

## Bailout Raises Libertarians' Market Value

Cato Institute's Scholars Pained and Pumped By Government Action

*By David Montgomery  
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The specter of the most titanic intervention in the markets since Franklin Roosevelt started sewing the safety net has folks at the Cato Institute reaching for something strong.

"I'm thinking of taking up drinking," says David Boaz, executive vice president. He's kidding, of course. Just a little gallows humor from the author of "Libertarianism: A Primer," who has a Goldwater poster and two busts of Adam Smith in his office.

Instead, in their handsome building on Massachusetts Avenue, faced with a proposed \$700 billion government bailout of Wall Street, this town's most gung-ho libertarians and free-marketeers are reaching for their coffee and their keyboards. They are invigorated. The prospect of doom and ruination for everything they hold dear only makes them stronger.

Like Boaz, so many of the 50 or so small-government and individual-liberty scholars at Cato have a twinkle in their eyes, and not just because libertarians have a sense of humor. (It reconciles the chasm between the country as they would like it to be and the country as it has been since the first bank bailout in 1792.) Their cluttered offices -- piled with papers, reports and multiple copies of their own books -- are like battle stations.

They are cranking out op-eds (Wall Street Journal, New York Post), filing dispatches to the Cato @ Liberty Blog (Titles: "The Constant Bailer," "The United States of Permanent Receivership"). Even lighting up Facebook and Twitter: " 'Wall Street' No Longer Exists."

"Our job is to roll up our sleeves and start talking about what the sources of all these problems are," says President Ed Crane, who founded the think tank in 1977.

The main source: Can't you guess? Yes: the government. According to the Cato narrative, Fannie Mae and Freddie Mac were big-government creatures to begin with. Then, ill-advised government subsidies and incentives drove the creation of dubious mortgages and the bundling of rotten mortgage-backed securities, whose disintegration allegedly threatens to wreck the economy from Wall Street to Main Street.

That's the beauty of this moment for Cato, which might explain the slight spring in the step of some scholars: Far from debunking their faith in lightly regulated capitalism, the feared meltdown confirms it.

"Too much regulation got us where we are," Crane says.

And yet, marring the moment is how few people are getting this message so far.

"The biggest emotion we're feeling right now is frustration that the media narrative is that this is a crisis of the free market, a crisis of capitalism, a crisis of under-regulation," Boaz says. "In fact it's a crisis of subsidization and intervention."

To the ramparts, then. The bailout has been like a Libertarian Full Employment Act. In the five business days since Treasury Secretary Henry M. Paulson Jr. declared the sky was falling, Cato scholars have been summoned to opine on more than 30 radio and television shows, where they deliver zingers such as: "Capitalism without losses is like religion without hell."

The talk in the halls and via the virtual water-cooler of e-mail is, "What can you write? Do you have an op-ed?" Boaz says. "Do you have a study? Is there even time for a study? . . . Op-eds and blog items are the best you're getting."

Still, though the struggle is bracing and the cause of the crisis can be interpreted as a perverse confirmation for Cato's point of view, the solution being proposed can't help but be depressing. Rank socialism. The nanny state on steroids.

"It's despair, frankly," says Chris Edwards, director of tax policy studies. "There's no standard-bearer of our free market message on the national scene."

They come to work despite any despair.

Every morning in the atrium, waiting for elevators, the scholars stand next to a display of seminal texts they cherish: An 1823 printing of the Declaration of Independence and a 1776 first edition of "An Inquiry into the Nature and Causes of the Wealth of Nations," Vols. I and II, by Adam Smith.

Through the bombast of bailouts and hand-wringing, the scholars labor to remain true to the ideals they find in those documents, and to the ideals of heroes likewise honored in the libertarian bunker: Outside Cato's Friedrich Hayek Auditorium, named for the late revered free-market economist, is a picture gallery of pioneers from John Locke to Thomas Paine to Ayn Rand.

Cato himself was a Roman republican opponent of Julius Caesar.

At times like these, a scholar might draw courage from such examples.

John Samples, director of Cato's center for representative government, is in his office taking a break from his book-in-progress, which happens to be about "1980 and afterwards, the struggle to limit government."

Now comes this huge bailout proposal. It will go in the chapter about the George W. Bush administration, which most Cato scholars disdain, Samples included. He rests his head on his left hand. He looks weary.

Last Friday, when the scope of the bailout became clear, was "a dour morning," he says.

He says he tends toward pessimism on a morning like that, when the ideals seem to be slipping away. But on the bright side, he imagines how much worse things would be if he and his colleagues were not fighting the good fight.

He says: "You have to have a blind kind of faith that you represent what America is all about. It is sort of like a religion. People fail, they don't live up to ideals. But the ideals: You stick with them."