesday.

U.S. pork producer Smithfield, which is

owned by the Chinese conglomerate WH Group, will sell 144,000 pounds of ham products to the federal government under the contract.

The Agriculture Department is purchasing pork and other commodities from U.S. farmers to help offset the damage from retaliatory tariffs imposed by China this summer.

—*WASHINGTON POST*, NOVEMBER 9, 2018

A GAFFE IS WHEN A POLITICIAN TELLS THE TRUTH

“I have never been a partisan guy. I am a centralist,” [Michael Bloomberg] said when he took the stage at the county dinner. (An adviser later clarified that he meant to say “centrist,” a word that does not imply centralized government control.)

—*WASHINGTON POST*, OCTOBER 24, 2018

WHO NEEDS POLICY EXPERIENCE?

“[Rep. Dan Crenshaw] said he wanted to run for office one day, but wanted to get policy experience first,” said a Capitol Hill aide who ended up advising the campaign (and requested anonymity because he was not authorized to speak publicly). “I was like, ‘Have you paid attention to some of the people we have up here? You don't need that.’”

—*WASHINGTON POST*, NOVEMBER 12, 2018

IF AMAZON NEEDS LOWER TAXES, WHO DOESN'T?

On a per-job basis, New York's offer to Amazon is about typical for the state but well above the national average for such deals, said Timothy J. Bartik, an economist for the Upjohn Institute in Kalamazoo, Mich., who has studied tax incentives.

“New York's following its usual practices,” Mr. Bartik said. “It hands out a lot of

hefty incentives, a lot of long-term incentives.”

Gov. Andrew Cuomo defended the deal, arguing that New York has to offer incentives because of its comparatively high taxes.

—*NEW YORK TIMES*, NOVEMBER 13, 2018

IT'S A GOOD THING HOMELESS PEOPLE AREN'T HUNGRY

A coordinated wave of Kansas City Health Department inspectors simultaneously shut down large picnics across the city Sunday that were serving food to homeless and hungry people.

On Monday, a city health official said they trashed the food out of concern for public safety. . . .

It looked ugly Sunday. Home-cooked chili, stacks of foil-wrapped sandwiches, vats of soup and other food prepared by volunteers with Free Hot Soup Kansas City were dumped in bags and soaked in bleach to make sure no one went back to try to recover it.

—*KANSAS CITY STAR*, NOVEMBER 5, 2018

EQUALITY UNDER THE LAW?

Democratic leaders [propose] a rule requiring a supermajority vote to approve tax increases for most taxpayers—but only a simple majority vote to raise taxes for the wealthiest 20 percent or for corporations.

—*WASHINGTON POST*, NOVEMBER 16, 2018

THIS IS NOT AN ECONOMIC PLAN WE NEED TO FEAR

Beijing aims to produce more goods at home and sell larger numbers abroad, ordering farmers to ramp up soybean production and chipmakers to purchase local copper while earmarking billions to advance domestic technology.

—*WASHINGTON POST*, OCTOBER 19, 2018