

FreeSociety



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Cult of the Presidency

America's Pathological Relationship with Executive Power

VOLUME 1

CATO

“

All civil virtue and happiness, every moral excellency, all politeness, all good arts and sciences, are produced by liberty.

”

Cato's Letter no. 63

1723

John Trenchard
and Thomas Gordon

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

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Letter from the President, Peter Goettler

Since I last wrote, we have all lost a champion of liberty and a true leader of libertarianism. And those of us on staff at Cato have lost a colleague and a dear friend. David Boaz passed away in early June after a yearlong battle with cancer.

David's passing is felt deeply within the Institute, among those who advance classical liberal values worldwide, and by so many across the breadth of the political and philosophical spectrum who appreciated his principled and sharp insights—whether they agreed with his point of view or not. David's influence in mainstreaming libertarian ideas and policy solutions is evident in tributes published throughout the media, from the *New York Times* to the *Washington Post*. David also did much to create and perpetuate Cato's most defining attribute—its adherence to principle. And this itself is a reflection of the dedication to libertarian principles that he exhibited in his own life.

As one final example of his dedication to Cato and liberty, David died with his boots on: continuing to work and come to the office until he was unable to do so only two weeks before he passed away. We were blessed during this time with continuing opportunities for conversation and debate, as well as the chance to seek his counsel as needed. David even delivered a powerful speech on Cato's history and importance at the last all-staff meeting he attended in May.

But David's final public speech was a presentation he delivered to the Students for Liberty's international LibertyCon conference in February. And while I'm tempted to use this letter to highlight the contributions David made to policy during his 40 years at Cato, his speech to the Students for Liberty that day reflected so

much of his best: optimism and perspective for all we continue to achieve, balanced with a healthy concern for today's threats to liberty; a willingness to call out those threats regardless of from where they're emanating; and a lifetime of success in bringing young people to the ideas of liberty and the philosophy of libertarianism.

He reminded us that while we often feel like we're on the road to serfdom, in David's own lifetime citizens of the United States lived with military conscription, 90 percent marginal income tax rates, sodomy and obscenity laws, Jim Crow laws, wage and price controls, and entry into transportation and communications markets that was controlled by the government. He lived to see all these things end. Meanwhile, the Iron Curtain collapsed, and the spread of property rights and market institutions to China, India, and parts of Latin America and Africa helped lift a billion people out of extreme poverty.

But David was never a Pollyanna; he was realistic about the current challenges to liberty as the surveillance state, federal spending, and government regulation all rise dramatically. And no one was more diligent in pushing back on the rise of illiberalism we are witnessing on both the left and the right.

Ever the honest intellectual, David never played on a political team so didn't carry the biases, double standards, and hypocrisy that so often entails. He readily took the left to task throughout his career at Cato but gave fair time to the threats arising from the right as well. Indeed, at his last Students for Liberty presentation, David admonished the audience: "When you see self-proclaimed 'freedom advocates' talking about blood and soil, or helping a would-be autocrat overturn an election, or talking about LGBT equality as

'degeneracy,' or saying we shouldn't care about government racism against black people, or defending the Confederacy and the cause of the South, or joining right-wing culture wars in supporting politicians who want to use the state to fight their enemies, or posting Holocaust jokes and death threats on Twitter, recognize that for what it is. Speak up. Fight back. Tell people, "That's not America, and it's certainly not libertarianism.""

David's last public appearance also drives home the incredible role he played in bringing the ideas of liberty to students and young people. At conferences where young libertarians gathered, David was treated like a rock star. His presentations always earned enthusiastic ovations. And his book *Libertarianism: A Primer*, which was updated in 2015 as *The Libertarian Mind*, is often cited—along with classics such as *The Road to Serfdom*, *Atlas Shrugged*, *The Wealth of Nations*, and *Capitalism and Freedom*—by young people explaining how they arrived at libertarianism.

I shared David's Students for Liberty speech with one of Cato's key partners. He watched it and told me, "We have lost a good soldier." Indeed. David's devoted efforts and eloquent and persuasive voice will be missed. But as when a flag bearer falls on the battlefield, those of us who remain must take it up, redouble our efforts, continue our mission, and ensure that freedom wins. David's legacy demands no less.

Peter Goettler
President and CEO

Recent Op-Eds

The New York Times

The Best Plan for Housing Is to Plan Less

—by Bryan Caplan

POLITICO

Why Is the Government Encouraging a Taxpayer Bailout?

—by Mark Calabria, Tom Hoenig, Dennis Kelleher, and Aaron Klein

THE WALL STREET JOURNAL

Letter to the Editor: The IRS Doesn't Want a Dollar from You

—by Nicholas Anthony

The Atlantic

The Constitutional Case against Exclusionary Zoning

—by Joshua Braver and Ilya Somin

USA TODAY

Trump and Biden Blame Each Other for Illegal Immigration. But Congress Created It.

—by David J. Bier

TV Highlights



Clark Neily discusses the Biden administration's Supreme Court reforms on BBC News' *Newsday*.



Cato University event, "The Use and Abuse of State Power," airs on C-SPAN.



Ian Vásquez discusses Cato's Argentina event, "The Rebirth of Liberty in Argentina and Beyond," on Reason TV's *Just Asking Questions* podcast.



Last Week Tonight with John Oliver on HBO Max cites research by Cato's David Bier and Alex Nowrasteh.



Justin Logan discusses NATO's 75th anniversary and Ukraine on France 24's *The Debate*.



Scott Lincicome discusses electric vehicles, shipping woes, and the state of the market on Sinclair Broadcast Group's *The National Desk*.

House Passes Crypto Bill Aligned with Cato Scholarship

The House of Representatives passed the Financial Innovation and Technology for the 21st Century Act, which is aligned in important ways with Cato's policy recommendations on cryptocurrency market structure. Jack Solowey, a policy analyst in Cato's Center for Monetary and Financial Alternatives (CMFA), and Jennifer J. Schulp, CMFA director of financial regulation studies, have called for decentralization as a core criterion for differentiating crypto securities and crypto commodities. They also propose safeguards to protect core decentralized finance activities from regulatory interventions.

Cato University Returns

The first event of the relaunched Cato University hosted nearly 100 college and graduate students at George Mason University. They explored classical liberal philosophy and its public policy applications with leading thinkers, including Nadine Strossen, former president of the American Civil Liberties Union, and Randy Barnett, Georgetown law professor.

2.5 Million Watch Elon Musk Interview at Cato Argentina Conference

Elon Musk joined Cato senior fellow Johan Norberg for a discussion on innovation, overregulation, and the future of humanity at "The Rebirth of Liberty in Argentina and Beyond," a conference cohosted by Cato in Buenos Aires in June. Their livestreamed conversation set up the keynote speech of Javier Milei, president of Argentina. Milei's presence attracted global attention to the event, which promoted the classical liberal ideas that won Milei the presidency. Musk also praised Norberg's April interview conducted by John Stossel about anti-capitalist myths to his 18 million followers on X.

CULT OF THE PRESIDENCY

America's Pathological Relationship
with Executive Power

By Gene Healy



Relentless growth in executive power has turned the president into an extraconstitutional figure, capable of forcibly settling America's most divisive issues with the stroke of a pen.

ILLUSTRATIONS BY PABLO DELCAN AND HITANDRUN

In the waning days of the George W. Bush administration, I wrote a book called *The Cult of the Presidency: America's Dangerous Devotion to Executive Power*. In it, I made the case that for far too long, Americans have looked to the presidency for far too much. Our political culture has invested the office with preposterously vast responsibilities, I argued, and as a result, the officeholder wields powers that no one fallible human being ought to have.

Turns Out, It's Worse than I Thought

At the time, I thought it was a suitably dark and pessimistic take. So it's disorienting to look back, a decade and a half down the road, and realize the book wasn't nearly dark and pessimistic enough.

In the intervening years, the "most powerful office in the world" has grown more powerful still: The presidency of 2024 is even more autocratic and menacing than the presidency of 2008. At the same time, the moral and intellectual quality of the applicant pool has declined dramatically from an already abysmal base. When America sends people to the presidency, we're not sending our best.

My colleagues in the books department at Cato looked out upon our ongoing national nightmare and perceived a marketing opportunity—a chance to put *Cult's* themes in front of a new set of readers. They pressed me to update the book for a fall release ("Just when I thought I was out, they pull me back in!"), and I submitted the manuscript the first week of June. Here's how the new preface originally described the 2024 state of play:

This coming November, we face the second matchup between a man who ginned up a riot hoping to intimidate Congress into overturning the results of

an election he'd lost, and a sundowning octogenarian whom 69 percent of Democrats consider "too old to effectively serve." Little wonder, then, that according to a 2023 voter survey, the most prevalent sentiment in this election cycle is "dread" (41 percent), followed by "exhaustion" (34 percent). Toward the end of Cormac McCarthy's novel *Suttree*, the ne'er-do-well protagonist, having lately recovered from a barfight skull fracture followed by a bout of typhoid fever, muses to himself: "There are no absolutes in human misery and things can always get worse." So here we are.

That last bit still holds true, but the rest of the passage has obviously been overtaken by events. First, on June 27, a stumbling, shambolic debate performance laid bare the extent of President Biden's decline. Then, as pressure mounted on Biden to withdraw, the nation watched former president Donald Trump survive an assassination attempt by mere inches, thanks to a chance turn of the head. Eight days later, in a cryptic note released via the social media platform X, President Biden announced his decision to bow out. In a follow-up post half an hour later, he endorsed Vice President Kamala Harris for the Democratic nomination. At this writing, the outcome of the 2024 contest remains radically uncertain, but dread and exhaustion persist.

Fifteen years and three presidencies since *Cult* was released, it's worth taking stock of what's changed and what hasn't in America's pathological relationship with the presidency—if only to gird ourselves for fresh horrors to come. The persistence of presidential cults and the growth of executive power were predictable—and predicted in *The Cult of the Presidency*. And yet, in the years since I wrote the book,

American politics went feral to an extent I didn't foresee.

The rise of mass partisan hatred, or what's recently been dubbed "political sectarianism," has raised the stakes of our political differences dramatically and made the president's burgeoning power a direct threat to social peace. The presidency itself has become a central fault line of polarization because the president, increasingly, has the power to reshape vast swaths of American life.

American Idolatry

When I wrote the book, I fancied myself ripping the veil off what we'd let the office become, rubbing our noses in our creepy, idolatrous orientation toward the modern presidency. The president described in the *Federalist* was to have "no particle of spiritual jurisdiction." Yet American political culture has invested the role with quasi-mystical significance, turning a limited, constitutional officer into a figure responsible for all things great and small—from the price of a tank of gas to the state of the "national soul." This "vision of the president as national guardian and redeemer," I wrote in *Cult's* opening pages, has become "so ubiquitous it goes unnoticed."

Lately, though, it's all getting a bit too on the nose. The upcoming election is a "Battle for the Soul of the Nation," President Biden proclaimed in a prime-time address delivered from the steps of Philadelphia's Independence Hall—a crusade against the MAGA-hatted forces of "chaos," who "live not in the light of truth but in the shadow of lies."

Actually, it's even more apocalyptic than that, insists former president Trump: "2024 is our *Final Battle*," he thundered at his campaign's kickoff rally in Waco, Texas, where an armed standoff in 1993 between

federal agents and cult leader David Koresh ended with over 80 dead: "For those who have been wronged and betrayed . . . I am your warrior, I am your justice . . . I am your retribution." "God Made Trump" goes the refrain of a campaign ad the ex-president posted on Truth Social earlier this year: "And on June 14th, 1946, God looked down on his planned Paradise, and said, I need a caretaker. So *God gave us Trump*," the narrator intones.

The former president's courage under fire on July 13—and the unforgettable photograph it produced, showing his fist raised with the American flag billowing behind—breathed new life into the notion of Trump as a God-touched man of destiny. Even the *New York Times* briefly got into the spirit, declaring that the Associated Press's iconic snapshot "made Trump the incarnation of defiance" and comparing it to the iconic Iwo Jima photograph and Eugène Delacroix's *Liberty Leading the People*, a painting in which a woman embodying France raises a flag in her right arm.

Vice President Harris has up till now served as punchline material: a figure nearly as incoherent and rambling as President Biden, without the excuse of age. Yet Democratic partisans are determined to meme a "Cult of Kamala" into existence, with social media images depicting her as Wonder Woman, Captain America, and the Statue of Liberty.

Even so, if we take a longer view, there's reason to doubt either cult will have lasting mass appeal. The mystique of the presidency has taken a well-deserved hit in recent years, thanks in no small part to Trump himself. With his insult-comic pep rallies, open contempt for legal limits—broadcast over a Twitter feed that resembled a table read of the Watergate tapes—and general inability to act like a grown-up in a grown-up's job,

“The rise of mass partisan hatred, or what’s recently been dubbed ‘political sectarianism,’ has raised the stakes of our political differences dramatically and made the president’s burgeoning power a direct threat to social peace.”

the 45th president “sanded the faux majesty off the office and freed the masses to direct their worship to other, more credible gods,” *Politico*’s Jack Shafer wrote in 2017, “as long as he remains a prisoner of his impulses . . . we can look forward to seeing the prestige of the office decline.”

Decline it has, at least in terms of the trust Americans invest in the executive branch, which, according to recent numbers by Gallup, has fallen to within three points of its record post-Watergate low. But in contrast to the post-Watergate era, renewed distrust hasn’t yet translated into reforms that re-limit presidential power. The forced march through the Barack Obama, Trump, and Biden presidencies left Americans somewhat less romantic and more jaded about the office’s potential as a wellspring of national redemption. But each of those men managed to seize new powers, leaving

the office stronger than it was when they found it.

The Incredible Expanding Presidency

Of the three presidencies we’ve endured since *Cult* came out in 2008, Obama’s looms largest, both in terms of the messianic, revival-tent atmosphere surrounding him—and his aggressive expansion of executive power.

As a candidate, Obama had pledged to “turn the page on the imperial presidency.” But by the time he hit the podium at Oslo to accept his precipitously awarded Nobel Peace Prize in December 2009, Obama had already launched more drone strikes than George W. Bush managed in eight years. He’d leave office as the first two-term president in American history to have been at war every day of his presidency.

Along the way, our 44th president did more than any predecessor to strip away the remaining legal limits on presidential warmaking. Less than a year after his Peace Prize acceptance, Obama launched his first “war of choice,” in Libya. When the Qaddafi regime failed to collapse on schedule, Obama defied the limits imposed by the 1973 War Powers Resolution on the novel theory that you’re not engaged in “hostilities” if the foreigners you’re bombing can’t hit you back. And it was Obama who was largely responsible for warping the 2001 Authorization for Use of Military Force—passed three days after 9/11 to target al Qaeda and the Taliban—into an enabling act for endless war anywhere in the world. In September 2011, he added yet another innovation, the remote-control execution of a US citizen, far from any battlefield. And in the summer of 2013, thanks to National Security Agency whistleblower Edward Snowden, the public learned that the administration had been engaged in a massive secret effort to collect domestic

phone data, targeting Americans in the name of protecting them from terrorism.

Even where no national security claim was available, Obama managed to forge new frontiers in the abuse of executive power at home. Throughout his second term, he increasingly governed by executive fiat. “I’ve got a pen, and I’ve got a phone,” the president bragged, and he proceeded to use them to unilaterally grant lawful status and eligibility for federal benefits for nearly half of the 11 million unauthorized immigrants in the country; invent a presidential “power of the purse,” spending billions of dollars Congress never appropriated on health care subsidies; and issue regulatory “guidance” documents strong-arming colleges and universities into growing their diversity, equity, and inclusion bureaucracies and tightening restrictions on campus speech.

In private, Obama was heard to worry that his executive-power innovations would lie around like a “loaded weapon” for future presidents to abuse. And on January 20, 2017, he passed that fearsome arsenal on to Trump, who used it aggressively and added a few new inventions of his own.

The most dangerous of these came in January 2020, when Trump used the targeted-killing machinery set up by George W. Bush and perfected by Obama to eliminate Iranian general Qassem Soleimani. The Soleimani hit was something new: It marked the first time an American president publicly ordered the assassination of a top government official for a country we’re not legally at war with. It was also a major usurpation of congressional power: Killing a senior government figure with a drone-fired missile is something every country on Earth would consider a declaration of war, a decision our Constitution reserves for Congress.

Trump’s other key innovation was in

the use of presidential emergency powers. In February 2019, he declared a national emergency in order to “build the wall” on the US-Mexico border, diverting over \$5 billion to a pet project Congress had refused to support. It seems not to have occurred to any president before Trump that he could use a bogus “emergency” claim to do an end run around Congress in a budget battle. Yet that’s precisely what President Trump did, and Congress proved powerless to stop him.

Then, in early 2020, a *genuine* national emergency arrived, in the form of the COVID-19 outbreak. In terms of lives lost and economic damage, the pandemic rapidly eclipsed the two prior crises of the 21st century: 9/11 and the financial panic of 2008. In a welcome if unexpected development, Trump broke from the pattern of past presidents, declining to exploit the emergency to seize new powers. COVID-19 proved to be one crisis President Trump was willing to let go to waste.

Instead, it was his successor, Joe Biden, who seized on the pandemic to justify rule by decree, ordering Americans to mask up on public transport, forbidding landlords to collect the rent, and mandating that workers show their COVID-19 vaccination cards in order to keep their jobs. By early 2022, it had become clear that, in the name of public health, the Biden administration had been engaged in a massive covert effort to suppress political speech. As the Twitter Files and related litigation would reveal, “very angry” Biden officials had pushed social media companies to blacklist and shadowban alleged disinformation (much of it actually accurate) about the COVID-19 lab-leak theory, pandemic lockdowns, and COVID-19 risk.

Perhaps inspired by his predecessor’s emergency-power creativity, in August 2022, President Biden announced a plan

to cancel up to \$600 billion in student loan debt for some 43 million borrowers, using a 2003 emergency-power statute aimed at providing relief to US soldiers then deployed in Iraq and Afghanistan. The Supreme Court rebuffed the plan, ruling that it exceeded the authority granted in the statute. Undeterred, the administration is mining new sources of statutory authority in the hopes of delivering another multibillion-dollar jubilee prior to November's election.

Meanwhile, as these three presidents expanded the office's power to reshape American life and law, something else was happening that made centralized control more dangerous. Americans were growing so far apart they could barely understand—or *stand*—one another anymore.

The Cult in the Age of Political Sectarianism

The first two decades of this century marked the dawn of “an acute era of polarization,” the Stanford political scientists Shanto Iyengar and Masha Krupenkin report, one in which “partisans’ mild dislike for their opponents has been transformed into a deeper form of animus.”

A key measure of partisan hostility is the so-called feelings thermometer, a long-running series of surveys in which respondents rate their own party and the other party on a temperature scale of 1 to 100. In the 1970s, Democrats and Republicans rated their own party a balmy 74 degrees and the opposing party a slightly brisk 48 degrees. By 2020, however, the average temperature rating for the other side had plummeted to a bitter 20 degrees.

Increasingly, Americans aren't just cold to the other team: They hate and fear them. Majorities of highly politically engaged Republicans (62 percent) and highly politically engaged Democrats (70 percent)

tell pollsters that the other party makes them feel “afraid.” Politics now divides Americans more than race, sex, or religion. In fact, in disturbing ways, politics has taken the place of religion.

In the fall of 2020—midway between the lockdown and Black Lives Matter summer and the Capitol riot on January 6, 2021—a group of leading polarization scholars proposed reframing the phenomenon in religious terms. What's come over us is best described as “political sectarianism,” they argued, characterized by “strong faith in the moral correctness and superiority of one's sect.” Like the Sunni and Shia in the Middle East and Catholics and Protestants in Northern Ireland, large numbers of politically engaged Americans have come to see their political opponents as “alien,” “contemptible,” and “iniquitous.”

As recently as 2016, the idea that the other team was morally debased was a minority view among partisans, but by 2022, the Pew Research Center reports, 72 percent of Republicans and 63 percent of Democrats had come to regard members of the other party as “more immoral.” And in a 2019 study entitled “Lethal Mass Partisanship,” researchers found that over 42 percent of Republicans and Democrats agreed with the statement that members of the other party “are not just worse for politics—they are downright evil.” When asked “Do you ever think: we'd be better off as a country if large numbers of [opposing party] in the public today just died?,” 15 percent of Republicans and 20 percent of Democrats owned up to occasionally wishing mass death on fellow Americans who don't vote the same way they do.

“There is a religious war going on in this country,” Pat Buchanan proclaimed in a notorious speech at the 1992 Republican National Convention. The pundit class

recoiled in horror at the time, but it looks as if Buchanan's dark prophecy was just slightly ahead of the trend. The cult of the presidency persists, and Americans have become increasingly desperate to prevent the ascendancy of the rival sect. “Viewing opposing partisans as different, dislikable, or immoral, may not be problematic in isolation,” the authors of “Political Sectarianism in America” write, but “when all three converge, political losses can feel like existential threats that must be averted—whatever the cost.”

A Divider, Not a Uniter

Here's a thought experiment: If you had to design institutions from scratch to govern such a deeply divided people, how would you proceed? The prudent answer, it seems to me, is *as gently as possible*.

Where having one national policy is unavoidable—as in trade or war—you'd favor elected representatives in multiple branches of government deliberating and forging consensus. Otherwise, to preserve social peace, you'd want contentious issues settled close to home, where there's more common ground. The last thing you'd want to do is maximize the number of zero-sum, one-size-fits-all decisions made at the top, with one man making the call.

Instead, over the past couple of decades, we've been running a dangerous experiment. As our politics took on a quasi-religious fervor, we've been concentrating vast new powers in the executive branch. Fundamental questions of governance that used to be left to Congress, the states, or the people are now increasingly settled—winner take all—by whichever party manages to seize the presidency.

In all the hand-wringing over polarization, law professors John McGinnis and Michael Rappaport warn in an important 2022



article, “Presidential Polarization,” that a key factor “has gone largely undiscussed: the deformation of our federal governing structure.” The drift toward one-man rule both intensifies partisan fury and makes it more dangerous.

Where the original constitutional design required broad consensus for broad policy changes, “now the president can adopt such changes unilaterally,” McGinnis and Rappaport write, and whenever the presidency changes parties, “rules affecting almost every aspect of American life will pivot 180 degrees, as the White House changes hands.”

When one person decides what your health insurance covers, whether or not you’re on the hook for your student loans, whether we have a trade war with China or a shooting war with Iran—when so much turns on who holds the White House, it’s a safe bet we’re going to fight about it bitterly.

The modern presidency is by its very nature a divider, not a uniter. It’s become far too powerful to be anything else.

Culture Warrior in Chief

Worse still, as national harmony has frayed, recent presidents have used their burgeoning powers to pick at the seams. In the years since *Cult* was published, the weapons of presidential power have increasingly been deployed to impose forced settlements on the issues that divide us most. In the age of identity politics, the modern president has become our culture warrior in chief.

Earlier battles in America’s perennial “culture wars” were rarely fought with the pen and phone. Presidents weighed in on flashpoint issues of the time, like school prayer, abortion, and family values, but their efforts were largely performative. In the 1980s and 1990s, presidential culture-warring

was mainly waged from the bully pulpit.

If a president wanted to signal that he was *really* serious about a particular culture-war dispute, he’d throw his weight behind a constitutional amendment designed to settle the issue. In 1982, for example, President Ronald Reagan proposed a school-prayer amendment; in 1989, President George H. W. Bush backed another prohibiting flag desecration. Lip service and long-shot constitutional amendments remained the key tactics in presidential culture-warring at the time I began writing *Cult*. In the 2004 and 2006 election cycles, President George W. Bush proclaimed his support for a Federal Marriage Amendment defining marriage as “a union of man and woman.” Like the school-prayer and flag-burning amendments, it sputtered out well before reaching the goal line.

Throughout this whole period, no president seemed to imagine that he could wade into culture-war fights and settle them with the stroke of a pen. Perhaps the only culture-war executive order of note was one first issued by Reagan in 1985, requiring US foreign aid recipients to certify that they wouldn’t perform or promote abortion as a method of family planning. Starting with President Bill Clinton, subsequent Democratic presidents turned the “Mexico City policy” off—and Republicans, on again—with the requirement winking in and out of existence each time the office changed parties, without meaningfully affecting any American’s rights.

But in the 15 years since *The Cult of the Presidency* was published, the consequences of a shift in party control of the office have grown far more sweeping. Few issues divide Americans more than race; nevertheless, one of Joe Biden’s first acts as president was to issue an executive order guaranteed to divide us further. On his first day in

office, Biden issued the Executive Order on Advancing Racial Equity that makes rooting out systemic racism a central organizing principle for the federal government, mounting a frontal assault on equality before the law. In 2021, for example, the Biden administration began handing out emergency COVID-19 relief funds—debt relief for farmers, grants to restaurants—on an explicitly racial basis. That principle even extended to lifesaving drugs. Minority status alone could move you to the front of the line for COVID-19 antivirals in states following guidelines from Biden’s Food and Drug Administration.

On the contentious issue of transgender rights, once again, what the country’s getting is forced settlement through unilateral edict and administrative order. Title IX of the Education Amendments Act of 1972 prohibits discrimination “on the basis of sex” in any program receiving federal financial assistance. New Title IX regulations by the Biden Education Department in April make the president the commander in chief of the girls’ room, empowered to decide which kid gets to use which bathroom in practically every K–12 public school and college in America. In May, the Department of Health and Human Services finalized a rule requiring doctors and hospitals to provide gender-affirming care—puberty blockers, cross-sex hormones, and “top” and “bottom” sex-change surgeries—including for minor children. Private insurers—and the taxpayer, via Medicaid—will be required to foot the bill.

It seems there’s no contested social issue too parochial to escape the notice of the culture warrior in chief. Lately, the Biden-Harris administration has been hell-bent on making a federal case out of how local school districts curate their grammar school

“As our politics took on a quasi-religious fervor, we’ve been concentrating vast new powers in the executive branch. Fundamental questions of governance that used to be left to Congress, the states, or the people are now increasingly settled—winner take all—by whichever party manages to seize the presidency.”

library shelves. At the White House Pride Celebration in June 2023, the president announced the appointment of a “book-ban coordinator” in the Education Department’s Office for Civil Rights: “We’re taking on these civil rights violations, because that’s what they are,” Biden told the crowd. If local taxpayers decide Maia Kobabe’s cartoon-porn memoir *Gender Queer* is too hot for the bookmobile, they may have to face a federal inquisition over creating a “hostile environment” for LGBTQ students.

If he wins in November, Trump has no intention of declaring a federal ceasefire. Instead, his Agenda 47 campaign website promises to arm the other side of these culture-war battles. He’ll take the Office for Civil Rights off the book-ban beat and sic them on any teacher who covers critical race theory or transgender issues or forces “other inappropriate racial, sexual, or political content on children.” They’ll face “severe consequences” under federal civil rights law. What the Biden-Harris administration calls “gender-affirming care,” Trump deems “child sexual mutilation” and promises to use federal health care dollars to dictate the proper medical treatment for gender dysphoria from the White House. He’ll task the Justice Department with investigating pharmaceutical companies that make puberty blockers and push for a law “prohibiting child sexual mutilation in all 50 states.” No doubt he’ll encourage some creative prosecutions when he discovers the federal Female Genital Mutilation law that’s already on the books.

The Most Important Election in History?

One of the key benefits of “energy in the executive,” Alexander Hamilton argued in the *Federalist*, is that it would provide “steady administration of the laws.” In the

modern era, it’s had the opposite effect: The law changes radically from administration to administration, depending on the policy preferences of the president. In the service of presidential culture-warring, puberty blockers and so-called gender-affirming care can go from compulsory to forbidden every four to eight years depending on which political party wins the presidency. And on a host of other controversial policies—from immigration to racial preferences to energy and the environment—“energy in the executive” now means whipsawing between extremes whenever power changes hands.

“In the last decade,” the *New York Times* reported in April, “environmental rules in particular have been caught in a cycle of erase-and-replace whiplash,” making it nearly impossible for industries to plan. New tailpipe emissions restrictions issued by the Biden Environmental Protection Agency in March are designed to “ensure that the majority of new passenger cars and light trucks sold in the United States are all-electric or hybrids by 2032,” and regulations finalized in April will force coal plants “to either deploy technology to capture virtually all their emissions, or shut down.” Here, too, Trump promises another 180-degree turn.

Partisans have always told us that next November’s is the most important election in history; we used to take it with the requisite grain of salt. In 2000, only 45 percent of Americans told pollsters it really mattered who won that year’s presidential contest. It went up from there: 63 percent in 2012, 74 percent in 2016, and 83 percent in 2020.

Maybe Americans think it matters because, increasingly, *it matters*. If everything from what car you can buy to what books go on grammar school library shelves turns on which party controls the

White House, good luck convincing people to take an electoral loss in stride.

“The imperial administrative presidency,” McGinnis and Rappaport note, “raises the stakes of any presidential election, making each side fear that the other will enjoy largely unchecked and substantial power in many areas of policy.” That fear encourages the dangerous sentiment that *every* election is a Flight 93 election—charge the cockpit, do or die. The relentless growth of executive power has made the presidency itself a central catalyst of social strife.

Americans have an inchoate sense that something’s amiss: A majority of voters recognize that our “system of checks and balances . . . is not working well these days,” according to a recent survey by the Associated Press and the University of Chicago. “The abstract idea of a president with nearly unchecked power remains unpopular,” for what that’s worth, which is not much. The rub comes when we go from the abstract to the particular. The Associated Press summed up the survey results succinctly: “Americans think a president’s power should be checked—unless their side wins.”

Yet anyone capable of thinking past a single presidential election cycle should recognize the dangers of giving presidents an even freer hand. In a country as fractious as ours has become, that’s a prescription for turning our as-yet-metaphorical civil war into *real* American carnage.

We should be heading in the opposite direction, limiting the damage presidents can do and lowering the stakes of presidential elections—reining in emergency powers, war powers, authority over trade, and the ability to make law with the stroke of a pen. Our most pressing need is for structural reforms that limit the harm

we might do to one another amid the fog of partisan war.

I wrote *Cult* because I believed the American presidency had become an extraconstitutional monstrosity and a libertarian nightmare, “the source of much of our political woe and some of the gravest threats to our liberties.”

The last decade and a half has given me little reason to change that assessment. But as I look back at what I wrote then, I fear that I understated the dangers we’d face by failing to re-limit executive power. In certain passages, I seem to suggest that the wages of constitutional sin would be . . . frustration, an eternal recurrence of the “timeworn pattern: outsized expectations, dangerous centralization of power, and inevitable failure,” a “perennial cycle of disappointment and centralization.”

Fifteen years later, the risks strike me as far more dire than that. In our partisan myopia, we’ve unwittingly laid down the infrastructure for autocratic rule and sectarian warfare. The danger isn’t that we’ll wind up *disappointed*; it’s the prospect that the presidency will tear the country apart.

It’s said that God protects fools, drunks, and the United States of America. But it is also written: “Thou shalt not tempt the Lord thy God.” Just how far do we want to keep pressing our national luck? ♦

ABOUT THE AUTHOR

Gene Healy is the Cato Institute’s senior vice president for policy. His research interests include presidential power, federalism, and overcriminalization. Healy is the author of multiple books, most recently *Indispensable Remedy: The Broad Scope of the Constitution’s Impeachment Power*.

CBDC Spells Doom

for Financial Privacy

By Nicholas Anthony

The government has been undermining Americans' financial privacy for decades. A central bank digital currency would be the final nail in the coffin.

ILLUSTRATION BY THE HEADS OF STATE



Imagine a world where government agencies have instant and complete access to the financial activity of every citizen by default. Regardless of whether you are a business owner or a gig worker, a politician or a dissident, a gun owner or an environmentalist, all of your financial activity would be stored on a central ledger controlled by the government. Left to the whims of political appointees and faceless bureaucrats, an omnipresent surveillance state would loom over every interaction, and financial activity could be frozen in an instant.

This is not the plot of the latest dystopian thriller to hit streaming services. It is the potential future of our financial system under a digital national currency known as a central bank digital currency (CBDC), and that future may not be so far away.

For decades, lawmakers and unelected officials have been chipping away at Americans' financial privacy with laws designed to counter terrorism, catch money launderers, and collect taxes. Yet, just as Americans are beginning to take notice and call for better financial privacy protections, it seems some government officials are looking to create the most sweeping form of financial surveillance seen to date in the form of a CBDC.

Put simply, a CBDC could spell doom for what few protections remain, because it would establish a direct line between each citizen's financial activity and the federal government. And in doing so, a CBDC would further entrench decades of financial surveillance that should be reformed, not expanded, in the digital age.

The Dismal State of Financial Privacy Today

Before we can decode what a CBDC might mean for the future of money, it's

important to establish context. Americans might think payments made with a credit card or payment app are protected from the prying eyes of the government, but financial privacy in the United States is only an illusion.

For many people, this statement might come as a shock. After all, the Fourth Amendment to the Constitution is meant to protect us from sweeping surveillance:

The right of the people to be secure in their persons, houses, papers, and effects, against unreasonable searches and seizures, shall not be violated, and no Warrants shall issue, but upon probable cause, supported by Oath or affirmation, and particularly describing the place to be searched, and the persons or things to be seized.

Why shouldn't we feel a sense of protection? It's right there, in our Constitution: "To be secure in one's papers and effects from unreasonable searches and seizures" seems to suggest that financial records should be protected. What are financial records, if not one's papers and effects?

Unfortunately, Congress and the Supreme Court see things differently. In 1970, the Bank Secrecy Act was created to give the government a way to start keeping tabs on Americans' finances. In its earliest form, the Bank Secrecy Act ushered in two major changes. First, it required financial institutions to maintain records on customers "where such records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings." And second, it required financial institutions to report that information to the government in certain circumstances.

Given its drastic deviation from the spirit of the Fourth Amendment, the law was almost immediately challenged in the courts.

Eventually, the issue made it all the way to the Supreme Court, which held that law enforcement does not need a warrant when seeking an individual's financial records at a bank because "the depositor takes the risk, in revealing his [or her] affairs to another, that the information will be conveyed by that person to the Government." In other words, the Court held that records maintained by a third party such as a bank, credit union, or payment app were not protected by the Fourth Amendment. This decision came to be known as the "third-party doctrine," and its ramifications have had an impact on issues far beyond the collection of financial records alone.

Government officials were hardly satisfied with this already substantial deviation from the Constitution. Fast-forward 30 years after the passage of the Bank Secrecy Act, and we face the Patriot Act. Another 20 years later, we see proposals to surveil accounts with as little as \$600. Let's look at each in turn.

The Patriot Act was a response to the terrorist attacks of September 11, 2001. Of course, stopping terrorism is a worthwhile endeavor, but it should not come at the cost of sacrificing the very foundation this country was built upon. Yet, Congress did just that. The Patriot Act dramatically reduced financial privacy by introducing new requirements for banks to identify customers, expanding the reports banks are required to file on those customers, and prohibiting banks from notifying customers when those reports are filed.

Again, government officials were hardly satisfied. Twenty years after the passage of the Patriot Act, the Biden administration pushed for more financial surveillance with

a proposal to monitor every bank account with at least \$600 in annual activity. Outrage ensued as people asked questions like "Doesn't the Fourth Amendment protect us?" and "Why don't we have stronger financial privacy protections?" In a telling moment, the Treasury Department defended the proposal, saying, "In reality, many financial accounts are already reported on to the IRS, including every bank account that earns at least \$10 in interest. And for American workers, much more detailed information reporting exists on wage, salary, and investment income."

While true, the Treasury Department's statement reveals the dismal state of financial privacy in the United States. In 2022 alone, financial institutions filed over 26 million Bank Secrecy Act reports on Americans. Complying with these requirements cost US financial institutions an estimated \$45.9 billion, and the vast majority of the reports were for simply moving more than \$10,000. Yet even that number is an issue. Because the Bank Secrecy Act's reporting thresholds were not enacted with an adjustment for inflation, the net for authorities to cast becomes wider and wider each year with a positive inflation rate (i.e., most years). So, what was set at \$10,000 in the 1970s would be over \$75,000 today.

The problems do not stop there. Law enforcement has also increased its financial surveillance efforts. Between 2019 and 2022, US Immigration and Customs Enforcement (ICE) was collecting batches of records every six months on transfers to or from Mexico greater than \$500. In total, ICE collected around 6 million financial records without so much as a warrant.

Make no mistake, the Treasury Department is right: Financial privacy

is already in a bleak state. Sweeping legislation, legal investigations, and even inflation have all steadily decreased the amount of financial privacy in the United States.

But that doesn't mean things couldn't get worse.

A CBDC Spells Doom for What Little Privacy Is Left

After reading at length about how dismal the current financial system is in terms of protecting Americans from government surveillance, it may be difficult to imagine how things could become much worse. However, things *certainly* could be worse. One of the few benefits of the current system is that there is at least an air gap between the government and the private sector that acts as a buffer between your information and complete surveillance. Introducing a CBDC could very well serve to close that gap and unleash financial surveillance from its few remaining limitations.

Before moving forward, however, some definitions are in order, given many people have been left out of the conversation when it comes to CBDCs. For instance, when surveyed by the Cato Institute in early 2023, 49 percent of Americans said they did not know enough about CBDCs to support or oppose them. Later that year, the Chartered Financial Analyst Institute found similar results in a global survey. So what exactly is a CBDC?

Put simply, a CBDC is a digital national currency that is a direct liability of the central bank. So, in the case of the United States, a CBDC would be a digital form of the dollar. Yet unlike the digital money that countless people already use today via credit cards, debit cards, payment apps,

cryptocurrency, and the like, a CBDC would ultimately be controlled and maintained by the federal government.

Governments around the world are already pushing forward with this idea. According to the Human Rights Foundation's CBDC Tracker, the 11 islands and eight countries that compose the Eastern Caribbean Currency Union have already launched CBDCs; 37 countries, the Eurozone, and Hong Kong have CBDC pilot programs; and 67 countries, two currency unions, and Macao are researching CBDCs. In other words, most governments are currently pushing forward with CBDCs, and some have even launched them. For its part, the United States is currently in the pilot phase.

With that said, how could a CBDC spell doom for financial privacy? Consider the range of third parties that currently exist in the financial system. While these third parties might broadly be referred to as financial institutions, what we are really talking about is a range of individual banks, credit unions, payment apps, and the like. Across the board, these individual institutions serve as both buffers and checks on financial surveillance. If government officials want someone's information, they must find the right financial institution, coordinate with compliance departments, and check the appropriate paperwork. And even then, that institution may not be responsible for maintaining the entirety of someone's financial activity. For example, someone might use Venmo for splitting checks with friends, PayPal to make purchases online, Bank of America for a business account, and Navy Federal Credit Union for a personal account.

To be clear, this system is not ideal and has flaws that must be corrected, but it's

also the last barrier between what little financial privacy exists today and complete financial surveillance.

A CBDC, however, could spell doom for that last remaining buffer of protection because it gives the government a direct line to every person's financial activity. Patrick Schueffel, adjunct professor at the School of Management in Fribourg, Switzerland, described the situation appropriately when he wrote, "Undoubtedly some of these actions can also be taken under the current monetary regime. But CBDCs will facilitate

industry experts Dante Disparte and Marta Belcher have warned, a CBDC would offer a "backdoor directly into your bank account" and "the ability to have absolute visibility into financial transactions." Where the Bank Secrecy Act required banks to report on customers under specific circumstances, a CBDC would allow direct surveillance at all times. Where the third-party doctrine eliminated constitutional protections for information shared with banks, a CBDC would store financial information with the government by default.

The Government in Your Wallet

These concerns might sound extreme, but even the Federal Reserve has confirmed that a CBDC would largely be a tool of surveillance. In 2019, Federal Reserve chair Jerome Powell told Congress, "If it is designed to be financially transparent and provide safeguards against illicit activity, a general purpose CBDC could conceivably require the Federal Reserve to keep a running record of all payment data using the digital currency—a stark difference from cash, for instance—and something that raises issues related to data privacy and information security." Powell is not alone in making these remarks. European Central Bank president Christine Lagarde said, "When we surveyed Europeans, the first concern that they had in addition to the support to the digital euro was privacy. Privacy is first and foremost on their mind when we develop the digital euro, [but] there would not be complete anonymity as there is with [cash]." And Bank for International Settlements general manager Agustín Carstens said, "We don't know who's using a \$100 bill today and we don't know who's using a 1,000-peso bill today. The key

“Put simply, a CBDC could spell doom for what few protections remain, because it would establish a direct line between each citizen’s financial activity and the federal government.”

matters: going forward these measures can be implemented on a keystroke, in real-time and centrally. No more lengthy data gathering, and alignment of parties will be required.”

In other words, rather than having access only to the more than 26 million reports that financial institutions file in a year and the six million reports that ICE collected, the government would have direct access to everything by default. As cryptocurrency

difference with the CBDC is the central bank will have absolute control on the rules and regulations that will determine the use of that expression of central bank liability, and also we will have the technology to enforce that.” Plenty of other policymakers have made similar remarks on record, but these three quotes demonstrate that CBDCs pose a very real threat to privacy, and policymakers know it.

Still, some proponents of CBDCs have tried to call for a CBDC design that is mindful of privacy concerns. And to their credit, central banks around the world have slowly started to take privacy concerns more seriously. However, even then, it’s unlikely such efforts will pay off in the long run. From the Bank Secrecy Act to the Patriot Act and the slew of smaller expansions along the way, the government’s track record is clear. One might hope that the data would sit untouched, but history has shown that time and time again, governments have used the financial system as a tool of surveillance and control.

Chris Meserole, former director of the Artificial Intelligence and Emerging Technology Initiative at the Brookings Institution, put it well when asked about his views on CBDCs and the risk of one being used for surveillance in the United States. “I’m not worried about the US immediately going down that road,” he said, “but I do worry pretty significantly that once [a CBDC] is created, all it is going to take is [an awful event such as a terror attack] and suddenly there is going to be immense pressure to use that system in pursuit of different security or criminal justice activity.”

As I explain at length in my book, *Digital Currency or Digital Control? Decoding CBDC and the Future of Money*, which was published by the Cato Institute in June, CBDCs are ill suited for helping financial

inclusion, too late to improve payment speeds, unlikely to advance monetary policy, and unhelpful for maintaining the US dollar’s status as the world reserve currency. With that in mind, there is little reason to justify incurring the risks imposed by a CBDC—even a limited one. When weighing the benefits against the costs, it’s clear that CBDCs are a tool for the government, not the people.

Looping in Lawmakers

Given what’s at stake, it’s critical that lawmakers and the public understand not only the threats posed by CBDCs but also the need to secure greater financial freedom and privacy in markets today. Luckily, some elected officials are already taking steps to stop CBDCs and strengthen protections for financial privacy.

The Cato Institute’s work has been instrumental in laying the foundation to oppose CBDCs. In 2023, we published an interactive study, “The Risks of CBDCs: Why Central Bank Digital Currencies Shouldn’t Be Adopted,” and a comprehensive policy analysis, “Central Bank Digital Currency: Assessing the Risks and Dispelling the Myths.” The latter marked Cato as the first think tank to craft a legislative framework prohibiting the Federal Reserve and the Treasury from issuing a CBDC in any form.

To make sure this work gets into the right hands, my colleagues and I here at the Cato Institute’s Center for Monetary and Financial Alternatives (CMFA) have made it a priority to spread the word on Capitol Hill about the risks of CBDCs. Many members of Congress have since recognized what is at stake and subsequently introduced legislation. For example, Rep. Tom Emmer (R-MN) introduced the CBDC Anti-Surveillance State Act, and Sen. Mike Lee (R-UT) introduced the No CBDC Act.

Both bills were designed to prohibit the Federal Reserve and the Treasury from issuing a CBDC without explicit authorization from Congress.

Just days after Representative Emmer introduced an updated version of his bill in September 2023, CMFA director and Cato vice president Norbert Michel testified before the House Financial Services Committee to explain why the US government should not create a CBDC. Less than a year later, the House passed Emmer’s bill.

On the financial privacy front, Rep. John Rose (R-TN) joined the Cato Institute for an event where he discussed his Bank Privacy Reform Act—a bill that would prevent the government from accessing consumers’ transaction history without first obtaining a warrant, thus reaffirming the Fourth Amendment protections against unreasonable searches and seizures. In addition, Rep. Warren Davidson (R-OH) introduced the Financial Crimes Enforcement Network Improvements Act to create greater oversight of financial surveillance, and Senator Lee introduced the Saving Privacy Act to adjust mandatory reporting thresholds for inflation.

Each of these bills reflects policy recommendations offered by my CMFA colleagues and me, highlighting a growing political appetite for protecting Americans’ financial freedoms.

The Path Forward

Although much of the public is still in the dark when it comes to risks posed by CBDCs, people are increasingly starting to speak out. In fact, the threat to financial privacy posed by CBDCs has raised alarms as a leading concern across academia, industry, and even the government itself.

William J. Luther, an economics professor at Florida Atlantic University, warned, “At

some point, a CBDC that fails to provide a high degree of financial privacy will be used to monitor and censor the transactions of one’s political enemies. It is foolish to think otherwise.” Likewise, Deborah Matthews Phillips and Mickey Marshall of the Independent Community Bankers of America pointed out that “the creation of a CBDC will introduce significant privacy and cybersecurity risks into the nation’s monetary system and disrupt the stability of America’s banking system.” And in Congress, Rep. Andy Barr (R-KY) said, “The prospect of government surveillance of Americans’ individual financial transactions through a CBDC and Fed accounts raises serious privacy concerns.”

Considering that the Bank Secrecy Act was passed in 1970 as a way to monitor foreign accounts and is now responsible for over 26 million reports on Americans a year, it should be no surprise that people are worried about the threat a CBDC could pose to financial privacy. There is little doubt that government officials will tout the risks of terrorists, drug cartels, and money launderers to justify the surveillance that a CBDC would bring. But surveilling “for bad actors” inevitably means surveilling innocent people as well. It’s time to reduce financial surveillance, not further entrench it. Introducing a CBDC would mark the end of what little financial privacy is left in the United States. ✦

ABOUT THE AUTHOR

Nicholas Anthony is a policy analyst at the Cato Institute’s Center for Monetary and Financial Alternatives and a fellow at the Human Rights Foundation. He is the author of the newly released book *Digital Currency or Digital Control? Decoding CBDC and the Future of Money*.

Argentina Rediscovered Its Classical Liberal Roots

By Barbara Galletti Ramírez del Villar

Argentine economist Javier Milei was elected president last year on a libertarian platform of slashing taxes, eliminating price controls, deregulating the economy, and dismantling large parts of the state. At a recent Cato Institute conference, several key scholars and policymakers spoke with *Free Society* about his rapid political ascent and the free-market revolution that he promised to voters.



Javier Milei delivers closing remarks at the “Rebirth of Liberty in Argentina and Beyond,” a conference cohosted by Cato in Buenos Aires in June.

Argentine president Javier Milei outlined a bold vision for the future at the Cato Institute’s recent conference in Buenos Aires, telling nearly 1,000 attendees that a revival of Argentina’s classical liberal tradition is the only way to reverse the country’s decades-long spiral into statism, hyperinflation, and economic stagnation.

“Either we persist on the path of decadence, or we dare to travel the path of freedom,” Milei declared at the “Rebirth of Liberty in Argentina and Beyond” conference in June. “If we manage to make way for freedom, if we manage to remove the state enough for society to flourish, we will have succeeded because free economic activity will lead to benefits for all of society. If we

achieve this, it won’t be a triumph of ours, but of society as a whole, which will have left behind 100 years of statism.”

An economist by profession, Milei was elected president last year on the promise of ending inflation, slashing his country’s bloated bureaucracy, and replacing Argentina’s corporatist state with a liberal democracy. But his rapid rise did not happen by chance. Classical liberal thinkers have been laying the groundwork for decades, and Milei credits libertarian scholars as powerful influences. That includes prominent Argentine economist Alberto Benegas Lynch Jr., a Cato adjunct scholar whom he cites as his intellectual mentor.

Cato’s two-day conference, cohosted by Argentine think tank Libertad y Progreso,



TOP: Cato Institute adjunct scholar Alberto Benegas Lynch Jr., whom Milei cites as his intellectual mentor, discussed Argentina's classical liberal tradition.

MIDDLE: Cato Institute president Peter Goettler (left), Fundación Libertad y Progreso director general Agustín Etchebarne (middle), and Cato Institute vice president for international studies Ian Vásquez (right) welcomed attendees to the first day of the conference.

BOTTOM: Nearly 1,000 people attended the "Rebirth of Liberty in Argentina and Beyond," and millions more watched a livestream of Milei's remarks online.

brought together leading policymakers, academics, journalists, and advisers of Milei, including Benegas Lynch Jr.; Minister of Deregulation and State Transformation Federico Sturzenegger; Minister of Foreign Affairs Diana Mondino; Minister of Economy Luis Caputo; and Nobel Prize-winning economist James Heckman. Elon Musk also joined remotely for a livestream discussion on X with Cato senior fellow Johan Norberg. Panelists discussed everything from Argentina's classical liberal tradition to dollarization, trade policy, and human rights in Latin America, while several of Milei's advisers spoke exclusively with *Free Society* about the conditions that led to Milei's rise and how his success should be measured.

The Perfect Storm

Milei's election victory was made possible by a "perfect storm" of factors in Argentine politics and society, explains Peruvian writer Álvaro Vargas Llosa of the Fundación Internacional para la Libertad.

Decades of socialist policies and their ensuing economic crises primed Argentines for a paradigm shift. Additionally, the country's rich history of classical liberalism and its modern network of libertarian thinkers created an ideal environment for liberty to take root once again. Finally, Milei's own charisma and rock-star persona—as seen earlier this year when he belted out heavy metal at a book launch—allowed the political newcomer to capture a wide base of support for his classical liberal ideas.

"[When] you have ideas, you have the crisis, and you have the leader who's willing to take the country forward . . . when that happens, there's magic," Vargas Llosa told *Free Society*. "[It] opens people's eyes and gets them to accept, or at least experiment

with, ideas they would never have considered otherwise."

Milei's unorthodox style and self-professed love of conflict are partly responsible for his success in the political arena—a setting where libertarians have often performed poorly in the past. His defense of liberty from a moral perspective has also resonated with Argentines, as he regularly invokes the "spiritual" benefits of freedom alongside its material advantages.

"That is the difference," Chilean political scientist Axel Kaiser told *Free Society*. "[Milei] is a radical when it comes to defending free markets and individualism."

A Return to Liberalism

Milei frequently references Argentina's 19th-century golden age of economic and individual liberty that made it one of the most prosperous countries in the world before its descent into statism.

"Argentina was once a land of promise that captured the imagination of adventurers and entrepreneurs," Milei said at the conference in June. "They knew they could invest effort and capital and they would do well. The state protected their right to property and protected the freedom of association between individuals. Today we have everything to retrace that path and become the new Western mecca."

Argentina's 1853 constitution, inspired by the US Constitution, established a federalist system and separation of powers, deeply influenced by jurist Juan Bautista Alberdi. Benegas Lynch Jr. draws a striking parallel between Alberdi and the current president, as they not only share ideologies but also face similar criticisms.

"Critics often accused Alberdi of lacking a clear plan or team," Benegas Lynch Jr. points out. "His policies were founded on three core principles: abolish, abolish, abolish the

“If we manage to make way for freedom, if we manage to remove the state enough for society to flourish, we will have succeeded.”

statist regime. Which is precisely what Milei aims to achieve.”

Agustín Etchebarne, director general for Fundación Libertad y Progreso, explains that younger generations seem to have turned away from the left-wing Peronist forces that dominated Argentine politics for decades, but it didn't happen overnight.

“We've been talking to young people and appearing on television for the last 20 years,” he told *Free Society*. “Then came Javier Milei, who added emotion to the ideas we were spreading.”

These ideas gained traction as the country endured decades of economic stagnation and inflation. Peronism, which was established in the 1940s, maintained a corporatist state with ever-increasing spending, making Argentina one of the most regulated and repressed economies in the world.

Federico Sturzenegger, who joined Milei's cabinet in July, explained how Argentines were told for decades that “the state was going to be the solution to all problems.

“And then Milei came and said: ‘The state is the reason for all your problems.’ So he's changing the mindset,” Sturzenegger told *Free Society*. “He's done it in a way that nobody thought possible.”

This narrative shift has resonated with Argentines, reflected in the support that Milei has maintained despite his forewarnings that economic shock therapy will cause short-term pain. This includes slashing government spending, removing price controls, reining in the money supply, ending energy subsidies, and taking a chainsaw to regulations.

“If he had done the same thing that all politicians do once they come into government—moderate, try to reach agreements, lower the tone—I think he would have lost his support,” Kaiser said.

The Dollarization Debate

There is some tension over how Milei's administration should proceed with economic reforms, as some libertarians and economists are urging him to dollarize the economy. “Monetary reform effects are felt immediately, whereas other reforms take time,” Emilio Ocampo, professor at Universidad del Centro de Estudios Macroeconómicos de Argentina, told *Free Society*. “From my perspective, and the experience of several countries proves this, you first have to bring stability to a country undergoing such an inflationary process.”

Milei made dollarization of the economy a key part of his platform before he was elected, even wielding US \$100 bills with his face on them while on the campaign trail. In his pitch to voters, he explained how previous Peronist regimes caused sky-high inflation by printing unlimited pesos to fund interventionist policies and persistent deficits.

But Milei paused the dollarization plan

after the election, telling Bloomberg in April that opposition forces would have “tried to pursue impeachment” if he had moved forward with it.

While dollarization may sound radical, it wouldn't be unprecedented for a Latin American country that was seeking monetary stability. Panama adopted the dollar in 1904, while Ecuador dollarized in 2000 and El Salvador followed in 2001.

“Politicians—they love their own currency, because they can use it to finance their own political aims, which are always very short term,” Manuel Hinds, the former finance minister of El Salvador who oversaw his country's dollarization, told Cato vice president for international studies Ian Vásquez last year. “In this competition to use more and more money, they create this instability that you are seeing in Argentina.”

Milei must act sooner rather than later for dollarization to be a reality, according to Cato senior fellow Lawrence H. White, who proposes not only adopting the dollar but also dissolving the central bank. For White, this would be the only way to ensure a lasting change in Argentina's monetary policy and may only be possible while the president still has a wide base of support early in his four-year term.

“There is what we call a honeymoon period where a newly elected government—especially one that has run on a platform of dollarization—has an opportunity to dollarize and it's not going to shock people,” White told *Free Society*. “It's what they expect to happen. And the longer it's delayed, the less confident people are that it is going to happen.”

Global Impact

The revival of classical liberalism in Argentina is a welcome rebuke of decades

of statism that plunged the country into poverty, but it is also a reprieve from surging illiberalism around the world.

In the United States, nationalist impulses are bubbling up across the political spectrum, with both major parties now embracing antiquated ideas such as industrial policy and protectionism. In Latin America, authoritarian regimes in Cuba and Nicaragua have maintained their grip on power, but there are flickers of hope elsewhere in the region.

The freedom movement in Venezuela, headed by opposition leader María Corina Machado, is posing the greatest threat to the Chavista dictatorship in more than 20 years. Argentine minister of foreign affairs Diana Mondino and other panelists introduced Machado at Cato's Buenos Aires conference and discussed the fight against tyranny in their countries.

“This is about the freedom of Venezuela, the integrity of our nation, and the return of our families' home,” Machado said in a video address at the conference. “Be sure that this fight will remain, and we are going to win. Venezuela will be free.”

Much is at stake for Argentina and beyond in Milei's efforts to restore freedom to his country. As Vásquez explained at the close of the conference: “We want Argentina to be successful because a successful Argentina can set an example for the rest of the world at a time when so many countries are moving in the other direction.” ♦

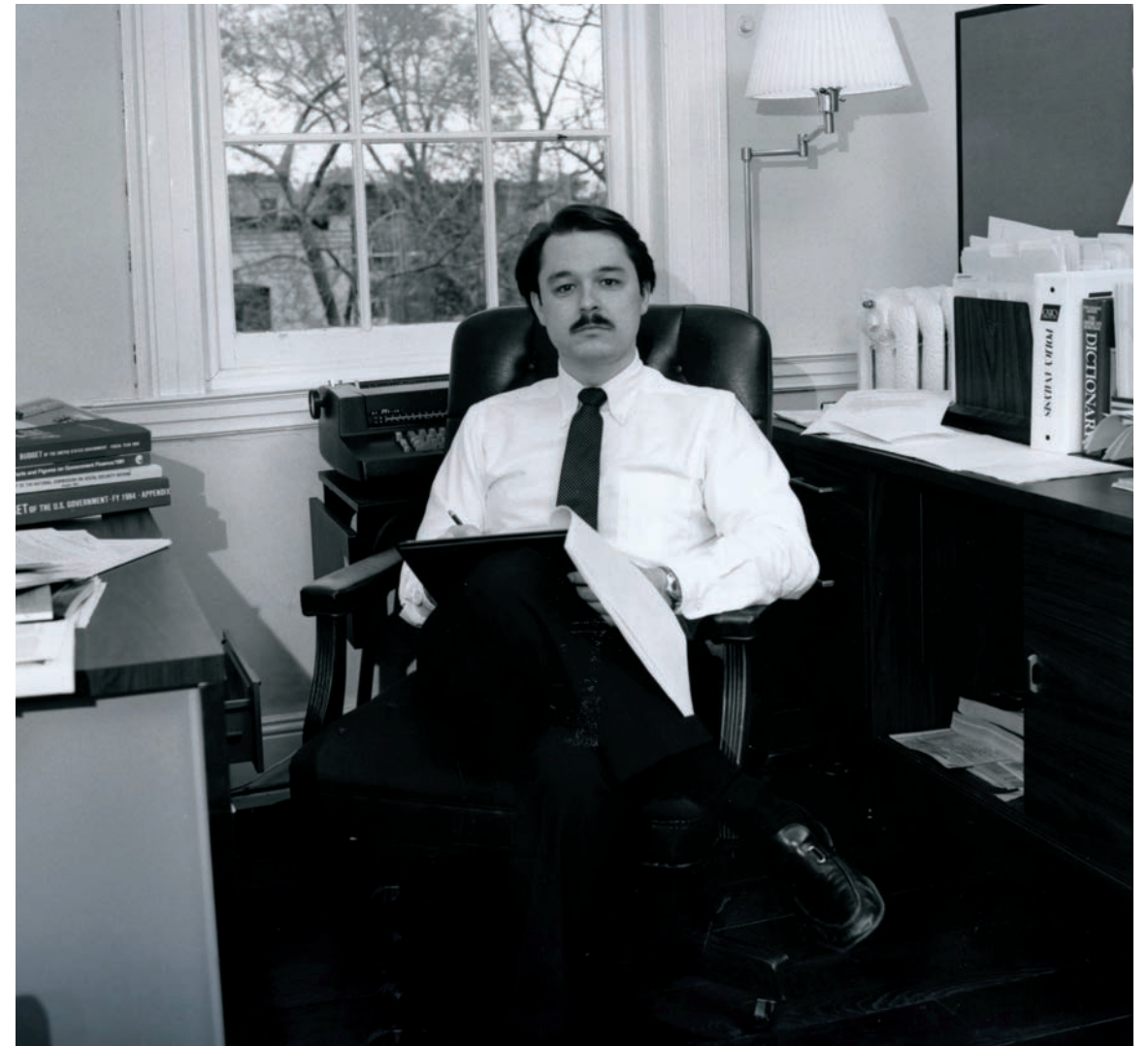
ABOUT THE AUTHOR

Barbara Galletti Ramírez del Villar works as a producer for the Cato Institute. Before that, she earned her law degree and worked as a journalist for various newspapers and TV stations in Peru, and is a cofounder of the educational platform Enterarse.

A Libertarian Mind: David Boaz's Reflections on the Long Road to Freedom

By Harrison Moar

David passed away on June 7 after a yearlong battle with cancer. In this candid conversation, he reflects on the past and present state of liberty while offering hope for the future.



For more than four decades David served as the Cato Institute's vice president for public policy and executive vice president, playing an indispensable role in the development of Cato and serving as a foundational figure of modern libertarian thought. The *New York Times*, *Washington Post*, *National Review*, *Reason*, and other media outlets released obituaries that noted the significant role he played in mainstreaming libertarian ideas, with the *Post* observing that "Mr. Boaz helped shape the course of libertarian thought from his longtime intellectual home at the Cato Institute, which he joined in 1981."

This interview with Harrison Moar, vice president for development at Cato, was one of David's final interviews. He called on all of us to defend liberty in these turbulent times while giving us hope that we can better this world for future generations, just as he had in his lifetime.

“Keep Cato Cato”

HARRISON: There's little doubt in my mind that your life has been one of critical significance for the survival and advancement of libertarian principles. What in your career are you most proud of?

DAVID: I'm most proud of the 40 years I put into building Cato, building what I think is the most important libertarian institution in the world. Ed Crane had the vision; he created it and raised the money. Charles Koch initially contributed the money that made it happen. But I was carrying out Ed's vision and mission day to day with every paper we did, and with every conference we did.

HARRISON: David, you're known for a few things around the building, but two that stick out are your ability to spot a typo in a footnote from 50 yards away and your desire and long-standing reputation for keeping Cato Cato. I'd like to hear you talk about what that means to you and why that's been important.

DAVID: Let's focus on keeping Cato Cato. We were created to provide an alternative voice in Washington and the national dialogue. Not liberal, not conservative—libertarian. The ideas of the American Revolution. We were going to be independent of other organizations and financial sources. We weren't going to take government money, and we weren't going to be the private

project of some foundation or individual.

Ed Crane used to say that the thing he did for libertarianism was put libertarians in suits and ties—because there had been a lot of libertarians not in suits and ties before that! But that also meant we were going to publish books that were well researched, well edited, and well footnoted. We were going to make those books look like a book you would see in a bookstore, not like a think-tank pamphlet. Mainstream presentation of radical ideas was one of the things we always thought about.

HARRISON: Why do ideas matter today? Why do they matter at all?

DAVID: Ideas matter because they change the world. Deirdre McCloskey talks about what caused liberalism, what caused per capita income in Europe to rise suddenly after 5,000 years of stagnation. It wasn't just that they invented double-entry bookkeeping. It wasn't that they invented a sewing machine. It was, she says, the fact that people's ideas changed, people's attitude toward business and enterprise and progress, and just the idea that you could better yourself. The ideas of liberty that changed the world—running particularly from John Locke to the American Founders to the abolitionists—were just revolutionary.

HARRISON: Have you always viewed the Cato Institute as the vanguard of these ideas?



them Cato is an independent, nonpartisan, libertarian think tank, and each of those three parts is important.

We are independent of other influences; we are nonpartisan, which is easy enough—looking at Democrats and Republicans, it's easy to stay away from both of them! We are libertarian—that's built into our DNA. And we are a think tank. We're not a lobby. We're not a student organization. We're not a political campaign. All those things are valuable, but that's not what we are. And what that comes to, I think, is making Cato, in my view, the most important source of libertarian policy analysis in the world. And now we are recognized as such because think tanks around the world take their cue from Cato.

“The Movement Has Gotten Much Bigger”

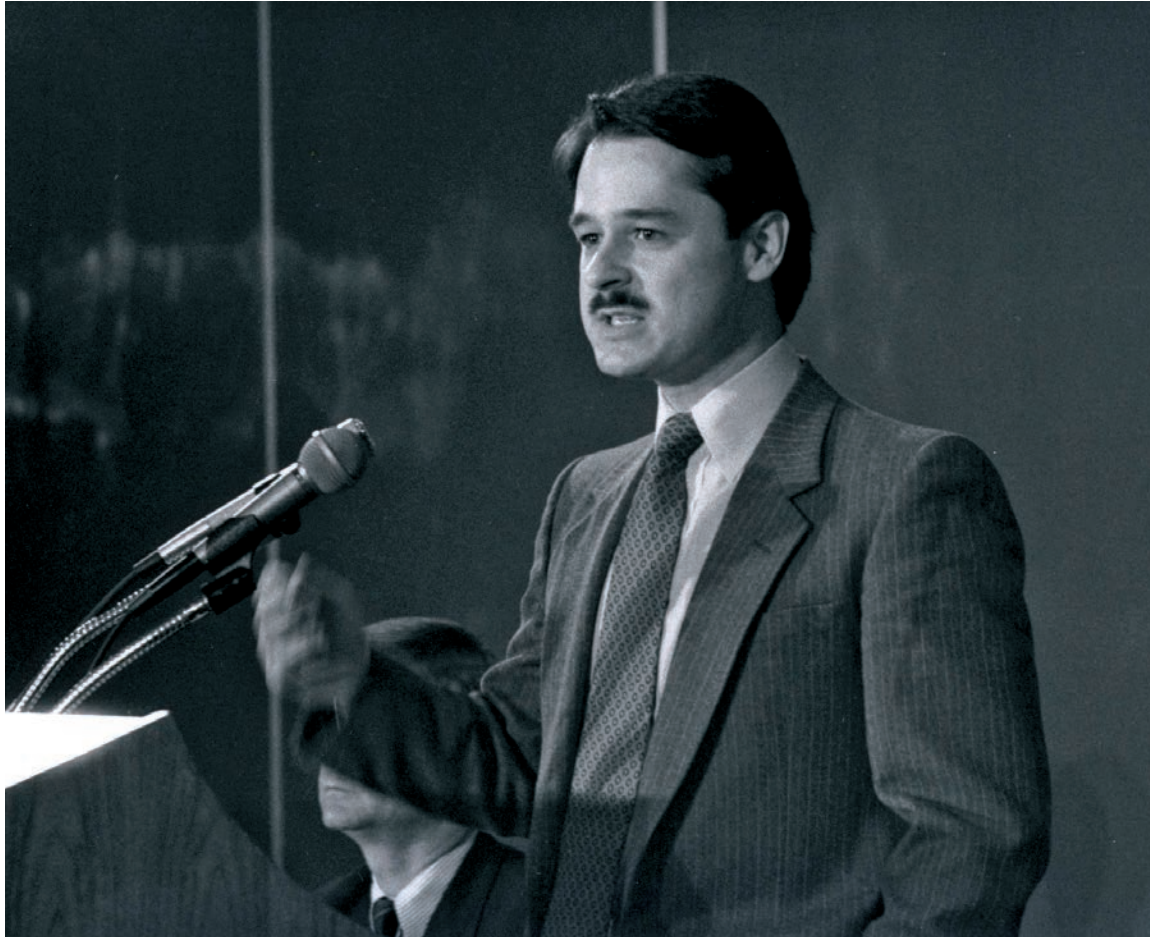
HARRISON: Let's go back to the founding of the Cato Institute, in 1977, or at least when we moved to Washington, DC, which would have been 1981.

DAVID: We didn't get into our building (thanks to governmental obstacles) until early 1982. For a few months, we were a tiny band of entrepreneurs in a one-bedroom apartment on Capitol Hill. We would all be out in the main room doing our typing or phone calls, and if you needed to have a private conversation, like with a job applicant, you had to go to the bedroom!

DAVID: We've always been very cautious at Cato not to say “We're the best.” But I believe that it is Cato's role to try to be a leading exponent of libertarianism. That's our goal. That's what we shoot for and aspire to.

HARRISON: How important have nonpartisanship, credibility, and independence been, and how have we maintained steadfast adherence to those?

DAVID: When we hired more employees who hadn't been there at the beginning, we told



“We are libertarian—that’s built into our DNA. And we are a think tank. We’re not a lobby. We’re not a student organization. We’re not a political campaign. All those things are valuable, but that’s not what we are.”

If you think about what the world was like in 1977, the communists controlled a third of the world. And there was always a Democratic Congress. Keynesianism and related ideas were still in total control. Milton Friedman was an outlier. There were just three television networks. So I think there’s been a lot of change, mostly in a good direction. Since then, communism has fallen, at least in Europe. When I was a very young man, I was worried about being drafted and sent to Vietnam.

HARRISON: What was the thinking behind moving Cato to Washington, DC?

DAVID: Milton Friedman said, if you go to Washington, you will get corrupted. It’s certainly something to worry about and watch for. Ed Crane didn’t want to live in Washington at first. He wanted to live in California. But after being there for a while, he came to believe—and persuaded the board—that policy discussion took place in Washington, especially then with no mass media, no social media or internet. If you wanted to be part of that dialogue, you needed to be there. And I think we found that was true.

In Washington, many of the people in the crowd at events are journalists, policymakers, and certainly many congressional staffers, as well as people who work at other think tanks. The American Enterprise Institute, Brookings, and Heritage were all in Washington at the time.

HARRISON: Moving on through the 1980s, Cato’s reputation and the staff were growing, and we decided that it was time to start reaching people in authoritarian regimes such as the Soviet Union and China. Cato was involved in distributing publications

and holding conferences. How important do you think those efforts were in introducing liberal ideas into those countries?

DAVID: Libertarians and economists had said for decades that communism doesn’t work, that it can’t last. But for decades, it seemed like it was lasting. Then, there were moments when you thought maybe something was starting to change, such as in Hungary and Poland in the 1980s.

We believe that ideas have consequences. And if you don’t make these ideas available, then they won’t be able to have any impact.

A college student sent Milton Friedman Russian translations of some of his articles that she had done as part of her Russian class—he didn’t read Russian much, but Friedman sent them to Ed Crane, and he said, “Well, why don’t we try? Why don’t we turn these into a book and see if we can get some books into Russia?” So that was one of the things that happened. Another big motivating factor was the Solidarity movement [challenging the communist regime] in Poland, which inspired us to create a book of libertarian essays focused on Poland.

HARRISON: If people don’t see other institutions putting these ideas out and normalizing them, then they’re going to be scared to step forward themselves. I think the community Cato has built over the years with its friends, partners, supporters, and others really created an impact. And I hope the same was true for those we reached in the Soviet Union.

DAVID: Yes, I’m sure that’s true. There had been dissidents in the Soviet Union who smuggled free-market publications in, including ours, and did so at great risk to

themselves. Community matters. The more people who stand up for something, the more they're going to have an impact.

It did seem that the end of the Soviet Union came very fast. In many cases, the Soviet bloc nations promptly threw out their own Communist Party. But they didn't have any plans to get to a functioning market economy. It was done better in some places and worse in others. Cato people got involved in writing those plans and holding conferences in some of those countries.

HARRISON: It wasn't always the case that you might see the "libertarian Cato Institute" quoted on the front page of the *Wall Street Journal*. What has been the key to making that happen and ensuring that the ideas are spread more widely and taken seriously among the media?

DAVID: I can remember going to events in Washington, and just because somebody recognized me, a speaker would say, "Now, I know the Cato Institute isn't going to go along with this, *but*," or "I wouldn't go as far as David would, *but*."

It was an indication that they recognized that there was a libertarian point of view, a libertarian constituency of some sort in the country, and we were the focus of it for a long time. There are a lot of other organizations doing that now, and many of them were founded because of Cato's model.

The movement, the number of people, the number of books and everything has gotten much bigger. In 1974, F. A. Hayek won the Nobel Prize. In 1975, Robert Nozick won the National Book Award. In 1976, Milton Friedman won the Nobel Prize. And I was just finishing college at that time.

This was stunning each time to us. There'd never been anybody like Hayek getting the Nobel Prize—and then

Friedman two years later! But since then, there have been a lot of basically libertarian economists who have won the Nobel Prize. Not as prominent generally as Hayek and Friedman, but working in the same field of study. I think those things have put libertarianism on the map. And Cato was at the center of a lot of that.

Another thing we did early on was talk about principled judicial activism. We rejected the idea that the courts should never overturn any laws and rejected the idea that the courts should just do whatever the Harvard faculty thought seemed like a good idea. The Supreme Court should enforce the Constitution! And when the government does something that exceeds its powers under the Constitution, the Court should strike it down. We've hosted debates, forums, luncheons, and other events for scholars and law students to change the landscape.

HARRISON: You've written thousands of pieces and edited thousands more, as well as countless books and studies. Which of those are you most proud of, and which do you think has been the most influential?

DAVID: I'm most proud of *The Libertarian Mind*, which was originally *Libertarianism: A Primer*. That's my crowning accomplishment. For Cato generally, there have been hundreds of books and thousands of articles, so it's hard to remember which ones stand out the most.

Our first hardcover book, *Social Security: The Inherent Contradiction*, was influential on our program for the next 20 years. It introduced the idea that everybody knows Social Security is headed for bankruptcy, and the solution is allowing people to privatize their Social Security contributions. We popularized that idea with conferences

and other books. We found that José Piñera had done that in Chile. So, we brought him up here and he gave lots of lectures, including a dinner with Ed Crane and George W. Bush while he was governor. A few years later, Bush campaigned to change Social Security and set up a commission to do that.

Another book we did early on was called *Beyond Liberal and Conservative*. It was written by two political scientists, and it

“I'm most proud of *The Libertarian Mind*, which was originally *Libertarianism: A Primer*. That's my crowning accomplishment.”

said liberal and conservative aren't the only choices. If you think there are two kinds of issues, like social issues and economic issues, then there's a four-way matrix, with libertarian being one of those boxes. That got a lot of attention. It got pundits and political operatives thinking in that way. Again, we followed it up with conferences and seminars and policy papers.

Patient Power was our book that offered a privatization alternative to what ended up being Hillary Care. The book became

something people waved when they went to rallies against Hillary Care, and Hillary Care was stopped. We didn't stop at a 700-page book. We did a 120-page version and printed 300,000 copies of that. Then we did a 20-page version. It was a full-court press for discussing these ideas.

And then there was a book called *Global Tax Revolution*. One of the people we know who read it was Paul Ryan, who was a junior congressman at the time. About 10 years later, Paul Ryan led the 2017 tax cuts. Now, it wasn't the only book on taxes that Paul Ryan ever read. But we do know he read that one, and some of those ideas found their way into the 2017 tax cuts.

HARRISON: We've distributed over seven million copies of our pocket Constitution. Tell me about that!

DAVID: Tom Palmer had the idea that Americans love the Constitution, even if they don't know much about it. Presentation matters. We wanted something you'd be proud to hand a friend. So, we started distributing that, and we got little blurbs in newspapers saying it existed. It wasn't the only pocket Constitution in existence, but it was the best looking.

We wanted people to recognize that the first thing the Constitution does is set up a government that limits power and asks of any proposed government policy whether it is authorized by the Constitution.

“A Culture of Tolerance and Free Speech”

HARRISON: Are there freedoms today we take for granted?

DAVID: In the United States and Europe and much of the world, we are not subject to the

arbitrary rule of an autocrat, whether that's a priest or a king or a satrap or a sultan. It's also true, of course, that we have more free speech, we have more freedom of religion. We don't notice these because fish don't notice water. We live in a largely liberal free society because of the efforts of liberals who went before us. We've mostly eliminated slavery in the world.

Then you can just get into more technical things like free trade. It's what makes possible much of our prosperity and abundance. But we mostly don't think about it. You go to the grocery store, and you can buy kiwis from New Zealand.

HARRISON: One of the things Cato's cofounder Ed Crane would emphasize is the dignity of the individual and the importance of tolerance, and how that separates us from collectivists. Why are tolerance and pluralism important for a free society?

DAVID: If there's a lot of intolerance in society, there's unlikely to be a lot of freedom. People who look down on others as a class, who think that some classes are just not as good as others, are likely to favor government help for the "right" people, and government restrictions for the "wrong" people.

We want to live in a culture of tolerance and free speech, not just a legal regime of free speech. It's better to live in a liberal society that treats everyone decently, where individuals treat everyone decently.

HARRISON: You've recently written about a new politically homeless grouping in America, the classical liberal center. Who are these people? What do they believe, and how can we, the Cato Institute, reach them?

DAVID: Many of them don't realize they're homeless.

I've always said I'd like to be part of a libertarian vanguard of a liberal party or movement. Somewhere along the way, basically about 1900, in the Progressive Era, the liberals who believed in free markets and small constitutional government and the liberals who believed in liberating people who had been excluded took divergent paths, but they should have stayed together. We would have had a liberal majority.

One concern is that people began to take these freedoms and prosperity for granted, and they forgot that you have to work at it. They thought we could just tax a little, and then a little more, and "help" the corporate farmers, single mothers, children, and so on with all manner of programs. And that's how you get a very big government.

What can we do about it? Some electoral reforms, like ranked-choice voting, might help. One of the things our current political system is doing is creating polarization because each party gerrymanders, and then you end up with people whose only concern is winning the primary. That problem pushes us in that direction. A fair number of libertarians are thinking about this sort of thing right now.

"We Wouldn't Be Here If It Weren't for Cato's Supporters"

HARRISON: Were your original goals in building the Cato Institute realized?

DAVID: I think so! We would never have dreamed in 1977 or even 1982, when I was joining Cato, that we would be this big or this influential. Of course, many people would say, "But you would never have dreamed that



government would be as big as it is after your 40 years.” That’s true. Every time I speak to donors, they ask what we’re going to do about entitlements, spending, and the national debt.

HARRISON: David, tell me about the importance of Cato’s supporters.

DAVID: Obviously, they’re crucial. We wouldn’t be here if it weren’t for Cato’s supporters. Now we’ve got more than 10,000 active supporters each year, so we can be much bigger, and we can do lots of things. We built our building, and then we expanded it. We’ve held conferences in Russia, China, and Mexico, and now we’re just about to hold one in Argentina, focused on the Milei agenda. We couldn’t do any of that without the support of our Sponsors, especially because we don’t take government money. We don’t have one big foundation funding us. We have a lot of people, and we appreciate it. They know that we don’t do things because they ask. They support our work because they like our work.

HARRISON: Is there anything that makes our supporter community unique?

DAVID: I think even though a lot of them are very affluent, they seem very down to earth. I find they’re not focused on what policies would benefit them. They’re focused on what policies would fit within what they understand to be the constitutional limits of government and whether a decision is prudent relating to markets, private property, and individual freedom generally.

“My Charge to Young People”

HARRISON: After young people start with

your books, what thinkers or books should they look to?

DAVID: I started with *Economics in One Lesson* by Henry Hazlitt. Ten or 15 years ago, I thought we should update it, so I contacted a good contemporary economist and asked how he would like to update it. But then I read it again, and I realized it doesn’t need any updating!

Another book on economics that I really like to recommend to people is *Eat the Rich* by P. J. O’Rourke, which asks the fundamental question about economics: Why do some places thrive and others just suck? He goes to different places, some that thrive, some that don’t, and draws lessons in a fun way. He’s a funny writer.

And like anybody else, I would recommend *The Road to Serfdom* by F. A. Hayek, *On Liberty* by John Stuart Mill, and the writings of the Framers of the Constitution.

HARRISON: What is your advice for the next generation of Cato leaders?

DAVID: I spoke to Students for Liberty recently. One of the things I said was that in the 1940s, the world looked really bad. In the 1930s, you had the rise of communism and Nazism and fascism, and then you had a great world war. And in the middle of this world war, while fascism and communism were still in place, and we’re getting the Rooseveltian welfare state in this country, three remarkable women rose: Ayn Rand, Isabel Paterson, and Rose Wilder Lane.

They wrote books that lit a fire that took a long time to grow, but they challenged the collectivism of all these ideas and defended traditional American individualism.

And of course, around that time Hayek

wrote *The Road to Serfdom*. They started a counterrevolution against communism, to some extent, but also [against] the welfare state and collectivism in America.

Then in the 1970s, when Cato was getting started, there was a big Keynesian welfare state in the United States and other places, and people who had read these books started organizing, talking, and pushing back against those things, particularly resulting in the Reagan and Thatcher administrations. They weren’t right about everything and didn’t accomplish everything they said they would, but they revived a spirit of entrepreneurship and progress. I believe that Reagan’s marginal tax rate cuts significantly affected what became the long boom.

My charge to young people is this: Now we have illiberalism rising on both left and right in the United States and around the world. Illiberalism is challenging the whole idea that we should be a free and individualistic society and that that’s what creates the incredible prosperity we have achieved.

As young people, it’s your job to pick up the torch that Ayn Rand, Isabel Paterson, and Rose Wilder Lane picked up and passed on to people like Milton Friedman and other free-market scholars. You need to be fighting back against the illiberalism in the United States, and the worst illiberalism around the world, not just in Russia and China, but in places like Mexico, Turkey, Hungary, and Venezuela.

“And Yet, Liberalism Endures”

HARRISON: There are always going to be people challenging liberty and liberalism. There will always be people seeking power. But with enough time, they will be

overcome—could you lay out that case?

DAVID: There’s always somebody to scapegoat, whether it’s the Jews or the 1 percent or big business, or the gays or the blacks or whoever, and some form of populism is organized against whichever group of people.

And yet, liberalism endures. We still live in a basically liberal world, at least the United States, Europe, and the rest of what is the liberal world. Something about it seems very resilient.

It allows people to experiment with lots of things, find bad ways of living, and toss them aside. I feel like I’m pessimistic in the short run. We’re going to get a bad president in this next election.

But freedom works and socialism and fascism do not work. Eventually, people will realize that, and to some extent, most Americans do. The longer you project, the more confident I am that we’ll be in a freer world in the future.

HARRISON: David, I can’t say enough about the impact you’ve had on me and my career, on the Cato Institute, and on countless people around the world. You’ve done a lot for freedom, and you’ve made the world a freer place. Thank you. ♦

ABOUT THE AUTHOR

Harrison Moar is vice president for development at Cato, leading the Institute’s fundraising and partnering with Cato Sponsors to achieve their philanthropic goals. He is a member of Cato’s leadership team and is a past editor of the *Cato at Liberty* blog.

Remembering David Boaz: Colleagues and Friends Share Their Memories



David's commitment to libertarian principles was so solidly rooted in reasoned analysis that he seemed sincerely perplexed when any intelligent, thoughtful person disagreed with his libertarian position on any issue. I was honored that he evidently considered me smart and reasonable enough that I *should* agree with these views, and he therefore seemed baffled in the (relatively few) instances when I did not. Over the many years of our collegueship, David's probing questions, insights, and arguments did modify some of my ideas, and they will continue to inspire me to engage in constant reexamination. In that meaningful way, I'll always gratefully channel David—right along with John Stuart Mill!

—**Nadine Strossen, former president, American Civil Liberties Union**

David has been our intellectual godfather and superstar of the libertarian movement. Second to no one, he's been responsible for injecting libertarian ideas into public discourse.

—**Robert A. Levy, chairman emeritus, Cato Institute**

In Book 8 of the *Odyssey*, Homer describes a person who shows his strength of mind by his power of speech: "When he comes to town, the crowds gather." That was David Boaz. Alert, vigorous, ready for anything, intimately acquainted with the facts he needed, he was the most articulate advocate that any movement could hope to find. David was my friend for four decades, and he was a warm and helpful friend to the journal I edit, *Liberty*. I refuse to believe he isn't with us still. His significance for the cause of freedom cannot be measured. His achievements will never be forgotten.

—**Stephen Cox, distinguished professor emeritus, University of California, San Diego**

The hardest I ever struggled not to laugh was over dinner with David Boaz on Saturday, August 28, 1993. David was despondent because, all week long, no one at Cato had as much as mentioned his upcoming 40th birthday. No party, no card;

how could they have forgotten? It was no use to console him, which I pretended to do—all while fighting not to expel my drink through my nose. I pointed out that at least Andrea and Howie Rich and I would take him out for a celebratory drink the next day.

Of course, that's not what happened Sunday. Instead, when David walked into Duke Ziebert's, then Washington's most famous restaurant, he was greeted by balloons, decorations, and a lusty "SURPRISE!" from over a hundred colleagues and friends. Ed Crane led the tributes, which were ample, and friends came from near and far. I, relieved, was finally able to laugh.

I'm still laughing at the prank—and still cherish the memory of showing David so memorably that he was admired and loved.

—**Jonathan Rauch, senior fellow, Brookings Institution**

For five decades he worked to secure equal liberty for each and every human being. It was his life mission, to which he hewed with extraordinary steadfastness. . . . David Boaz is our inspiration. He never stopped. He never will, because when we fight for the rule of law, he is with us. He will always be with us.

—**Tom Palmer, senior fellow, Cato Institute; George M. Yeager Chair for Advancing Liberty and executive vice president for international programs, Atlas Network**

I last saw David before his illness at a garden party at Walter Olson's home in 2022. David had been trying unsuccessfully to get Ed Crane to agree to be interviewed about the early history of the libertarian movement and his perspectives on what was happening to it. He thought if I were the interviewer, Ed might agree. I enthusiastically agreed to try (and I did, also unsuccessfully). It was classic David Boaz. On one dimension, he was, as

always, being clinical and dispassionate. Ed had important material to contribute. On another dimension, unspoken, as always, David was being kind and compassionate. In my experience, that was David: a consistent Ayn Rand rationalist on the surface; underneath, not for public exhibition, caring and loyal.

—**Charles Murray, Hayek emeritus scholar, American Enterprise Institute**

At a Club for Growth meeting, I heard Marco Rubio talk about the beauty of free markets and I thought, "Finally, a politician who really gets it! He will fight for individual freedom!" I happened to share that thought with David. He replied, "It's dangerous to fall in love with a politician. They will break your heart every time." As usual, David was right.

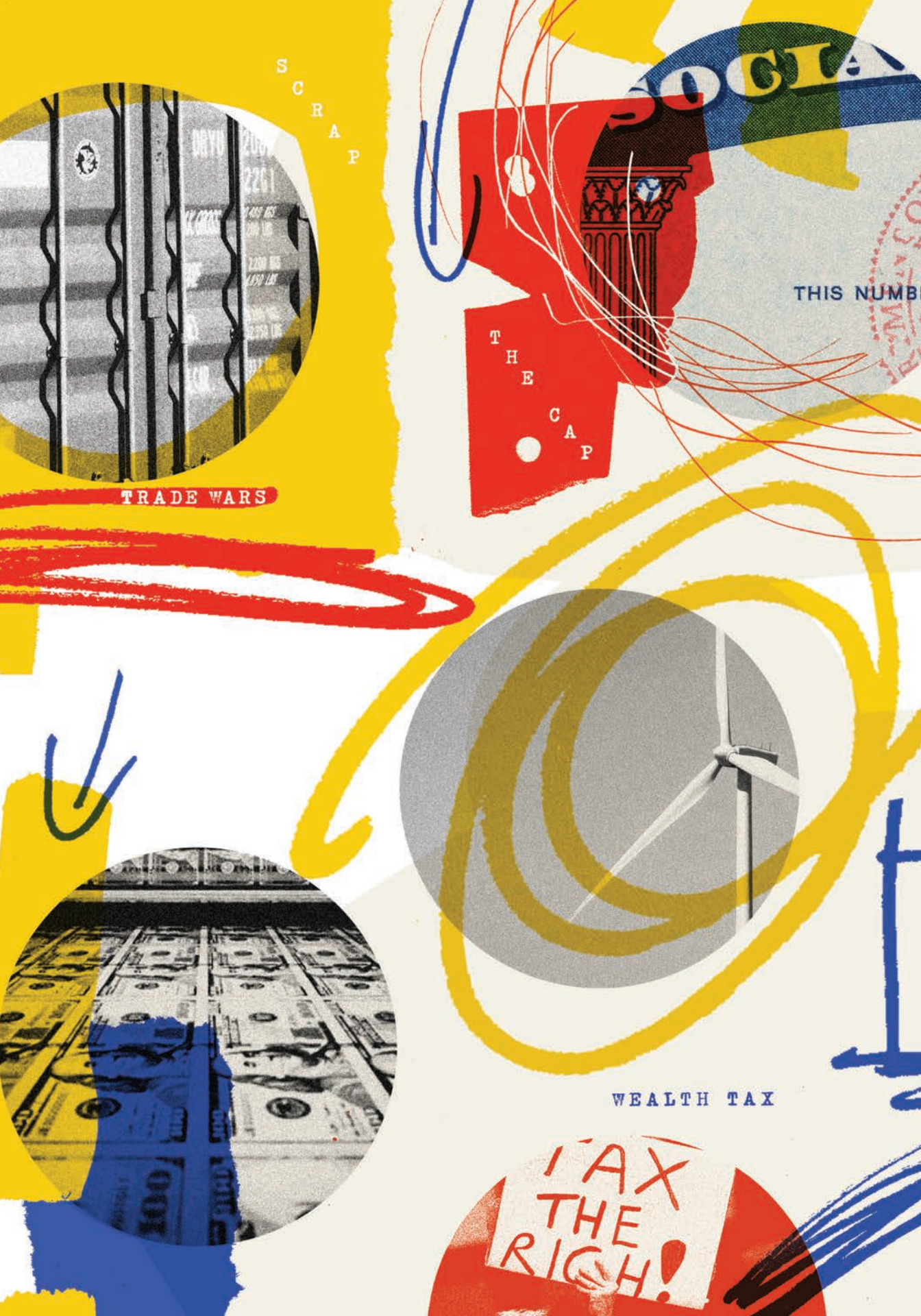
—**John Stossel, Stossel TV**

I met David at Vanderbilt University in the early 1970s. Among many other things, he led our efforts to bring prominent speakers, such as then California governor Ronald Reagan and *National Review* founder and editor William F. Buckley Jr., to campus, which was no small feat given the prevailing hostility to free-market ideas. Despite being only one year older, David was my intellectual leader, mentor, and friend. He spent his entire life promoting liberty and made massive contributions to the cause.

—**William B. Lacy, former director of President Ronald Reagan's Office of Political Affairs**

When I think of the most effective advocates of individual freedom in my generation, David Boaz is Number One, and there is no Number Two.

—**Walter Olson, senior fellow, Cato Institute**



The Economics of Bad Ideas

Our politics are awash in economic illiteracy, with no shortage of bad ideas streaming out of the US Capitol and filling the airwaves. While the left's innumeracy is well documented, the right has also fallen for technocratic naivete in various areas, such as their recent support for tariffs and other trade barriers that benefit a concentrated group at the expense of everyone else.

These well-intentioned proposals frequently create a maelstrom of unintended consequences that are counterproductive for the free and prosperous society our institutions are meant to nurture. Cato scholars take on five such proposals here, correcting the record on unrestrained government spending, the refusal to reform entitlements, the harm caused by trade wars, the foolhardy push for a green electric grid, and the pitfalls of a wealth tax.



The US national debt is nearing record levels not seen since World War II, driven by politicians on both sides of the aisle abdicating their responsibility to control spending across multiple presidential administrations and Congresses.

Ignoring the threats posed by our ever-increasing debt will only exacerbate problems for future generations, burdening them with slower economic growth, runaway inflation, and higher interest rates.

Despite calls by some independent-minded politicians to balance the budget, most lawmakers and pundits either overlook or downplay these dangers. Others, including former House Budget Committee chair John Yarmuth (D-KY), dismiss concerns about the debt altogether.

"We are a sovereign currency, we can print all the money we want to serve the people whom we serve," Yarmuth testified to the House Budget Committee last October, several months after he retired from Congress. "Why are we paying interest on the money we borrow? And why do we

"We are a sovereign currency, we can print all the money we want to serve the people whom we serve."

—Former House Budget Committee chair John Yarmuth (D-KY), testifying to Congress on October 19, 2023

By Romina Boccia

ILLUSTRATIONS BY LUCY JONES

borrow money anyway? We can print it and put it in the Treasury.”

The belief that federal deficits and government spending don't matter because the government can print more money underlies modern monetary theory. This unworkable economic doctrine has gained considerable traction in some circles on the left while downplaying the risks of inflation resulting from fiat money issuance.

But history is replete with examples of runaway inflation caused by out-of-control money printing and government spending. Between 2015 and 2019, average inflation levels in Argentina more than doubled, from 27 to 54 percent, and then hit triple digits last year. This reduction in Argentines' buying power occurred alongside reckless government spending and rapid growth in the country's money supply. Argentine president Javier Milei was elected last year on the promise of taming inflation and slashing spending. The early results have been promising, with inflation falling for the fifth straight month in May.

When the government prints more money without the market first creating more resources, the additional money devalues existing money by driving up prices. More money chasing the same number of resources creates inflation. Inflation hits the most vulnerable hardest, eating away at the buying power of wages and savings.

Printing more money is not the answer to growing the economy. Instead, the government should reduce regulation and spending to unleash innovation and improve living standards.

There's a Milton Friedman quote I keep top of mind when crafting solutions to the federal budget problem: “The important thing is to establish a political climate of opinion which will make it politically profitable for the wrong people to do the right thing.” Few politicians are willing to

sign off on the necessary budget cuts to put us back on a path to fiscal sanity; after all, reducing spending at the scale required to balance the budget would mean cutting back on old-age entitlement programs such as Medicare and Social Security—a move so politically unpopular it threatens politicians' prospects for reelection.

To make entitlement reform feasible, Congress needs political cover to make the tough choices necessary. At the very least, Congress could establish an independent, nonpartisan commission of experts tasked with stabilizing the nation's debt at a size not exceeding the gross domestic product (also referred to as the economy). An initiative modeled after the Base Realignment and Closure (BRAC) commission would offer a promising path forward. Establishing such a commission would enable members of Congress to set reform discussions in motion while advocating their constituents' interests.

Following the BRAC model, an independent commission's recommendations would become law within 45 days unless the House and Senate pass a joint resolution to disapprove of the reform package. As such, the reform package would be enacted by default after presidential approval and without members of Congress being required to vote on it. George Will promoted this idea in a *Washington Post* column last August, pointing out that the BRAC-like commission would address “fatalism about the political system's inability” to tackle the debt.

With inflation at an all-time high, there's been a growing appetite in Congress for fresh ideas on heading off an impending fiscal crisis. I've already had dozens of meetings with key members of Congress and their staffers about my proposal for a BRAC-like commission to limit spending and control the national debt.

The attention my proposal is receiving renews hope that national spending can be reformed and that we can avoid the consequences of continuing to kick the budget can down the road: a doom loop of rising interest rates, higher inflation, and shrinking economic growth. The stakes are far higher now than when Congress first set up the original BRAC commission to close obsolete military bases. It's time for a fiscal BRAC.

An independent commission is the best chance we have of hitting the debt brakes and maybe, just maybe, reversing some of the damage that the government has done to our economy and our everyday lives.



“It is time to scrap the cap, expand benefits, and fully fund Social Security.”

— Sen. Bernie Sanders (I-VT)

By Romina Boccia

The shaky financial footing of Social Security grows more apparent by the year, with automatic cuts due in 2033, when the program's reserves are set to be

depleted. Without much-needed structural reforms, Social Security looks even more unsustainable from 2033 onward, as lower fertility rates and longer life expectancies will further disrupt the balance of the \$1.2 trillion program.

Despite the dismal outlook, leaders on both the left and right have failed to offer realistic solutions, while some lawmakers, such as Sen. Bernie Sanders (I-VT), want to *expand* benefits by uncapping payroll taxes for high earners.

But expanding benefits while dismissing necessary structural reforms will not slow Social Security's spiral. Congress should instead increase the eligibility age to align benefits with increased life expectancies, expand legal immigration for young workers to alleviate US demographic challenges, reduce excessive benefits for wealthy retirees, and return more control over retirement savings to individuals.

Social Security is a pay-as-you-go scheme, with the current 12.4 percent payroll tax on earnings of up to \$168,600 funding all benefit payments each year. The aforementioned demographic shift presents a problem for this financing structure, as Social Security has paid out more in benefits than it has received through the payroll tax every year since 2010. That cash deficit is projected to be \$182 billion this year with associated interest costs and will increase to more than \$600 billion annually by 2032, leading to a cumulative 10-year deficit of \$4.1 trillion over the next decade.

The program does have \$2.7 trillion in reserves from previous decades of surpluses to cover these growing deficits, but that cash has already been used to purchase special-issue Treasury bonds so that the government could spend the surplus elsewhere. Aside from mounting interest costs, redeeming those Treasury bonds to cover deficits requires the government

to borrow *more* money, raise taxes, or cut spending from other programs.

Sanders and other lawmakers have proposed uncapping taxable earnings so that income beyond \$168,600 also contributes to Social Security. Along with reducing economic growth and investment, eliminating the cap would only address half the long-term funding shortfall.

Simply increasing the payroll tax rate for everyone is an equally unsavory option. To pay all benefits through 2097 and maintain one year's worth of reserves, the payroll tax would have to increase from 12.4 percent to 17.5 percent, with employees and employers still contributing half the total payroll tax burden each, according to the Congressional Budget Office. The median US worker, who has a salary of \$60,070, would see their annual payroll tax burden jump 40 percent, from \$7,449 to \$10,512.

Wider changes to Social Security are clearly needed. Lawmakers could start by reducing excessive benefits for the same wealthy retirees that Sanders wants to pay more taxes. The current maximum benefit for a dual-earner, retired couple is \$117,000—a far cry from the modest “measure of protection” that President Franklin D. Roosevelt originally envisioned in 1935. This would be possible by changing the earnings-related formulas currently used to determine benefits or by transitioning to a flat benefit system altogether, as many other countries have done.

We also must confront the demographic shift underway in the United States. Fertility rates are falling, and government policies aimed at reversing this trend have been largely ineffective in other countries. Expanding legal immigration, however, is the most straightforward way to alleviate the imbalance between workers paying into the system and retirees drawing from it.

These changes would help move the

needle, but a larger overhaul is needed that allows individuals to make their own saving and investing decisions while reducing the government's role in retirement planning. The introduction of voluntary, tax-advantaged universal savings accounts, for instance, would allow Americans to build their own financial security for themselves and their families.

Simply raising taxes on Americans will not solve Social Security's problems. Lawmakers should instead work to reduce excessive benefits, increase the eligibility age, expand immigration, and allow individuals to plan their own retirements through universal savings accounts or similar tax-advantaged accounts.



“A wealth tax is popular among voters on both sides for good reason: because they understand the system is rigged to benefit the wealthy and large corporations.”

—Sen. Elizabeth Warren (D-MA) on March 1, 2021

By Chris Edwards

In the grand theater of American politics, the proposal to tax the rich has become a perennial crowd-pleaser on the political left. Federal politicians are calling for higher taxes on millionaires and billionaires to solve every imaginable problem. The populist left wants large income tax hikes at the top end and even a new European-style wealth tax, arguing that the rich are not paying their fair share and that wealth concentration is out of control.

This outlook is seductive to some people but deeply flawed.

The idea that taxing the wealthy can single-handedly cover budget deficits and fund ambitious government spending initiatives is a fiscal fairy tale. For one thing, data from the Congressional Budget Office show that the top one-fifth of US households already pay about three-quarters of all federal taxes.

There simply isn't enough untaxed income at the top to foot the bill for our ever-expanding budget deficits, let alone a massive surge in federal spending over the next decade. Larger welfare states abroad fund their higher spending with high taxes on the middle class. Many European countries tried imposing annual taxes on wealth, but they raised little money, induced widespread avoidance and evasion, and were damaging to entrepreneurs and the economy. The number of European countries with a wealth tax has fallen from 12 in 1990 to only 3 today.

More importantly, raising taxes on high earners would damage investment, entrepreneurship, and all Americans through slower economic growth. Markets reward work, innovation, and successful risk-taking by gains in wealth. The wealth of successful entrepreneurs is savings, which supports workers by providing investment resources for businesses.

Jeff Bezos's wealth of nearly \$200 billion

is not comprised of gold bars under his mattress but mainly of capital in Amazon, which supports opportunities for more than a million workers. His wealth is not concentrated but is instead spread across the economy, providing opportunities and services to all. Without such wealth or capital, productivity and wages would decline. *Forbes* reports that 66 percent of the world's billionaires are self-made, not inheritors of wealth. These folks have invented new products, driven down costs for every family, and improved our daily lives.

Wealth is not a fixed pie. In open and competitive markets, entrepreneurs creating wealth do not diminish the wealth available to others. Business innovations in these markets benefit not only businesses themselves but also consumers and the general public by offering higher-quality products at lower costs. Imposing higher “fair share” taxes would reduce investment, hiring, and innovation.

Rather than imposing a misguided tax on wealth, Congress could minimize tax avoidance by high earners by greatly simplifying the tax code. Such a step would also reduce the massive complexity of our tax system, which imposes substantial costs on both individuals and businesses. Americans spend more than six billion hours annually filling out tax forms, keeping records, and learning tax rules. Frequent rule changes and tax complexity lead to costly errors; this complexity also hampers efficient economic decisionmaking while creating inequality in the treatment of taxpayers.

It's true that some rich individuals use loopholes to reduce their taxes, but Congress put most of the loopholes in the tax code in the first place. The solution is a major tax overhaul to lower overall tax rates while eliminating distortionary deductions, credits, and exemptions. In recent years,

Congress has gone in the wrong direction with billions of dollars of narrow tax breaks for the electric vehicle industry, housing developers, energy companies, ethanol producers, and many others.

Instead of implementing a wealth tax or raising tax rates on capital income, policymakers should make reforms in the direction of consumption-based taxation, which would tax labor and capital but in a simpler way that does not stifle growth. A promising reform could involve universal savings accounts, which would be like supercharged Roth IRAs but could be used for all savings purposes, not just the activities favored by the government. Both Canada and the United Kingdom have enacted such accounts, and they have been hugely popular with individuals at all income levels. Universal savings accounts would encourage people to build larger nest eggs and increase their personal financial security.

Such pro-growth tax reforms should be matched by reining in excess spending and balancing the federal budget. If policymakers are worried about the rich gaining unfairly, they should focus on cutting spending subsidies for wealthy farmers, auto and energy companies, and other groups who should not be on the federal dole.



“Trade wars are good, and easy to win.”

—Donald Trump in 2018, after announcing his first round of tariffs on Chinese goods

By Scott Lincicome

During the four years of former president Donald Trump’s administration, US trade policy took a beating. On his very first day in office, he signed an executive order removing the United States from the 12-nation Trans-Pacific Partnership trade agreement (one of the most boneheaded US policy moves of the past decade). Next, he imposed global tariffs on metals, solar panels, appliances, and around half of all imports from China, including many household necessities and manufacturing inputs. Then, he showered new subsidies upon farmers unsurprisingly harmed by foreign retaliation to those same tariffs (never considering the obvious solution of reforming or eliminating the tariffs that fomented said retaliation). He also tightened Buy American policies to require that federal projects use domestic materials, raising costs and delaying the projects’ completion.

Now the former president and current GOP nominee has expressed plans for a “universal baseline tariff”: a 10 percent “ring around the US economy” that would automatically apply to all imports, regardless of source. And he wants to increase tariffs on Chinese imports to 60 percent or more (a tacit admission, by the way, that his 25 percent tariffs haven’t worked).

The Biden White House has criticized the Trump tariff proposal because it would “hurt hardworking families with higher prices and higher inflation” and “stifle economic growth.” It’s nice to see President Biden’s words acknowledge these realities; his actions over the past three years, however, have been disappointingly similar to his predecessor’s.

President Biden has barely touched Trump’s tariffs, even though he could remove almost all of them with the stroke of a pen. Not only that, he’s also actively worked to give himself—and any future president—even more power under these same protectionist laws, which our dysfunctional Congress is either unable or unwilling to reform. The Biden White House has also doubled down on those Buy American rules, embraced the Jones Act (which mandates that American ships carry goods between US ports), and lauded new domestic content mandates and subsidies for US renewable energy, semiconductor, and infrastructure projects.

Bipartisan support for such harmful policies has been motivated by fear over the rise of China, lingering concern from the pandemic era’s supply-chain problems, and the belief that decades of trade liberalization harmed many lower- and middle-income Americans, especially in the industrial Midwest.

But recent events and reams of scholarship reveal that these concerns are

more about politics, not policy. And the proposed solutions are doing far more harm than good.

There is no doubt that competition, whether foreign or domestic, and market changes can be disruptive, but such disruptions are rarely if ever more costly than protectionism. As the Trump tariffs showed, higher prices arising from government import restrictions are borne almost entirely by American companies and consumers (especially poorer ones), leaving the US manufacturing sector and economy worse off on net. Protected companies and jobs don’t suddenly start thriving; instead, they end up seeking more government support, while US firms hurt by the tariffs lobby for special exceptions or their own protection. By the end of 2021, American companies had filed more than 200,000 requests for tariff exclusions.

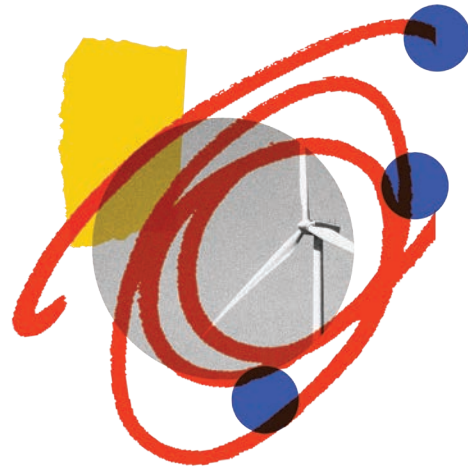
Pandemics and other global shocks inevitably do crazy things to supply chains, but protectionism is rarely a good solution. As we unfortunately saw with baby formula (almost all of which was made here), in fact, globally sourced products usually prove more resilient than those sourced domestically. China represents real and unique challenges for the United States, but current import taxes are indiscriminate—supposedly “strategic” tariffs cover garage door openers, vacuum cleaners, bicycles, tiki torches, baby blankets and clothing, and many other nonstrategic things. They mostly raise costs for American families and companies while doing nothing to convince Beijing to change course. Meanwhile, China’s own policy missteps, demographic challenges, and myriad economic headwinds have imploded Washington policymakers’ once-trendy view of China as an unstoppable global power that demands the abandonment of Western democratic

capitalism. All those tariffs, however, remain—and Biden just added more.

Fortunately, markets and people have shrugged off much of this protectionism, as well as post-pandemic predictions of wide-scale “deglobalization.” Supply chains remain global, though different from what they were pre-pandemic; imports and exports of US goods in 2023 remained near the record highs they set in 2022; services trade and digital trade are booming; and energy and food crises have never materialized (thanks in large part to globalization).

Our political class may be embracing autarky, but the millions of people actually engaged in the global economy still aren’t buying it.

Hopefully the politicians will soon catch on too. Congress needs to recognize that protectionism creates a few short-term winners at everyone else’s expense; that trade, immigration, and economic interdependence make US companies and workers wealthier, more competitive, and better able to withstand economic shocks; that US trade laws are far too susceptible to presidential abuse and politicking; and that meeting the China challenge requires not China-style industrial policy but the openness and dynamism that made America great in the first place (and still great today).



“There’s no way around it: to realize the full benefit of the nation’s goal of 100% clean electricity by 2035, we need to more than double our grid capacity.”

—Secretary of Energy Jennifer Granholm

By Travis Fisher

During his administration’s first week in office, President Biden issued an executive order on “tackling the climate crisis.” The order detailed the administration’s goal to achieve “net zero” greenhouse gas emissions by 2050, with an interim goal of attaining 100 percent clean electricity by 2035. These aims align with the Paris Agreement, which Biden took steps to rejoin on his first day in office.

According to many environmental activists, the goal of 100 percent clean electricity by 2035 is one of the easier pieces of the decarbonization puzzle. However, it requires remaking the power grid as we know it, and it is unlikely to happen under current policies (even after accounting for state-level mandates for renewable energy and trillions of dollars in federal subsidies).

According to Secretary of Energy Jennifer Granholm, the United States needs to “more than double our grid capacity” to “realize the full benefit of the nation’s goal of 100% clean

electricity by 2035,” which would “deliver reliable, more affordable energy to every American community in turn driving down costs for American families.”

What’s the price tag for a government effort to double the capacity of the American electric grid? How could such a significant intervention drive down costs for American families, as Secretary Granholm has claimed? Let’s review the economics of the idea of 100 percent clean electricity by 2035 by estimating the policy’s costs to taxpayers and climate benefits.

The Cost of Doubling the Power Grid

Baked into Secretary Granholm’s call to double our grid capacity is the fact that new renewable energy resources—namely, wind and solar—tend to be in parts of the country that do not presently have robust electricity transmission infrastructure. In some cases, new transmission lines must be built before a new wind or solar facility can interconnect. In other cases, existing capacity must be increased.

Getting to a 100 percent clean electric grid thus means doubling our transmission capacity and building enough clean electricity generation to energize the grid and satisfy demand at all hours. In practice, that requires either a staggering amount of new renewables and new batteries for backup or an aggressive shift to new nuclear technologies.

In both cases, the cost to taxpayers of the new assets would reach multiple trillions of dollars (about \$3 trillion by recent estimates), and the required transmission investment could be just as costly (some scholars estimate \$2 trillion or more). For the sake of argument, let’s place the cost of a 100 percent clean electric grid by 2035 at \$5 trillion. Instead of reducing costs for American families, this plan jacks up prices and deepens the national debt.

What Climate Benefits Can We Expect?

If the United States achieves 100 percent clean electricity, does that mean other countries will follow suit? Game theory tells us that each country’s government is likely to do what’s in its own best interest, not what’s in the interest of the global commons. Also, many of today’s largest emitters are developing nations that have much lower per capita incomes than the developed West. Will they be capable of spending moon-shot money on an energy transition?

Let’s check the data. According to a November 2023 UN report, the 195 parties to the Paris Agreement pledged to reduce emissions by 45 percent by 2030. Instead, the parties are on pace to increase emissions by 9 percent by 2030. Meanwhile, China continues to build new coal-fired power plants at a rate that overwhelms the West’s efforts to close them. The Paris Agreement seems to be succumbing to the collective-action problem.

Although I wouldn’t call the climate situation a crisis, tackling climate change is a lofty goal that many Americans support. However, the practical reality—often omitted from discussions of climate policy—is that the president of the United States cannot dictate global outcomes. If the United States ceased to emit greenhouse gases today, climate models used by the United Nations suggest the world would be 0.2 degrees Celsius cooler by the year 2100 than a world without such climate commands.

Keep in mind that the electricity sector is responsible for only 25 percent of US greenhouse gas emissions. Hence, spending \$5 trillion on a 100 percent clean electric grid by 2035 would slow global warming by 0.05 degrees Celsius by the year 2100. Given everything else we can do with \$5 trillion, greening the grid is not a wise use of taxpayer dollars. ✨

The Paradox of Protectionism: How Tariffs Hurt the Businesses They're Supposed to Help

By Paul Best

Clifford Digre flew 17 combat missions as a ball turret gunner and six as a radio operator during World War II, returning home in 1945 and settling near Minneapolis with his wife. Fascinated by the rapid advancement in electronics during America's war effort, he decided to go to school to become a licensed radio operator but then pivoted after identifying a massive hole in the market during the postwar economic boom.

Digre had been struggling without success to find someone to repair his wife's broken radio, eventually deciding to just recone the malfunctioning speaker himself with the help of some classmates at radio school. That experience led Digre to create the Minneapolis Speaker Reconing Company in 1949, repairing everything from radios to speakers for drive-in movie theaters. The start-up transitioned to creating original speakers in 1956 and evolved into MISCO (Minneapolis Speaker Company), with Digre and his partners honing the full manufacturing process over the next three decades, including design, production, and testing.

Dan Digre, Clifford's son, took the helm in 1990 and grew MISCO into a respected

original equipment manufacturer, creating custom speakers for commercial aircraft, vehicles, medical devices, instruments, and even the *Orion* spacecraft for NASA's Artemis mission.

"MISCO has changed quite a bit in response to changing markets, changing technology," Digre told *Free Society* while reflecting on the company's 75-year history.

Adjusting to market forces and customers' preferences allowed MISCO to continue growing in the United States while other manufacturers shipped production overseas.

In 2018, though, MISCO's costs skyrocketed 25 percent overnight—not because of a supplier's bankruptcy or the cancellation of a big contract, but because of hundreds of billions in new tariffs that former president Donald Trump placed on goods from China.

"If we're going to build speakers in America, we've got to buy these low-cost inputs, raw components, which are no longer made in America, and get them from wherever we can in the world," Digre said.

These imported component goods include magnets made out of ferrite, neodymium, or alnico, depending on a given speaker's use case and specifications; a voice coil



Clifford Digre (left) and his business partners outside the first MISCO location in Minneapolis in the 1950s.

consisting of copper wire wrapped around aluminum or fiberglass; a cone with varying amounts of felted paper, carbon fiber, and plastic; and numerous other raw materials.

"Now I have to pay 25 percent more than my competitors who build speakers in other places in the world. I've got to ship it to America with a 25 percent tax on it. My European competitors and my Japanese competitors and other competitors—they don't have that," Digre said. "It immediately put us at a cost disadvantage. Now all of a sudden, an American-made product is not as competitive, and we don't have a supply chain here to turn back to, and many of the parts that we put into a loudspeaker were actually never made here."

Ironically, tariffs on final loudspeakers manufactured overseas were set at only 15 percent and then lowered to 7.5 percent, meaning that MISCO and other speaker manufacturers face higher taxes when importing raw materials for production in the United States than they do when importing a final product that was wholly manufactured overseas. This economic phenomenon, known as tariff inversion, can incentivize manufacturers to move all production out of the United States to take advantage of the lower tariff rate on final goods.

"We will keep building a lot of products here in America—we introduced a couple lines of products that have the ability to bear that extra cost and still be competitive,"



LEFT: Clifford Digre identified a gap in the market for speaker repairs after spending weeks trying to find someone to fix his wife's broken radio.

RIGHT: Dan Digre took over MISCO in 1990 and helped expand the company's reach to an array of industries, including medical, military, transportation, and aerospace.



Digre said. “But a lot of our new products are just being built in China. No American labor, no American factory.”

A Web of Unintended Consequences

MISCO is not alone in shouldering the unintended consequences of protectionism. Barry Vogel, executive director of the trade association Audio and Loudspeaker Technologies International, told *Free Society* that tariffs have resulted in “higher consumer prices while doing absolutely nothing to increase competitiveness of US manufacturers.”

Another US manufacturer, South Carolina-based TV producer Element Electronics, faces a total tariff of 12 percent on the main input in its manufacturing process, imported glass LCD panels from China. But the tariff on finished LCD TVs is only 3.9 percent, meaning that it is more cost-effective to produce TVs overseas and import them than it is to manufacture them in the United States.

“Although Element continues to produce to meet its ever-increasing demand from

its customers, it is impossible to remain competitive in the face of an overnight 12 percent tariff disadvantage to our competition, most of whom are using Chinese materials assembled in Mexico,” Element Electronics COO David Baer testified to Congress in 2021, noting that the firm’s exclusions under the Miscellaneous Tariff Bill (MTB) and China Section 301 tariffs had recently lapsed. “Without a restoration of the MTB and the 301 exclusions, Element will be forced to move production out of the USA. This will devastate our workers and our community.”

Nearly 1,500 businesses, organizations, and individuals spanning numerous other industries submitted comments to the Office of the US Trade Representative explaining why they need tariff relief. As that public comment period ended, the office released findings in its four-year review of tariffs, concluding that “Chinese exporters generally did not reduce export prices for US buyers after the imposition of tariffs” and the “costs of the tariffs were thus fully absorbed by US importers.”

In total, US businesses have paid \$242.07 billion in additional taxes due to tariffs since 2018—costs that are either absorbed by those American businesses or, more likely, passed on to consumers. For example, General Motors and Ford said in 2018 that steel and aluminum tariffs would increase their costs by \$1 billion each, translating to about a \$700 jump in production costs for every vehicle made in North America. Similarly, tariffs on washing machines caused a 12 percent increase in consumer prices, which equates to an \$86 increase per machine.

The New Protectionism Consensus

Digre originally spoke to NPR in 2019 about MISCO’s struggles adjusting to the tariffs, expressing frustration that millions of dollars he could be reinvesting in his company would instead go to the federal government.

Since then, despite criticizing tariffs ahead of the 2020 election, President Biden has maintained and even expanded on Trump’s protectionist agenda, issuing a new round of tariffs on Chinese goods earlier

this year. Vice President Kamala Harris, the Democratic nominee for president, said in 2019 that she “is not a protectionist Democrat” but also hasn’t indicated that she would meaningfully change the Biden administration’s course on trade.

Trump, meanwhile, has doubled down on protectionism, promising to put a “ring around the country” in the form of a 10 percent tariff on all imports and a 60 percent tariff on Chinese imports. His running mate, Sen. JD Vance (R-OH), represents a clean break from the GOP’s free-market tradition, embracing tariffs, higher minimum-wage laws, and industrial policy.

The unintended consequences of this new protectionism consensus will surely lead to calls for more state intervention, as when Trump handed billions in subsidies to farmers affected by his trade war. But as both the left and the right erect new barriers to trade, many Americans are rightfully skeptical about how tariffs affect their lives, businesses, and well-being. Three-fourths of Americans, 75 percent, said they were concerned about tariffs raising the prices of goods, according to a recent Cato Institute survey. When asked about global trade, 58 percent said it has helped increase their standard of living; 63 percent said they favored increased exchange with other nations.

Elected officials may be able to point to a specific group helped by tariffs, but they hurt most Americans and create unintended consequences that reverberate throughout the economy. Policymakers should pause and weigh these facts before ratcheting up new self-defeating barriers to trade. ♦

ABOUT THE AUTHOR

Paul Best is a senior writer and managing editor for *Free Society*. Before joining the Cato Institute, he worked as a news reporter and television producer.

“It is impossible to remain competitive in the face of an overnight 12 percent tariff disadvantage to our competition, most of whom are using Chinese materials assembled in Mexico.”

Meet the Next Generation: Addison Hosner

By Joshua Hardman

The chief operating officer of Young Voices reflects on his time as a Cato intern.

One of the last things David Boaz imparted was this: “As young people, it’s your job to pick up the torch that Ayn Rand, Isabel Paterson, and Rose Wilder Lane picked up and passed on to people like Milton Friedman.” Addison Hosner, the chief operating officer of Young Voices, is one of the many former Cato interns who are not just picking up that torch but kindling many more.

Hosner has helped grow Young Voices, a nonprofit organization that trains people aged 18–35 on how to get their writing published in newspapers. Many of these young writers wish to be journalists or advance liberty in other ways—and many were once Cato interns. Several Cato scholars sit on the Young Voices board, including Marian L. Tupy, founder and editor of HumanProgress.org.

Cato has long been a top draw for college-aged free thinkers who are tired of polarization and policymaking that looks only to the next 4 years rather than the next 40. And it’s not just graduates of elite schools who get their start at the Institute.

“They could have chosen anybody from nearby Georgetown to work with scholars like Clark Neily [senior vice president for legal studies],” Hosner says. At the time of his Cato internship, Hosner was a law student at Creighton University in Nebraska. “They took a chance on me, and it was an incredible validation. But I had to perform. All my legal research for Cato’s scholars had





to be an A+ effort. That professional growth was very important for me.”

At Cato.org, you can find a 2017 piece from Ilya Shapiro, a former director of the Robert A. Levy Center for Constitutional Studies, crediting Hosner with important work on arcane policies regarding the transportation of marijuana as well as research about marijuana rescheduling and the opioid crisis.

“In my experience, many people are on board with the ideas Cato is communicating; they just don’t fully realize it yet.”

For five years before joining Young Voices, Hosner practiced family law in his home state of Florida. The lessons he drew were not confined to the minutiae of divorce proceedings.

“I was able to get people that were so far apart from one another to come together for an agreement,” Hosner recalls. “It comes down to reframing issues for people to help them understand each other—it’s empathy, really. It also got me thinking about what I can do to bridge our partisan divides.”

Especially in his capacity as chief operating officer of Young Voices and a published writer, Hosner takes any opportunity he can to encourage people not to be pulled into the binary red-versus-blue mindset that the two-party system encourages. His own upbringing encouraged

this open-minded approach: His father listens to conservative radio, and his mother is a John F. Kennedy-type Democrat.

He believes changing minds through dialogue is as doable as ever: “I think young people are antagonized by the idea of being put into boxes, and that’s often where I start from. They want to think freely, which is what we are all about. In my experience, many people are on board with the ideas Cato is communicating; they just don’t fully realize it yet.”

Hosner is particularly passionate about holding government agents accountable. To do that, we must dissolve or vastly reform the judicial doctrine of qualified immunity, he says. Unfortunately, qualified immunity, invented by the Supreme Court in the 1960s, prevents law enforcement agents from being held accountable under the law when they violate citizens’ rights. He’s spoken frequently at events such as FreedomFest in Las Vegas and has explained the merits of a more limited government in publications such as *The Hill*, the *American Spectator*, and the *Orange County Register*.

He also plans to run for office someday, inspired by the legacy of David Boaz and the ideas he so tirelessly promoted.

“I still think back to the time I drove from Nebraska to Florida after law school, and I listened to *The Libertarian Mind* on audiobook the whole way. [Boaz’s] passing is a loss for our movement, but those who are coming next should feel inspired to follow his lead, take the torch, and keep it moving.” ♦

ABOUT THE AUTHOR

Joshua Hardman is a development communications manager and contributing writer for *Free Society*. In each capacity he is a storyteller, helping keep Cato’s Sponsors and friends up to date on Cato’s important work.

EVENTS



The Rebirth of Liberty in Argentina and Beyond

Argentine president Javier Milei headlined a conference in Buenos Aires cohosted by Cato and the think tank Libertad y Progreso. Nearly 1,000 policymakers, journalists, business leaders, and students—as well as over 2.5 million online viewers—attended this global showcase of classical liberal ideas. Peter Goettler (left), president and CEO of the Cato Institute, encouraged Argentina’s leadership to “persist in its efforts to roll back the state.” Johan Norberg (center), Cato senior fellow, discussed the future of humanity in a virtual conversation with Elon Musk. Many other policymakers and scholars from around the world were invited by Ian Vásquez (right), vice president for international studies and director of the Center for Global Liberty and Prosperity at Cato.



The Future of Financial Freedom

Some policymakers have misrepresented decentralized finance (DeFi) as a tool for illicit activities such as money laundering and terrorism funding, leading to policy proposals that infringe on Americans’ financial freedom and threaten technological progress. Jennifer J. Schulp (far left), director of financial regulation studies in the Center for Monetary and Financial Alternatives (CMFA) at Cato, and Jack Solowey (third from right), policy analyst in the CMFA, invited leading experts to correct the record.



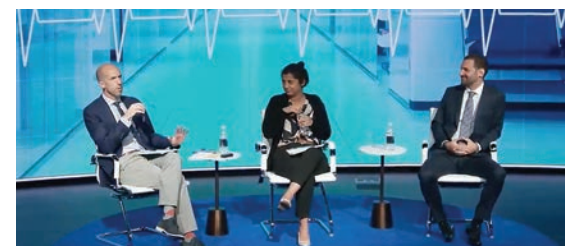
Institutional Suppression of COVID-19 Debate

Cato’s Jeffrey A. Singer (middle), senior fellow, and Ryan Bourne (far right), R. Evan Scharf Chair for the Public Understanding of Economics, hosted a screening of *COVID Collateral: Where Do We Go for Truth?* by filmmaker Vanessa Dyllyn (middle left). Afterward, they explained the necessity of free scientific discourse with Dr. Jay Bhattacharya (far left), a top critic of public health agencies, and Robert R. Redfield (middle right), former director of the Centers for Disease Control and Prevention.



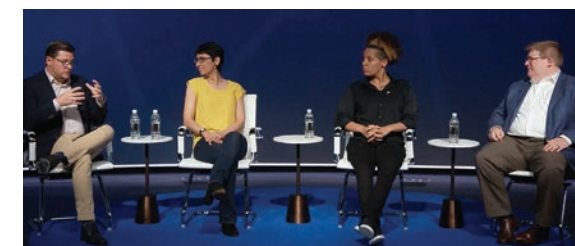
Rebalancing the NATO Alliance

The United States still carries a disproportionate share of the European continent’s defense burden. Cato and *The American Conservative* cohosted a half-day conference on the first day of NATO’s Washington summit to discuss how the United States can promote rebalancing the alliance. Rep. Warren Davidson (R-OH) (left) concluded the event with Justin Logan (right), Cato’s director of defense and foreign policy studies, and said that America’s open checkbook has prevented European self-sufficiency and that our “foreign policy should be based on realism.”



Reducing Pharmaceutical Prices in Medicare

A complex array of government policies and market forces causes drug prices to be high in the United States. What are better ways to determine the “right” price for a drug? Michael F. Cannon (left), director of health policy studies at Cato, engaged Pragma Kakani (middle), assistant professor of population health sciences at Weill Cornell Medical College, and Luca Maini (right), assistant professor of health care policy at Harvard Medical School.



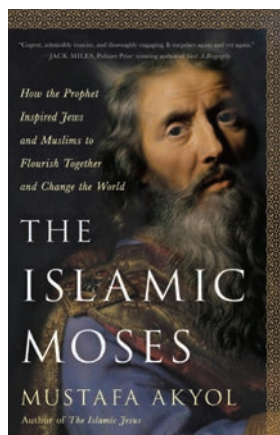
Reviving Civil Debate

Cato’s Sphere project cohosted a film screening of *Mississippi Turning*, the story of how the state replaced its flag after years of debate, protest, and fervid disagreement. Allan Carey (left), director of Sphere, and Irshad Manji (middle left), founder of Moral Courage College, led conversations with Genesis Be (middle right), founder of People Not Things, and Russ Latino (right), founder of the *Magnolia Tribune*.



View all past and upcoming Cato events at cato.org/events or scan the code to the left with your phone’s camera.

PUBLICATIONS



The Islamic Moses
Mustafa Akyol, senior fellow in Cato’s Center for Global Liberty and Prosperity, takes readers on a theological and historical journey through that much-neglected side of the Abrahamic triangle: the Judeo-Islamic tradition. At a time of bitter conflict in the Middle

East, *The Islamic Moses* dives into the older, deeper, and unexpectedly brighter story of Jews and Muslims.

“Cogent, admirably concise, and thoroughly engaging.”

—**Jack Miles**, Pulitzer Prize-winning author of *God in the Qur’an*



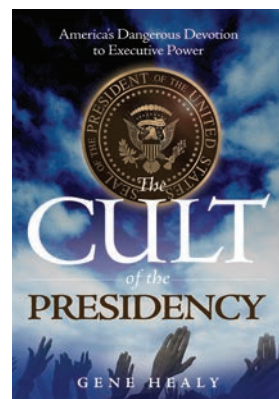
Digital Currency or Digital Control
Central bank digital currencies (CBDCs) are not simply another form of money. CBDCs pose significant risks to financial privacy, freedom, and markets. Nicholas Anthony, policy analyst at the Center for Monetary and Financial

Alternatives at Cato, provides everything you need to get up to speed on CBDCs so that you can know what is at stake.

“Nick Anthony has written a critical primer to the unfolding evolution of currency, as it continues its evolution from a paper or metal bearer instrument with privacy and freedom protections to an electronic mechanism of surveillance and

control. For hundreds of millions of people, CBDCs are not some future threat, but a current danger. . . . This book is a valuable resource to help us understand why we must fight back.”

—**Alex Gladstein**, chief strategy officer, Human Rights Foundation



The Cult of the Presidency
Some books become more important over time, and that’s true of 2008’s *The Cult of the Presidency* by Gene Healy, senior vice president for policy, which contains a new preface. Healy took a step back from the

ongoing red-team/blue-team combat and showed that the two sides agree on the boundless nature of presidential responsibility. The past 16 years confirmed his observations.

“Its emphasis on the limitations of the president [is] as relevant to those who seek to make the state work better as to those who seek to imprison it. Moreover, Healy is a graceful, funny, and fluid writer.”

—**Ezra Klein**, *New York Times* columnist



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Cato Supreme Court Review

For 23 years now, the *Cato Supreme Court Review* has annually been the first journal in the nation to cover the decisions of the most recently completed Supreme Court term. Our authors come from across the ideological spectrum, but we

invite those who are committed to liberty and limited government in at least the area they are writing about. Thomas A. Berry, editor in chief of the 2023–2024 *Review*, received a letter of thanks from Justice Elena Kagan for last year’s edition.

This year’s *Review* is no less broad, featuring chapters by the Hon. Bridget Mary McCormack (“Access to Justice and Public Confidence in the Law”); Clark Neily, senior vice president for legal studies, on *FBI v. Fikre* and “mootness”; Ilya Somin, B. Kenneth Simon Chair in Constitutional Studies at Cato, on *Trump v. Anderson* (presidential disqualification); Jack Beermann, Philip S. Beck Professor of Law at Boston University, on *Loper Bright Enterprises v. Raimondo* (Chevron deference); and many more.

RECENT CATO STUDIES



New Poll: 74 Percent Worry Americans Could Lose Our Freedom If We’re Not Careful

Emily Ekins, vice president and director of polling at Cato, surveyed 2,000 Americans in collaboration with YouGov about America’s Founding, the Constitution,

the rights they feel strongest about, their optimism for the future, and their knowledge of early US history. Eighty-five percent said they have a favorable view of the US Constitution, but 34 percent of those under age 35 said they have either an unfavorable view or simply don’t care about it. Republicans were more likely than Democrats to report caring about rights to self-defense, religion, speech, and protection from unlawful searches and seizures. At the same time, Democrats were more likely to say that having the right to a trial by jury was extremely important.



Slashing Tax Rates and Cutting Loopholes

Congress has an unprecedented opportunity to cut tax rates to their lowest level in almost a century. Adam N. Michel’s June policy analysis outlines options for tax reform in the 119th Congress. His detailed recommendations emphasize a simplified, pro-growth tax system that eliminates loopholes. Expanding the most successful features of the 2017 Tax Cuts and Jobs Act is an excellent start. Michel’s policy analysis clearly projects expected revenue changes from each recommendation for policymakers to consider.

Artificial Intelligence Regulation Threatens Free Expression

By David Inserra

Illegal Immigrant Murderers in Texas, 2013–2022

By Alex Nowrasteh

Helping Families Navigate the Changing Education Landscape

By Colleen Hroncich and Jamie Buckland

The Art (and Science) of Persuasion: Colin White Elevates Libertarian Policy Solutions

By Brian Mullis

Colin White knows firsthand the importance of sound fiscal, monetary, and regulatory policy. His family businesses—spanning real estate investing, mineral rights leasing, historic building restoration, insurance, and technology management consulting—thrive or falter by these policies. Yet Colin has found few reliable sources that offer nonpartisan, scholarly research on the impact of government actions on businesses, communities, families, and the broader economy.

“In real estate, you hear claims like ‘Rent control works’ or ‘Government intervention saved us in the housing crisis’ all the time, but they often lack factual backing,” Colin says. “When you look at the evidence, these policies clearly don’t work. We need to make detailed, evidence-based arguments to show that better alternatives exist.”

In 2018, a friend introduced Colin to the *Cato Daily Podcast*—a concise, engaging show where Cato experts and notable guests discuss various policy issues with host Caleb O. Brown. Colin quickly became a fan, diving deeper into Cato’s work and sharing it with his friends and family.

“Cato’s research is thorough and presented in an accessible way, offering a unique perspective beyond the typical left-right divide,” Colin says. “What impresses me most is the quality of Cato’s research. They back up their philosophy and policy solutions with real evidence and data.”

This dedication to evidence-based policy recommendations inspired Colin and his family to support Cato’s Center for Monetary and Financial Alternatives (CMFA). “Financial literacy and monetary policies shape the future of our country, the world, and civilization,” Colin says. “It’s a core topic that has its tentacles in everything.”



COLIN WHITE

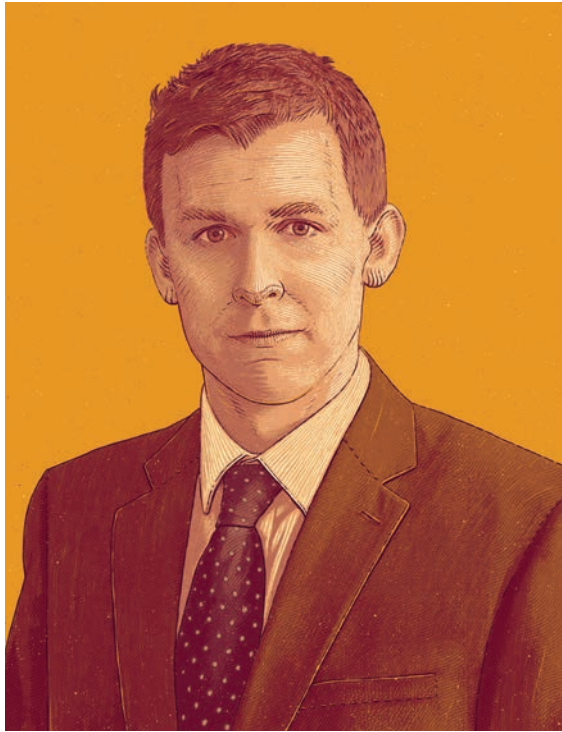
A sound, stable, and open system of money and financial services is vital for market freedom. The CMFA is a leading voice in monetary economics and financial regulation, and the White family’s support will bolster these efforts for years to come.

“One of my biggest goals is for Cato to reach more people,” Colin says. “The young generation will soon be decisionmakers, and it’s crucial to introduce them to these ideals and this information while they’re still forming their views on life and the world. It’s so important.” ✦

For information on Cato’s Legacy Society, please contact Brian Mullis at bmullis@cato.org. To learn more about planned giving, please visit [Cato.org/plannedgiving](https://cato.org/plannedgiving).



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RYAN BOURNE

Last Word: Busting the “Greedflation” Myth

By Ryan Bourne

ILLUSTRATION BY BARTOSZ KOSOWSKI

Are greedy corporations really behind America’s inflation? According to a 2023 YouGov poll, 90 percent of Americans think so. They blame profit-seeking businesses (at least in part) for the rise in prices, making corporations their top scapegoat.

Politicians love this narrative. After all, voters hate paying 25 percent more for groceries than they did in 2020 or facing 7 percent, 30-year fixed mortgage rates today compared to the sub-4-percent pre-pandemic rates. By blaming businesses, elected representatives such as Vice President Kamala Harris, who just released a proposal to ban supposed price gouging by grocery stores, can deflect anger from their own fiscal stimulus measures that helped fuel the inflation.

Their convenient “greedflation” theory suggests that businesses took advantage of expected price rises due to pandemic supply-chain issues and rising energy costs (think Vladimir Putin invading Ukraine) by increasing prices further to puff their profits. The fact that corporate profits did soar in 2021 and 2022, just as inflation spiked, is seen as slam-dunk evidence to support this. Given that companies greenlight their prices, one could argue higher profits caused inflation, right?

Wrong. In fact, this causal claim doesn’t follow logically even from that evidence, nor does this narrative make economic sense.

First, the greedflation story ignores business competition. How could so many firms suddenly command higher profit margins? Corporate concentration didn’t dramatically increase during the pandemic. Firms didn’t magically gain more market power or suddenly become greedier. To believe in greedflation, we’d therefore have to think that businesses across many sectors

colluded by using their pricing power to raise prices by limiting their output. But in most industries the urge to undercut rivals and grab market share would undermine this coordination. Moreover, real output actually grew strongly in 2021 and 2022, while inflation surged, thus contradicting the idea that collusive efforts to withhold output was what drove rising prices.

“Blaming business is simply a convenient means of diverting attention from inflation’s real culprits: policymakers in Washington.”

Second, the greedflation tale overlooks consumers. How could customers suddenly afford higher prices across many industries? If businesses in some sectors with price-insensitive customers jacked up prices to puff their profits, those consumers would have less money to spend elsewhere, reducing demand and prices for other goods. This would leave overall inflation largely unchanged. To get a situation in which all prices are rising—a macroeconomic inflation—therefore requires more overall spending, perhaps indicating that there was more money available to spend to begin with.

This points us to the real story: Far from profits driving inflation, inflation and temporarily higher profits were both being driven by a third factor: excessive macroeconomic stimulus.

When the economy reopened from lockdowns, the \$6 trillion increase in the money supply and massive pandemic relief from Congress led to a spending frenzy. Spending on final goods and services increased at a whopping average rate of 9.9 percent in 2021 and 2022, well above the usual 3.9 percent rate. This surge in total spending quickly hit production limits and so began driving up prices sharply right across the economy. But for many businesses, retail prices are more flexible than wages and input costs, which are renegotiated infrequently or are locked into contracts. Given the lags in the latter adjusting, this means a temporary profit boost.

Yes, some sectors, such as the petroleum industry, saw soaring profits due to supply shocks, like the higher international gas prices after the Ukraine invasion. This market price rise was useful: It reflected real-world scarcity and helped ration gas to those who needed it most while encouraging American suppliers to expand production to avoid shortages.

The main driver of rising prices since 2020, however, has been the huge growth in total spending, underpinned by excessive stimulus from the Federal Reserve and Congress. Blaming business is simply a convenient means of diverting attention from inflation’s real culprits: policymakers in Washington. ✦

ABOUT THE AUTHOR

Ryan Bourne is the R. Evan Scharf Chair for the Public Understanding of Economics at the Cato Institute, and the editor of a new multi-author volume, *The War on Prices: How Popular Misconceptions about Inflation, Prices, and Value Create Bad Policy*.

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“

Faced with threats to freedom, we can retreat into our private lives, or we can **come out and fight, on the battlefield of ideas and public debate.**

”

— David Boaz, 2003

