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The Power of Principled Leadership

GOV. CHRIS CHRISTIE

It's a pleasure to be here at the Milton Friedman Prize for Advancing Liberty Dinner. People have been asking me recently, "Why did you decide to accept this invitation tonight—to leave all that's exciting in New Jersey on a Friday evening, come down here to this sleepy little hamlet, and speak before you all?"

Well, it's really simple: those of us in New Jersey firmly believe—and we're right about this—that everything in America has a connection to our state.

And for all of you devotees of Milton Friedman tonight, remember that the great economist was an alumnus of Rutgers, the state university of New Jersey. Sure, he spent some time at the University of Chicago and some other places, too. But I don't think there's any question that his genius was truly developed and nurtured on the banks of the Raritan River in New Brunswick, New Jersey.



Chris Christie is the 55th and current governor of New Jersey. This edition of Cato's Letter is adapted from Gov. Christie's keynote address at the 2012 Milton Friedman Prize for Advancing Liberty Biennial Dinner, presented at the Washington Hilton in May.

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You know, back in 2008, I remember Barack Obama talking about the lack of hope around the country. And although he and I always defined the solutions to that problem differently, the environment in which I found myself shortly thereafter was not significantly different.

When I first took office in New Jersey in January 2010, optimism was a hard thing to find. In the eight years before I became governor, our state had raised taxes *115 times*. From 2000 to 2009, New Jersey had—literally—a zero job growth decade. In the four years before I became governor, \$70 billion in wealth had left the state—not diminished wealth, departed wealth. Our unemployment rate was over 10 percent, with 115,000 private-sector jobs lost during the four years of my predecessor.

New Jersey had the highest tax burden in the country, the worst cli-

in office, my chief of staff and state treasurer told me that, in the subsequent five weeks, we had to find \$2.2 billion in cuts from money that had already been appropriated. We essentially had to impound the money back from certain departments just to meet payroll—all in what was the second wealthiest state per capita in America.

If you need any greater example of what happens to an economy when a government overtaxes, overspends, overborrows, and overregulates, just visit New Jersey in January 2010.

So what did we do? Thanks to New Jersey's unique constitutional structure, which allows spending to be cut by executive order, my staff and I sat in a room over the course of three weeks and went over all 2,400 line items in the state budget that I inherited. The result was finally cutting \$2.2 billion. And the great thing about operating by executive order was that, at first, I didn't have to tell anybody.

So, it was a rather tense room during that first speech I gave before the joint session. It took about 40 minutes. But the good news for you is that I can break it down now, two-and-a-half years later, to 30 seconds—and some, in fact, said I should have done that the first time.

Here's basically what I said: "I came into office and you handed me an enormous fiscal problem and a budget that was \$2.2 billion out of balance in the middle of the year. You proposed nothing to fix the problem. So, I went to my of-

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mate for small business, and a bloated state government that contained the most public workers per square mile in the country—yeah, you can laugh unless you live there. And it only got worse. In my second week

face, I found \$2.2 billion in cuts, I signed an executive order, and they're now in effect. I fixed your problem. You can thank me later. Have a good day."

Well, you can imagine the reaction from the legislature after delivering the news. Reporters descended upon the floor as the Democrats began calling me names: Julius Caesar, Napoleon Bonaparte—all of those great leaders of the past that I admire. And I realized something. The way I confronted my first substantial problem in office set the tone for my administration. I made clear from the first day that decades of fiscal irresponsibility were no longer going to be tolerated. As I said on the campaign trail, I was ready to go to Trenton and turn it upside down.

Last year we passed a \$2.3 billion tax cut for businesses, with nearly 70,000 new private-sector jobs created. We've cut spending in every department of our state government, from areas that folks told me were the third rails of politics. Given that I was still upright, I decided to go after public pensions and benefits next. And what happened? We actually convinced Democrats. For the first time in 10 years, a majority of New Jerseyans recently polled believe the state is back on the right track. On election day in 2009, that number was 19 percent. Today, it's 53 percent.

The American people are ready to hear the truth. They know our government is out of control. And

“The only thing the American people care more about than today is tomorrow—because tomorrow is about our children and grandchildren, and today is just about us.”

don't confuse them liking the situation with accepting it. They don't have to like it, but they know in their heart they have to accept it. The only thing they care more about than today is tomorrow—because tomorrow is about our children and grandchildren, and today is just about us.

Let's be clear: we identified problems, we proposed specific means to fix them, we educated the public on the direct consequences of inaction, and then we compromised on a bipartisan basis to get results. The bottom line is we took action—we did it with solid principles and strong leadership—putting our state's interests ahead of partisan ones. We turned Trenton upside down. And in the difficult times that America is in now, the only way to govern is by treating our citizens as adults—by telling them the truth about the depth of our challenges and the difficulty of the solutions. When we fail to do this, we pay the price as a country many times over. The domestic price is obvious: growth slows, unemployment persists, and we make our-

selves even more vulnerable to the unpredictable behavior of rightfully skittish markets.

But there's also a foreign policy price to pay. To begin with, we diminish our ability to influence the thinking, and ultimately, the behavior of others. Democracy is the best protector of human dignity, liberty, and freedom—and history shows that mature democracies are less likely to resort to force against both their citizens and their neighbors. Yet, all across the world—in the Middle East and Asia and Africa and Latin America—people are debating their own political and economic futures. They're looking for inspiration, and we

have a stake in the outcome of those debates. There's no better way to reinforce the likelihood that others in the world will opt for more open societies and market-based economies than to demonstrate that our own system works better than any other.

At one time in our history, our greatness was a reflection of our country's innovation, determination, ingenuity, and the strength of our democratic institutions. When there was a crisis in the world, Americans found a way to come together to help our allies and fight our enemies.

When there was a crisis at home, we put aside parochialism and put the greater public interest first.

Today, our ability to effect change has been diminished because of our own inability and unwillingness to effectively deal with our problems. Now, I understand

full well that succeeding at home and setting an example is not enough. But it's a start. And I realize that what I'm calling for requires a lot of our elected officials and our people. I plead guilty to that. But I also plead guilty to being an optimist, because I believe in what this country and its citizens can accomplish *if they understand what's being asked of them.*



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We seem to have forgotten that this is a human business. Day after day, I've spent time sitting with colleagues on both sides of the aisle, convincing them of my intentions and letting them know that I don't believe compromise is a dirty word. There's always a boulevard between compromising your principles and getting everything you want. You should never compromise your principles.

But you also need to understand that you're not always going to get everything you want. The job of a leader is to find your way onto the

boulevard between the two without driving into the ditch of compromising what you believe. And trust me, if you can do this in New Jersey, you can do it anywhere. That's where my optimism comes from. See, I'm not looking to be loved. I get plenty of love at home—and when you're looking for love in this job, that's when deficits get run up.

However, if you make people understand that you're willing to say no, but you're also always willing to listen—that you're willing to stand hard on principles, but you're also willing to compromise when those principles won't be violated—then respect will come. And in New Jersey, even those who don't agree with me know that when I look them in the eye and tell them I'm going to do something, I'm going to do it, regardless of the political costs. And if I tell them no, they know I mean it.

New York magazine did a profile on me recently—always a risky thing for a Republican—and the headline of the story was, “The Answer Is No.” My staff blew this up—everyone in my senior staff—and they've taped it to the back of their office doors. Now, when the lobbyists and the special interests come in to see them and ask for something, they close the door and say, “Turn around. That's from the boss. The answer is no.”

It's about being consistent. It's about leading by example. It's about

“I'm not looking to be loved. I get plenty of love at home—and when you're looking for love in this job, that's when deficits get run up.”

standing up for the things that we believe in, instead of simply trying to figure out which way the wind is blowing. There's no need for varnish anymore. In fact, I don't think we have the luxury to put it on. Liberty and freedom and the human spirit are the most powerful things in the world—and we need to say that directly to the American people. They're ready to hear it.

I want to thank the Cato Institute for setting an example of why liberty and freedom are so important to the future greatness of America. But please never forget that it's not going to come without a fight. We need to fight hard, even harder than we are now, because the stakes are too great to do anything less. Only then can we allow the United States to, once again, export hope and liberty and freedom around the world, not just because those values are a part of our past, but because we will be acting to make them a bedrock of our future. ■



Cato Scholar Profile: RANDAL O'TOOLE

RANDAL O'TOOLE is a Cato Institute senior fellow working on urban growth, public land, and transportation issues. He is the author of several books and numerous Cato papers. His most recent book, *American Nightmare: How Government Undermines the Dream of Homeownership*, was released in May. O'Toole has also written for *Regulation* magazine and authored articles for numerous other journals and newspapers. He is a frequent speaker on free-market environmental issues.

In your new book, *American Nightmare*, you argue that we should dismantle anti-homeownership policies at the state and local levels in order to rebuild the American dream of owning a home. Explain.

Since 1960, an increasing number of states have declared a “war on sprawl.” This war has effectively been a war on single-family homes; planners for the Portland metropolitan area, for example, have set a target of reducing the share of Portland-area families living in single-family homes from 65 percent to 41 percent. Since single-family homes are overwhelmingly occupied by owners while multi-family ones are overwhelmingly rented, these policies amount to nothing less than a war on homeownership.

The restrictions on new homes put in place by states and cities made home prices very sensitive to demand: small increases in demand led to large increases in price, while small decreases in demand led to large declines in price. The result was housing bubbles, and the recent bubbles led to a national crisis because it affected nearly half of all homes in America.

Gasoline taxes have long been the main source of funding for operating the country's network of roads. Have they been effective?

Gas taxes pay for most federal and state highways, but not local roads, so cities and counties have to collectively spend nearly \$30 billion a year in general funds on roads and streets. Gas taxes also failed to keep up with inflation and more fuel-efficient cars, so the average motorist today pays less than half as much per mile driven (after adjusting for inflation) as drivers paid 50 years ago.

But the big problem with gas taxes is they

fail to discriminate between high-cost and low-cost roads. Some of the highest-cost roads built, per vehicle mile, are those needed to meet peak demand during rush hour, because those roads are effectively unused the rest of the day. Since these roads cost no more to use than any other roads, the result is terrible congestion that wastes billions of dollars worth of time and fuel. Vehicle-mile fees would solve all of these problems without invading people's privacy.

You have recently written about “the great streetcar conspiracy.” Can you elaborate?

An urban legend persists that General Motors and other companies conspired to destroy America's streetcar lines to force people to drive. The reality is that streetcars cost far more to build or operate than buses.

Despite this, streetcars have become the latest urban-planning fad, which I attribute to a conspiracy of engineering firms, construction companies, and railcar manufacturers that stand to make millions of dollars building streetcar lines. The members of this conspiracy claim streetcars stimulate urban redevelopment of blighted neighborhoods. In fact, virtually all such redevelopment has been supported by taxpayer subsidies on top of the cost of building streetcars.

Portland, Oregon, for example, opened a streetcar line in 2001 and claims it generated billions in new development. What it never says is that this new development received about a billion dollars in other subsidies. Cities that build streetcars hoping to get redevelopment will be disappointed and saddled with high operations and maintenance costs for decades. ■

Thank You!

Cato's stunning new headquarters facility—completed on time and on budget—was dedicated on May 5. Made possible by the generosity of Cato Sponsors, this beautiful and functional space is already fostering the work of the Institute. It now houses a growing roster of scholars: for example, just a few weeks ago, Alex Nowrasteh joined as Cato's new immigration expert, and Bill Watson and Simon Lester joined as trade experts. The building's flexible array of meeting spaces allows for multiple daily briefings, seminars, and forums and its state-of-the-art multimedia facilities make it easy for our scholars to appear on TV.

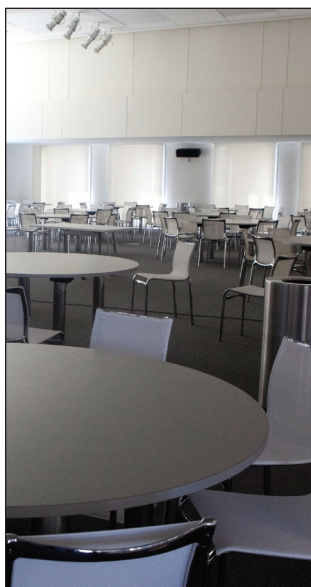
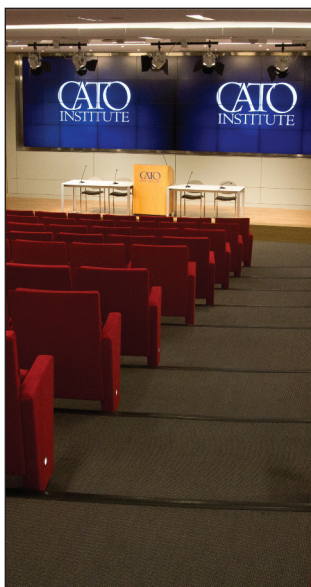
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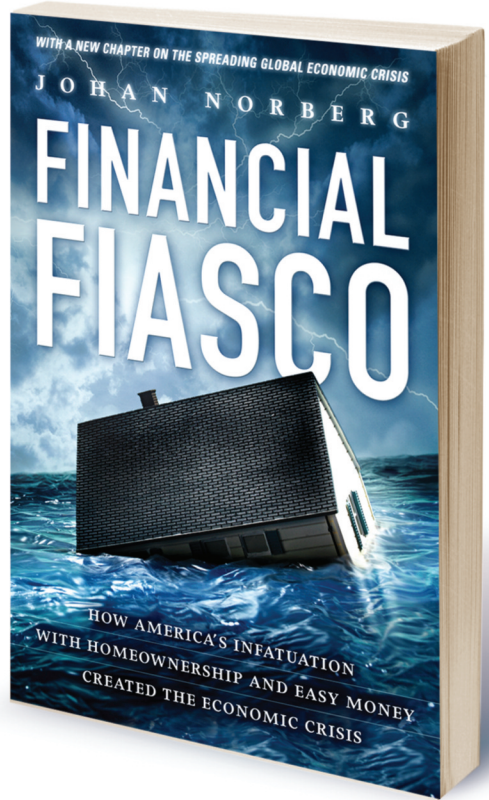
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