



CATO
INSTITUTE

CATO INSTITUTE 2013 ANNUAL REPORT

“In a manner reminiscent of the ancient contrarian, the Cato Institute’s director of information policy studies walks around town figuratively carrying a lamp while searching for honesty.”

—WASHINGTON EXAMINER



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	BOARD OF DIRECTORS

By any measure, the Cato Institute has just experienced an outstanding year. While we had a dip in revenues last year, we achieved record operating revenues for the year ended March 31, 2014. That remarkable turnaround didn't happen in a vacuum. Cato's loyal Sponsors, committed staff, prolific scholars, and dedicated board made this rebound possible.

Cato's policy output for the year was prodigious: 7 Cato books, 29 policy analyses, 4 white papers, 16 *Cato Supreme Court Review* articles, 40 *Cato Journal* articles, 988 op-eds, and 1,530 blog posts. Our surge in output was matched by commensurate growth in online and social media activity: website hits up by 40 percent, Facebook followers up by



John Allison
JOHN A. ALLISON
PRESIDENT

49 percent, Twitter followers up by 30 percent, and our Klout Score (which measures impact) up from 65 to 81 (on a 0-100 scale).

More important still is the quality of our work. In many areas, Cato simply dominated the debate:

- On three big issues—affirmative action, the Voting Rights Act, and gay marriage—Cato's Center for Constitutional Studies was the only organization that filed briefs supporting the winning side in each case. Cato briefs were also on the winning side in 15 of 18 key cases decided during the 2012-13 Supreme Court term. We may be approaching the Court's libertarian moment.
- Cato has led the way in exposing both the illegality and dysfunctionality of Obamacare. *The New Republic* called Cato's director of health policy studies, Michael Cannon, "Obamacare's single most relentless antagonist." While Cannon was busy challenging government insurance subsidies on federal exchanges, Cato senior fellow Michael Tanner issued a powerful white paper detailing, in clear and lucid language, how millions of Americans will ultimately lose their health care coverage.
- Cato senior fellow Jim Harper and research fellow Julian Sanchez have literally led the debate about the propriety of ubiquitous NSA surveillance with a barrage of blog posts and op-eds. At the first major surveillance-focused conference in Washington in October, key advocates for personal privacy, including Sen. Ron Wyden (D-OR), spoke to an overflow audience in Cato's Hayek Auditorium.

And we have no intention of standing still. We will continue to bolster the Cato brand with pioneering initiatives, including our new Center for Monetary and Financial Studies. The Center will serve as the only integrated, comprehensive, academically credible challenge to the Federal Reserve's out-of-control monetary and regulatory policies. Those policies pose a serious threat to long-term economic well-being.

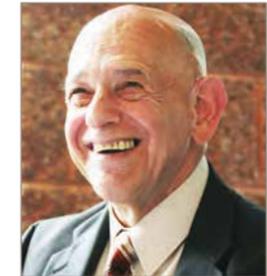
We are also uniquely positioned to shape the debate over important science-related controversies such as global climate change. Pat Michaels, director of Cato's Center for the Study of Science, has demonstrated that the cadre of global warming alarmists is frequently bolstered not only by questionable analysis, but also generous government grants. To counter these well-funded advocates, we have added three outstanding scholars to our ranks: Richard Lindzen of MIT, Edward Calabrese of the University of Massachusetts, and Terence Kealey of the University of Buckingham.

In addition, we are expanding systems that are the hallmark of successful organizations—strategic planning, goal setting, and performance evaluations. Implementing such systems can yield significant dividends in terms of productivity.

Cato is poised for growth. Our reputation for careful, nonpartisan research and honest, objective analysis has commanded respect, even from those who disagree with us. After decades of dedicated efforts, the Cato Institute and other libertarian organizations around the country are realizing the fruits of their hard work.

Earlier this year the respected *Financial Times* published an article entitled, "The Tide Is Rising for America's Libertarians." The *Times* wrote, "Most of America's youth . . . are not big-government activists. . . . If there is a new spirit in America's rising climate of anti-politics, it is libertarian. More than a third of the Republican party now identifies as libertarian. . . . Just under a quarter of Americans do so too, says Gallup. There is a restless generation that disdains authority. Establishment figures should take note. Tomorrow belongs to them."

Our work is only possible because of the support of our Sponsors. We thank you for your support and remain committed to defending the principles which are the foundation for a successful society—individual liberty, free markets, limited government, and peace.



Robert A. Levy
ROBERT A. LEVY
CHAIRMAN

“It is and has been the great design of this paper to maintain and expose the glorious principles of liberty, and to expose the arts of those who would darken or destroy them.”

—CATO'S LETTERS



In 1776 the Founding Fathers declared that life, liberty, and the pursuit of happiness were inalienable rights. By creating an island of political institutions set within a vast sea of civil society, those men envisioned a federal republic guarded by a central government of strictly limited authorities. In time they wrote a Constitution that guarantees those limits and secures our freedoms. Yet, for more than two centuries, those constitutional restraints have continuously been eroded.

Last January the Pew Research Center found that, for the first time, a majority of Americans said that the federal government threatens their personal rights. As the year progressed, those fears were reinforced. From the hemorrhaging state of Obamacare and the politicization of the IRS to the government's expansive surveillance machinery and overextended global military posture, Americans continued to question the country's trajectory. Amid public disenchantment, there is an emerging consensus that the government has grown beyond its competence.

At the Cato Institute, we stand firmly on the bedrock American values of individual liberty, limited government, free markets, and peace. Guided by the light cast from the nation's first principles, our scholars are dedicated to countering the burdens of government growth by standing outside of partisan boundaries. The American Revolution set the stage for extending the benefits of liberty to all. Today, we aim to restore that heritage.

THE SUPREME COURT'S LIBERTARIAN MOMENT?

On September 17, 1787, the delegates to the Constitutional Convention gathered in Philadelphia's Independence Hall to sign the newly drafted U.S. Constitution. Every year, to celebrate that momentous date in liberty's history, the Cato Institute hosts a daylong conference. This year marked the 12th Annual Constitution Day and, as always, there was more than enough judicial exchange over the course of the previous Supreme Court term to fill a day's worth of discussion.

On three big issues—affirmative action, the Voting Rights Act, and gay marriage—Cato's Center for Constitutional Studies is the only organization to have filed briefs supporting the winning side in each case. In fact, the Institute went 15-3 throughout the entire year. "Not in every case and not without fits and starts," Cato senior fellow Ilya Shapiro wrote in this year's *Cato Supreme Court Review*, "but on the whole the justices are moving in a libertarian direction. Even beyond racial preferences and gay rights, this Court is coming to be defined by what Justice Anthony Kennedy has called 'equal liberty.'" As such, we may find that we are now approaching the Court's libertarian moment.

Cato's legal work, however, is by no means limited to the term just ended. Michael Cannon, director of health policy studies at the Institute, has been at the forefront of the ongoing legal challenges to Obamacare. Last August the *Hill* newspaper named Cannon to its list of "the 100 people you can't ignore this fall if you're wondering how events in Congress and the White House will play out." They described him as "a tireless advocate for the argument that the IRS has illegally implemented the healthcare law's insurance subsidies."

Cannon has taken a leading role in spearheading the legal challenge to this perversion of the law's clear meaning. At the moment, the cases are making their way through the courts. As for the long-term repercussions of Obamacare, Cato senior fellow Michael D. Tanner issued a white paper in January entitled "Obamacare: What We Know Now"—in which he details how millions of Americans in both the individual and employer markets will lose their current coverage. In the process, he says, they will find themselves paying higher premiums and out-of-pocket expenses. In the end, the law,

“The progressive mind-set sees government as a force for good,” said Ilya Shapiro, a lawyer for the libertarian Cato Institute... ‘the energy behind those who are battling with the government’ comes from libertarians and conservatives.”

—LOS ANGELES
TIMES

“Ilya Shapiro, a Cato legal scholar, noted shortly after the final decisions were announced that the libertarian think tank had been on the winning side of an overwhelming number of cases it had gotten involved in. So is the court headed in a more libertarian direction?”

—MSNBC

“Cannon is a health care policy expert at the libertarian Cato Institute. He is engaging and sharp-witted. He is also an avowed opponent of the Affordable Care Act, and has for several years now been embarked on a legal crusade that, while a ways from triumphing, may have inadvertently played an out-sized role in suppressing the number of states setting up their own exchanges, thereby greatly confounding the law's implementation.”

—THE NEW REPUBLIC

“Obamacare's Single Most Relentless Antagonist,”

—THE NEW REPUBLIC

“Careful spadework into Obamacare's legislative history by Case Western Reserve law professor Jonathan Adler and Michael Cannon of the Cato Institute has demonstrated that this jackalope rule-making was contrary to Congress' intent.”

—WALL STREET JOURNAL

which is likely to be dramatically more costly than initially advertised, will lead to fewer jobs and slower economic growth.

In an article on the continuing battle over Obamacare, the *Financial Times* singled out Cannon for his work showing that the law remains vulnerable. “Cannon has positioned himself at the center of the national drive to impede implementation of the law,” the *Times* wrote—adding that his Cato white paper “50 Vetoes: How States Can Stop the Obama Health Care Law” has become “a handbook of sorts for gumming up the works.”

“Think the Supreme Court has settled the question of ObamaCare’s legality?” the *Hill* asked. “Not if Cannon has anything to say about it.”

Cato has also continued to delve into other severe threats to our civil liberties. Back in 2012, the Institute launched *PoliceMisconduct.net*—a website intended to bring more attention to the problem of police impropriety. Over the last year, Cato’s researchers have been scanning media reports each day in order to fill the site’s comprehensive database, allowing visitors to determine the extent to which law enforcement officials exceed the limits of their authority.

Cato’s mission, in short, is to effectively change the climate of ideas to one more conducive to a government of delegated, enumerated, and limited powers. In his foreword to this year’s *Cato Supreme Court Review*, Roger Pilon wrote that the concern that most animated the founding generation was “to create a government that was effective where it was authorized but limited to those authorizations.” The Cato Institute takes that heritage seriously. But for the better part of a century, the Court has not. “Is there any better example of our having abandoned that inheritance of liberty through limited government than the 2,700-page monstrosity known colloquially as Obamacare?” Pilon asked.

Indeed, we’ve drifted far from our founding vision. But the Cato Institute’s Center for Constitutional Studies, established in 1989, has been a critical institution in restoring that vision since its inception. “In short, the Court cannot roll back Leviathan on its own,” Pilon wrote, “but it can put a brake on it and chip away at its substance”—or, perhaps, lack thereof.

Top: At a Cato Book Forum for *Terms of Engagement*, author **CLARK NEILY**, senior attorney at the Institute for Justice, argued that instead of judging the constitutionality of government action, courts too often simply rationalize it. **Middle:** At an in-depth conference on NSA spying, **CHARLIE SAVAGE** of the *New York Times* (left) and **SIOBHAN GORMAN** of the *Wall Street Journal* discussed the implications of government surveillance from a press perspective.



Top: At the Cato Institute’s 12th Annual Constitution Day, **ILYA SHAPIRO** (left), senior fellow at Cato, and **ELIZABETH WYDRA**, chief counsel at the Constitutional Accountability Center, analyzed the term’s cases on affirmative action, gay marriage, and the Voting Rights Act. **Left:** At a Senate Judiciary Committee hearing, **DAVID KOPEL** (left), associate policy analyst at the Cato Institute, explored realistic ways to reduce gun violence. He was joined by (from left) Baltimore County chief of police **JAMES JOHNSON**, attorney **GAYLE TROTTER**, and **WAYNE LaPIERRE**, executive vice president and CEO of the National Rifle Association.

PRINTING OUR WAY TO PROSPERITY

On December 23, 1913, the Federal Reserve Act was signed into law with the stated intention of providing an elastic currency and preventing banking panics. At the Cato Institute's 31st Annual Monetary Conference, some of the world's leading scholars and policymakers came together to consider the record of the Fed since its establishment a century ago. Held in November under the leadership of Cato vice president James A. Dorn, the daylong event stimulated discussion on the ever-present dangers of a fiat currency, the continued inflation for much of the Fed's history, and its tendency to become embroiled in politics.

"Initially, the Fed's mandate and powers were very limited," Dorn said in the day's opening remarks. "Today, we are on a pure fiat money standard—if you want to call that a standard—in which the Fed has vast discretion." The Fed is the largest buyer of U.S. public debt, enabling the government to live beyond its means. Moreover, its vast expansion of balance sheet activities during the last five years and its suppression of market interest rates have failed to generate robust economic growth and full employment.

The Federal Reserve's ever-expanding role is also echoed on the regulatory front, as evidenced by the broad, unfettered discretion given to regulators under the Dodd-Frank Act. Louise Bennetts, associate director of financial regulation studies at the Cato Institute, cites the law's extension of banking supervision to nonbank institutions as one of the many provisions that will ultimately undermine long-term growth. "Insurance companies, hedge funds, private equity companies, investment advisers—name a type of firm, the Dodd-Frank 'reform' legislation has potentially put taxpayers on the hook to backstop its losses," she wrote in *Investor's Business Daily*.

In effect, the law has widened the federal safety net at precisely the moment when the country can least afford it. "The issue is simple," Bennetts continued. "By forcing [these] other financial market participants to look more like banks, Congress and regulators are hammering a square peg into a round hole. It will not work."

This trend toward regulatory overreach mirrors a larger structural flaw within the financial system as a whole. "Contrary to the conventional



“The most serious dangers for American freedom and the American way of life do not come from without.”

—LUDWIG VON MISES

Cato senior fellow **DAN MITCHELL** testified before the Joint Economic Committee on the economic costs of debt-ceiling brinkmanship.

wisdom, the problem with American banking is too much government influence rather than not enough,” Mark Calabria, director of financial regulation studies, wrote in the *New York Times*. “Our banks are massively regulated and have been so for almost all of American history. Rather than more of the same, we should maybe try something new, like competition and market discipline—which requires letting banks fail.”

Buoyed by an ever-accommodating central bank, Congress has passed—and presidents have signed—bills leading to runaway federal spending. Jagadeesh Gokhale, a senior fellow at the Institute, is in the process of developing a new way of looking at these fiscal challenges. “The project will report on the federal government’s financial condition by adapting and extending the corporate-style balance sheet and income statement to the distinctive features of a public entity,” he says. The key advantage of the corporate financial reporting framework, Gokhale added, is its transparency. In essence, by treating the government like a business, this Balance Sheet Project will expose its massive operating deficits and huge negative net worth in a more open—and, importantly, a more accessible—manner.

Cato senior fellow Dan Mitchell, whose area of expertise is tax reform, has long advocated a return to the free-market policies of the Reagan administration—policies characterized by lower taxes and a lower burden of government spending. Writing for CNN, Mitchell voiced his concern that “America is beginning to look like Europe.” “It used to be that long-term unemployment in the U.S. was only a fraction of Europe’s, but the latest data from the Organization for Economic Cooperation and Development show that the United States has caught up with many of Europe’s welfare states.”

Brink Lindsey, Cato’s vice president for research, spent much of the year analyzing the long-term effects of this monetary and fiscal irresponsibility from a unique angle: that of its impact on growth. In a policy analysis released in October, Lindsey argued that despite the fact that long-term economic growth has remained steady at about 2 percent annually for the last century, there are strong reasons to doubt that this historic norm can be maintained. The slowdown in growth, he said, is troubling. But it is not inevitable. “In the quest for new sources of growth to support the American economy’s flagging dynamism, policy reform now looms as the most promising ‘low-hanging fruit’ available,” Lindsey wrote.

Over the years, the Cato Institute has gained an international reputation for its scholarly work on monetary policy, including its early warnings of the dangers of “too big to fail” and the moral hazard inherent in Fannie Mae and Freddie Mac. Yet the current financial regulatory regime marches on,



Top: “It should be beyond dispute that our nation’s system of residential mortgage finance is badly broken,” **MARK CALABRIA**, Cato’s director of financial regulation studies, said in testimony before the House Financial Services Committee in June. He went on to outline his legislative proposal to protect American taxpayers by creating a sustainable housing finance system. **Left:** At a conference in July, **LOUISE BENNETTS**, associate director of financial regulation studies at the Cato Institute, assessed whether Dodd-Frank ended “too big to fail” or just created a new class of large, interconnected firms.

driving the United States down a path toward fiscal ruin. This course must be reversed.

To that end, the Institute will be establishing a Center for Monetary and Financial Studies in order to design a comprehensive roadmap for returning to a free-market financial system. This will require developing not only the intellectual foundation for such a system, but also the practical framework for ensuring that its guidelines are adopted by policymakers. By leveraging the Institute's prominent voice on monetary issues, Cato's Center for Monetary and Financial Studies will serve as an influential platform for shaping the policy climate to one more conducive to individual liberty and limited government.

Right: JOHN ALLISON, president and CEO of the Cato Institute, greeted attendees at the 31st Annual Monetary Conference in November. **Facing Right: MARY ANASTASIA O'GRADY** of the *Wall Street Journal's* editorial board moderated a panel on the record of the Federal Reserve since its establishment in 1913. **Bottom Left: JAMES A. DORN**, Cato's vice president for monetary studies, reflected on how to improve the country's monetary system in his opening remarks for the day. **Bottom Middle: BRINK LINDSEY**, vice president for research, asked if slow economic growth is the new normal at a Cato Policy Forum in October. **Bottom Right: JAGADEESH GOKHALE**, senior fellow at the Institute, provided insights on the Social Security disability program's looming insolvency.



THE SPENDING SPREE CONTINUES

In 1995 the Cato Institute published a groundbreaking study on the country's crumbling welfare system. By estimating the full package of benefits available to a typical recipient in each state, the report found that not only did its value greatly exceed the poverty level, it also exceeded the amount of annual income a worker would receive from an entry-level job.

In a decisive update to that study called "The Work vs. Welfare Trade-Off: 2013," Cato senior fellow Michael Tanner found that, unfortunately, not much has changed since that time. "Instead, the range has become more pronounced," the *Wall Street Journal* noted in an article highlighting the findings. Tanner discovered in particular that welfare currently pays more than a minimum wage job in 35 states, adding that if Congress was serious about reducing dependence, it would strengthen work requirements, remove exemptions, and narrow the definition of employment. "The current welfare system provides such a high level of benefits that it acts as a disincentive for work," he concluded.

The Cato Institute, which has long been at the forefront of entitlement issues, has recently redoubled its efforts at reform. In May the 2013 Social Security Trustees report projected that, with the significant increase in costs and enrollment in recent years, the Disability Insurance (DI) trust fund will be insolvent as early as 2016.

"DI was originally created as a modest safety net aimed at severely disabled workers who were close to retirement age," Cato budget analyst Tad DeHaven wrote in a new policy analysis. But Congress has expanded benefit levels over the decades. "Instead of providing a wage replacement back stop for the disabled," he continued, "disability insurance has become more like a general welfare program." Jagadeesh Gokhale, senior fellow at the Institute, reinforced this insight at a Cato Policy Forum in June. "One familiar refrain from supporters of the current DI system is that we should do no harm," he said. However, to the degree that lax eligibility erodes work skills, the program itself may be what is causing the most damage.

The unsustainability of these programs corresponds on a larger scale with the growth of government in general. In order to reveal the extent to which

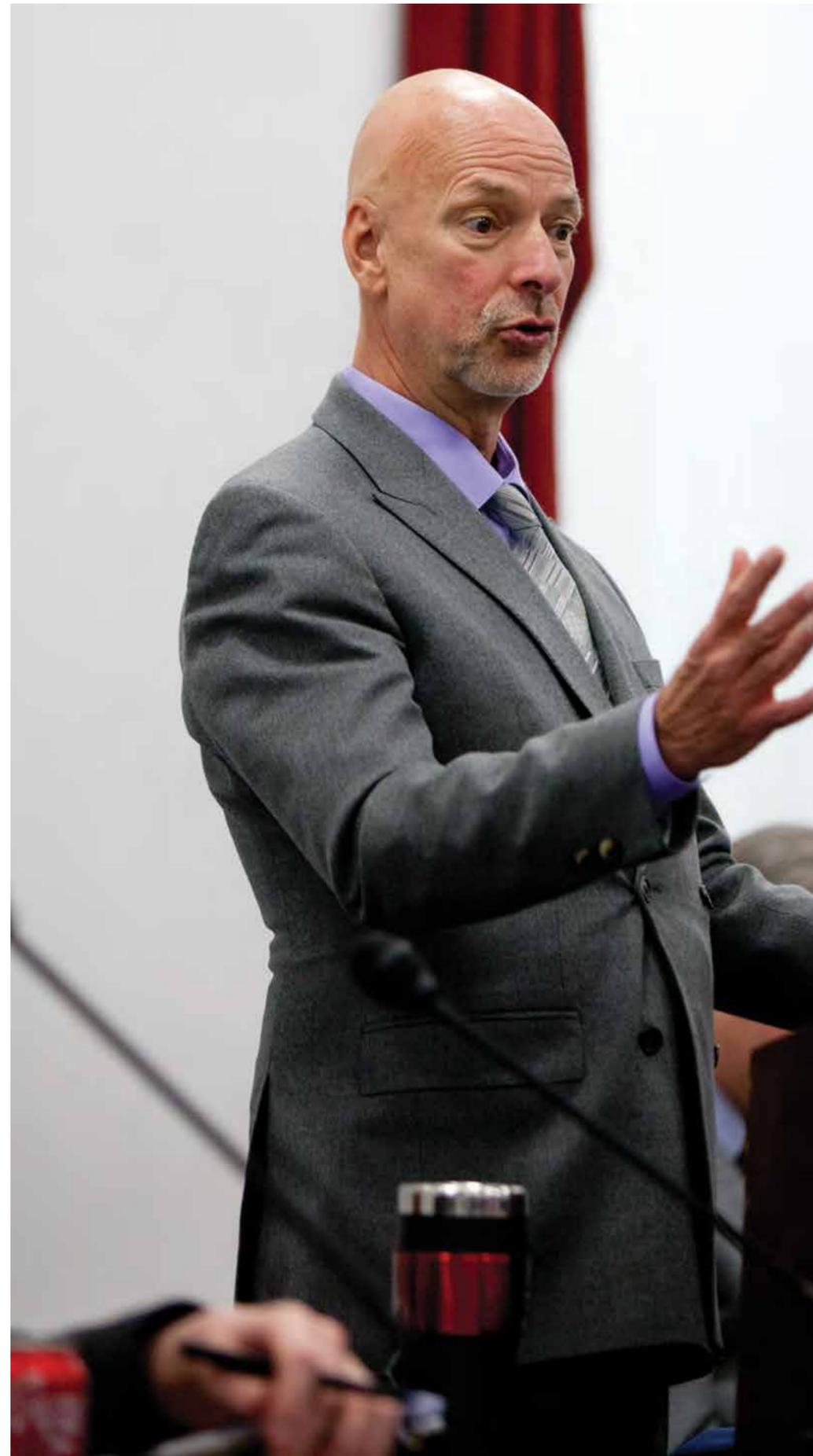
the political establishment continues to expand, the Cato Institute offers DownsizingGovernment.org—a website edited by Director of Tax Policy Studies Chris Edwards that offers a department-by-department blueprint for major spending cuts, often involving the elimination of programs and agencies.

The federal government has no authority, for instance, to govern education. Nevertheless, Washington is waging an unprecedented campaign to establish national uniformity with its Common Core education standards. “If you’ve ever met more than one child you know that all children are different,” Neal McCluskey, associate director of Cato’s Center for Educational Freedom, wrote in the *New York Times*. “That means we need a system built to meet diverse, individual needs—the opposite of standardization.”

It means, in short, a system of educational freedom—in which money is attached to children and educators have the autonomy to establish schools with different specialties, rules, and objectives. Simply put, every child is unique. “It only makes sense to treat them that way,” McCluskey concluded.

Education is not the only area where policy is misguided. Over the years, a body of scientific literature has emerged that argues coherently against the apocalyptic forecasts surrounding climate change. Yet, “the type of global warming science reported to the public grows asymmetrically, with alarming evidence receiving far more exposure than evidence for more modest changes and impacts, or, climate-as-usual,” Patrick J. Michaels, director of Cato’s Center for the Study of Science, wrote in *Forbes*. The reason for such biased coverage is clear. “The difference is that death and destruction sell ad copy, while, as the story goes, ‘plane lands on time’ doesn’t.”

Right: At “The Libertarian State of the Union” in January, **MICHAEL D. TANNER**, senior fellow at the Cato Institute, focused on the hemorrhaging state of Obamacare. **Facing Top:** **RICHARD LINDZEN**, distinguished senior fellow at the Cato Institute, was featured on a January cover of the *Weekly Standard* as “the unalarmed climate scientist.” **Facing Bottom:** In a congressional Joint Economic Committee hearing chaired by **SEN. AMY KLOBUCHAR (D-MN)** (center), **CHRIS EDWARDS** (right), Cato’s director of tax policy studies, was joined by **ED RENDELL**, former governor of Pennsylvania.



IMPERFECT PROGRESS

Nearly 40 years ago, in the aftermath of the Watergate scandal, Americans got an unprecedented look behind the veil of secrecy shielding government surveillance. A committee headed by Sen. Frank Church uncovered a train of abuses by intelligence agencies under both parties stretching back decades. Perhaps most notoriously, the Church Committee revealed that FBI director J. Edgar Hoover had conducted a 10-year campaign to destroy Martin Luther King Jr., seeking to blackmail the civil rights leader into retirement or suicide.

“Even presidents and congressmen feared Hoover, because you could never be sure what he might have on you,” Cato research fellow Julian Sanchez wrote in *Cato Policy Report*. This summer, Americans got a comprehensive look at a surveillance machinery vastly more powerful than anything Hoover could have dreamed of. “Today,” Sanchez continued, “the National Security Agency has something on all of us.”

The NSA scandal that erupted in June has revealed a large-scale over-collection of the phone and Internet communications of all Americans through numerous mass surveillance programs. “We are in the middle of what the president assures us is the most transparent administration in American history,” Gene Healy, vice president at the Institute, asserted in November. “Yet we don’t know what they’re up to until somebody risks jail to let us know.”

Unfortunately, domestic intrusions are mirrored on a larger scale, with the U.S. military continuously meddling in foreign affairs that have no plausible connection to national security interests. With 5 percent of the world’s population, the United States now accounts for half its military spending. “If we continue on our current path, with other countries growing more and more dependent on U.S. military power and less inclined to develop their own, the burdens on American taxpayers and U.S. troops will only grow heavier,” Cato vice president Christopher Preble wrote in *U.S. News & World Report*. “The better solution is to encourage other countries to take responsibility and pay at least some of the costs, consistent with the benefits that they derive from a peaceful and prosperous world.”

“What you, the supporters of Cato, have built is the intellectual forum for the liberty movement. It’s where congressmen, students, activists, and the curious gather to hear new ideas and to put our principles into action.”

—REP. JUSTIN AMASH (R-MI)



ALEX NOWRASTEH, immigration policy analyst at the Cato Institute, was a panelist at BuzzFeed’s Immigration Summit in Washington in May 2013.

“A recent Pew Research poll finds that historically high numbers of Americans want their government to do less abroad,” Cato research fellow Benjamin H. Friedman wrote in the *Los Angeles Times* in December. “We can break the bipartisan consensus that preserves military budgets and avoids strategic choices.”

The country’s expansive military posture abroad is matched by an overly restrictive immigration system at home. Those critical of reforming the system often worry about immigrants disproportionately consuming public benefits. Yet, according to Cato policy analyst Alex Nowrasteh, “halting international labor movements in a world as economically integrated as ours is impossible without hampering economic growth.” Reforms should support legal changes to immigrant welfare eligibility that would, in the words of Cato’s late chairman William A. Niskanen, “build a wall around the welfare state, not the country.”

Just as Cato has long argued in favor of the free movement of people, we continue to argue in favor of the free movement of goods. The Institute’s leadership in this regard has been particularly critical of the current administration. “As has been the case for five years,” Dan Ikenson, director of Cato’s Herbert A. Stiefel Center for Trade Policy Studies, wrote in *Forbes*, “the president remains unwilling to challenge his party’s orthodoxy or to pick a fight with congressional Democrats”—not to mention “the unions and environmental groups to whom they are beholden.”

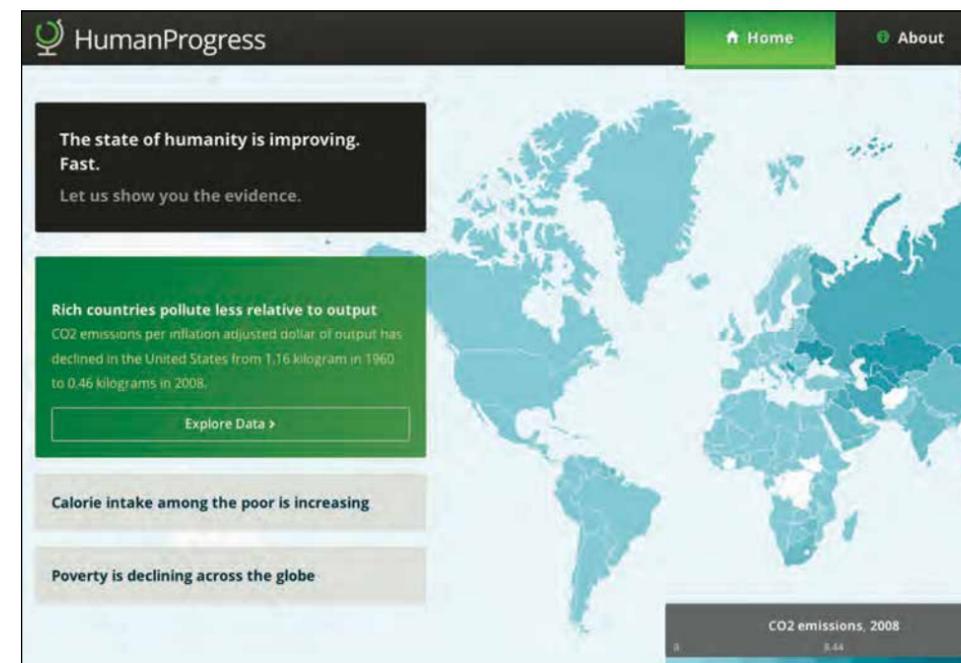
According to the latest *Economic Freedom of the World: 2013 Annual Report*—copublished with the Fraser Institute and more than 70 think tanks around the globe—the United States has seen more than a decade of decline, having ranked 3rd on the index in 2000 and 17th in the current report. The authors note that the country has fallen in such areas as size of government, the legal system and security of property rights, sound money, freedom to trade, and regulation.

Nevertheless, the outlook for freedom continues to rise on a global level, with improvements in human well-being in recent decades that have been especially striking in the developing world. With the launch of HumanProgress.org—a new website offering over 2.3 million human development datapoints—the Cato Institute hopes to stimulate an intelligent debate on the drivers of this global advancement.

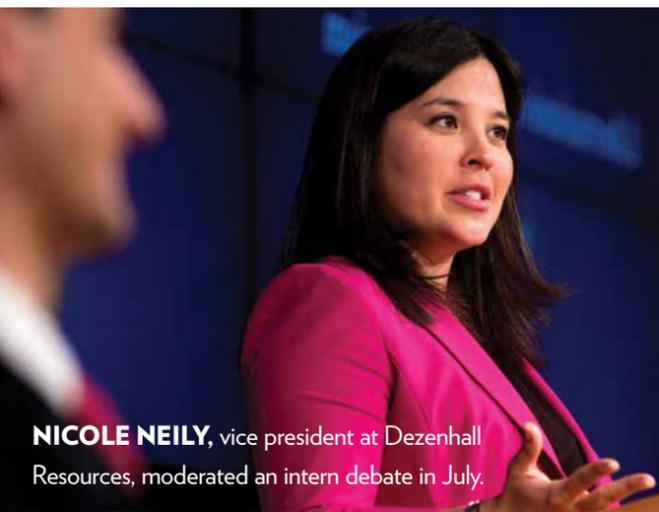
“Crucially, it will compare the imperfect present with a much more imperfect past, rather than with an imagined utopia in the future,” HumanProgress.org editor Marian Tupy explained. The website, in other words, lets the evidence speak for itself.



Top: In March, **YOANI SÁNCHEZ**, a Cuban dissident blogger, was surrounded by journalists and fans after discussing the wave of repression that has been unleashed on the island. **Middle:** Named one of *Wired’s* top 15 government and security resources to follow, Cato research fellow **JULIAN SANCHEZ** is one of the leading voices at the busy intersection of technology and privacy. **Facing Top:** After giving the opening address at Cato’s NSA conference in October, **SEN. RON WYDEN (D-OR)** fielded questions from reporters outside of the F. A. Hayek Auditorium.



Left: Cato’s new site presents data demonstrating improvements in human well-being. The hope is that **HumanProgress.org** will lead to a greater appreciation of the improving state of the world.



NICOLE NEILY, vice president at Dezenhall Resources, moderated an intern debate in July.

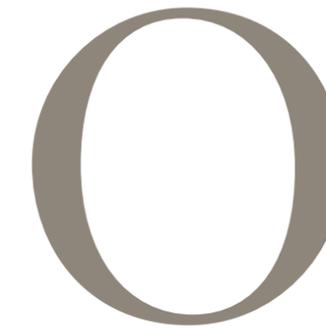


JOHN ALLISON, president and CEO of Cato, explained the elements of principled leadership to the Institute's interns.



SEN. RAND PAUL (R-KY) chatted with participants at Cato University before his keynote address.

OUTREACH AND EDUCATION



One of the greatest challenges facing any policy institution today is getting heard. While technology and new media are leveling the playing field, how in the face of a growing, vast chorus of voices does an institution generate and maintain impact? Technology has made it too easy to equate agitation and loud volume with genuine content and vision. There is a world of difference between demanding attention and providing insights—between focusing on blame and offering solutions. As the information on the following pages demonstrates, by remaining committed to earning rather than claiming authority, Cato's work has continued to gain visibility, stature, and impact. Cato's dedication to clarity and competence has continued to solidify its reputation as the nation's leading libertarian voice.



DAVID BOAZ discussed the 2013 year in review on Fox Business Network's *Stossel*, December, 2013.



CHRISTOPHER A. PREBLE discussed the situation in Syria on *Street Smart* with Trish Regan, September, 2013.



JULIAN SANCHEZ discussed NSA on MSNBC's *The Cycle*, January, 2014.



IAN VÁSQUEZ discussed the Cuban embargo on Fox Business Network's *Markets Now*, December, 2013.



ONLINE AND MULTIMEDIA

PERCENT INCREASE IN 2013 FISCAL YEAR

DAILY PODCAST SUBSCRIPTIONS	+14%
DownsizingGovernment.org VISITS	+14%
Cato.org VISITS VIA EMAIL NEWSLETTERS	+24%
YOUTUBE SUBSCRIPTIONS	+24%
BLOG VISITS	+34%
Cato.org VISITS	+40%
Libertarianism.org VISITS	+40%
PoliceMisconduct.net VISITS	+47%
OverLawyered.org VISITS	+71%
Cato.org VISITS VIA MOBILE DEVICE	+157%

Top: P. J. O'ROURKE, an H. L. Mencken Research Fellow at the Institute, signed books for his latest work, *The Baby Boom*. **Bottom: DAVID BOAZ**, Cato's executive vice president, has overseen the Institute's extensive policy work over the decades.

MEDIA HIGHLIGHTS

In 2013 Cato's policy experts were cited in 3,844 news articles, authored 465 op-eds, appeared in 896 television interviews, were cited on television 95 times, and participated in 1,044 radio interviews. Cato scholars were also cited in syndicated columns by George F. Will and Ezra Klein and in *Wall Street Journal* editorials, and were prominently featured in articles by Glenn Greenwald and David Lightman. Notable broadcast appearances include John Allison on C-SPAN 2 discussing his book *The Financial Crisis and the Free Market Cure*, Chris Edwards on CNN's *Newsroom* discussing the expiration of unemployment benefits, and Michael Cannon on Fox News Channel's *Special Report with Bret Baier* discussing Obamacare. Cato was also cited on C-SPAN's *Washington Journal*, MSNBC, and CNN.

CATO'S AUTHORITATIVE RESEARCH PUBLICATIONS

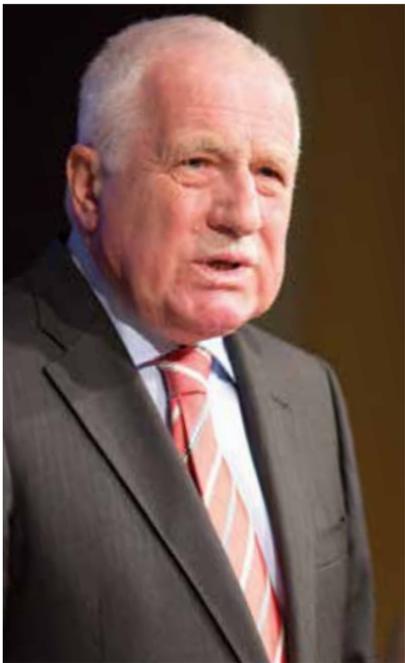
More than 40 policy studies were published in 2013, providing incisive analyses of key issues related to health care, economics, trade, national security, entitlement programs, foreign policy, government fiscal policies, global economic freedom, energy, education, immigration, individual privacy, taxes, federal land management, and stimulus spending. Included in Cato's 2013 publications were four major white papers: *The End of Overkill? Reassessing U.S. Nuclear Weapons Policy*; *The Work versus Welfare Tradeoff: 2013*; *50 Vetoes: How States Can Stop the Obama Health Care Law*; and *Spending Beyond Our Means: How We Are Bankrupting Future Generations*.

Downloads of Cato's publications grew by more than 1 million in 2013, with 3.2 million downloads by Web visitors of Cato publications, including research papers, the *Cato Supreme Court Review*, *Cato Policy Report*, and *Cato's Letter*.

PUBLIC EVENTS

More than 10,000 individuals attended Cato's events in 2013; 25,000 more viewed Cato's events throughout the year as they were streamed online at cato.org/live; and thousands more accessed Cato's events via YouTube, podcasts, and Cato's online video archive. Alongside a wide range of Book and Policy Forums, events included:

CONFERENCES—In addition to Cato's annual Monetary Conference, Constitution Day program, and Cato University (with more than 200 attending the Summer Seminar on Political Economy), conferences were presented on Campaign Finance after Citizens United: What Happened? What Now?; Cato Papers on Public Policy; NSA Surveillance: What We Know—What to Do About It; Dangerous Times? Threat Perception and



Top: LAURA MURPHY, director of the ACLU's Washington Legislative Office, discussed what's at risk as a result of the failed war on drugs.
Bottom: VÁCLAV KLAUS, a distinguished senior fellow at Cato, argued that the European crisis stems from a naïve faith in centralization.

U.S. National Security; and a special conference presented in conjunction with the inauguration of HumanProgress.org.

CITY SEMINARS—More than 2,000 attended the 12 Cato City Seminars held throughout the United States in such locales as Miami, New York City, Dallas, and Chicago. Speakers at these popular events included Peggy Noonan, P. J. O'Rourke, John Stossel, David Malpass, Charles Murray, Michael Barone, and John Cochrane.

CAPITOL HILL AND EXTERNAL OUTREACH

In 2013 Cato hosted 22 Capitol Hill Briefings for legislative staff on timely issues including immigration, free trade, and marriage equality. Each event highlighted new work from Cato scholars and prominent outside panelists such as Sen. Jeff Flake (R-AZ) discussing free trade issues, Rep. Scott Garrett (R-NJ) on his push to limit the TSA, author Radley Balko discussing his new book on the militarization of America's police forces, and noted civil rights attorney Mary Bonauto speaking on the high-profile marriage equality cases of 2013. By hosting policy working groups and issue-specific conference calls, interfacing with state reporters, and being represented at numerous conferences, Cato energetically engaged coalition groups at the state and national levels to further amplify the impact of its scholars and research.

SOCIAL MEDIA

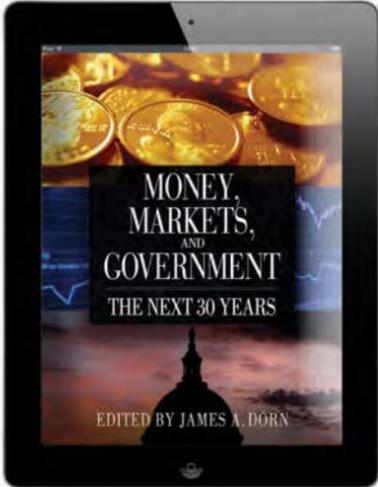
With more than 400,000 individuals now a part of Cato's Facebook and Twitter communities, effectively and strategically utilizing social media has become a priority. Cato's commitment is to creating solid, intelligent, and innovative connections with users, not just viewing social media as a superficial end in and of itself. Social media also serves as a widening gateway to Cato's online resources, and in 2013 there was an over 130 percent increase in the number of visits to explore Cato.org's massive online resources via Facebook, 12 percent growth through Twitter, and a 164 percent increase via Reddit.

ENGAGING THE NEXT GENERATION

Cato has continued to intensify efforts to attract and energize young libertarian talent. Cato's internship program draws thousands of applicants who desire to gain the intellectual ammunition and communication skills needed to make the case for a free society.

Cato and the Institute for Humane Studies collaborated on two weekend seminars for students, each offering over 15 lecture and discussion sessions with Cato scholars and affiliated faculty in Cato's Yeager Conference Center.

CATO BOOKS AND EBOOKS



While nearly all of Cato's books are available in both print and digital editions, one new work—*Money, Markets, and Government*—was published exclusively as an ebook in 2013. Cato's ebooks allow readers speedy access to immediate-impact analyses worldwide from a multiplicity of electronic devices.

MONEY, MARKETS, AND GOVERNMENT

EDITED BY JAMES A. DORN
 An examination of the increased power and scope of the Federal Reserve and how the links between money, markets, and government may evolve in the future.

THE CONSCIENCE OF THE CONSTITUTION

BY TIMOTHY SANDEFUR
 How the overemphasis of democracy, rather

than the primacy of liberty, as expressed in the Declaration of Independence, has led to the growth of government power at the expense of individual rights

POVERTY AND PROGRESS

BY DEEPAK LAL
 Renowned development economist Deepak Lal draws on 50 years of experience around the globe to describe developing-country realities and rectify misguided notions about economic progress.

THE BEAUTIFUL TREE

BY JAMES TOOLEY
 The new paperback edition of this acclaimed book details what is going amazingly right in education in some of the world's poorest communities.

CATO SUPREME COURT REVIEW 2012–2013

EDITED BY ILYA SHAPIRO
 Analysis from leading legal scholars of key cases from the Court's most recent term and a preview of the year ahead.

JURY NULLIFICATION

BY CLAY S. CONRAD
 A history of jury independence and the range of powers a jury can undertake in a criminal trial when they decide not to enforce the law or not to convict a defendant if they conclude it would be unjust.

CONSTITUTIONAL MONEY

BY RICHARD H. TIMBERLAKE
 A review of nine Supreme Court cases and decisions that dealt with monetary laws and their impact on monetary events and policies.
PUBLISHED BY CAMBRIDGE UNIVERSITY PRESS

ECONOMIC FREEDOM OF THE WORLD: 2013 ANNUAL REPORT

EDITED BY JAMES GWARTNEY, ROBERT LAWSON, AND JOSHUA HALL
(COPUBLISHED WITH THE FRASER INSTITUTE)

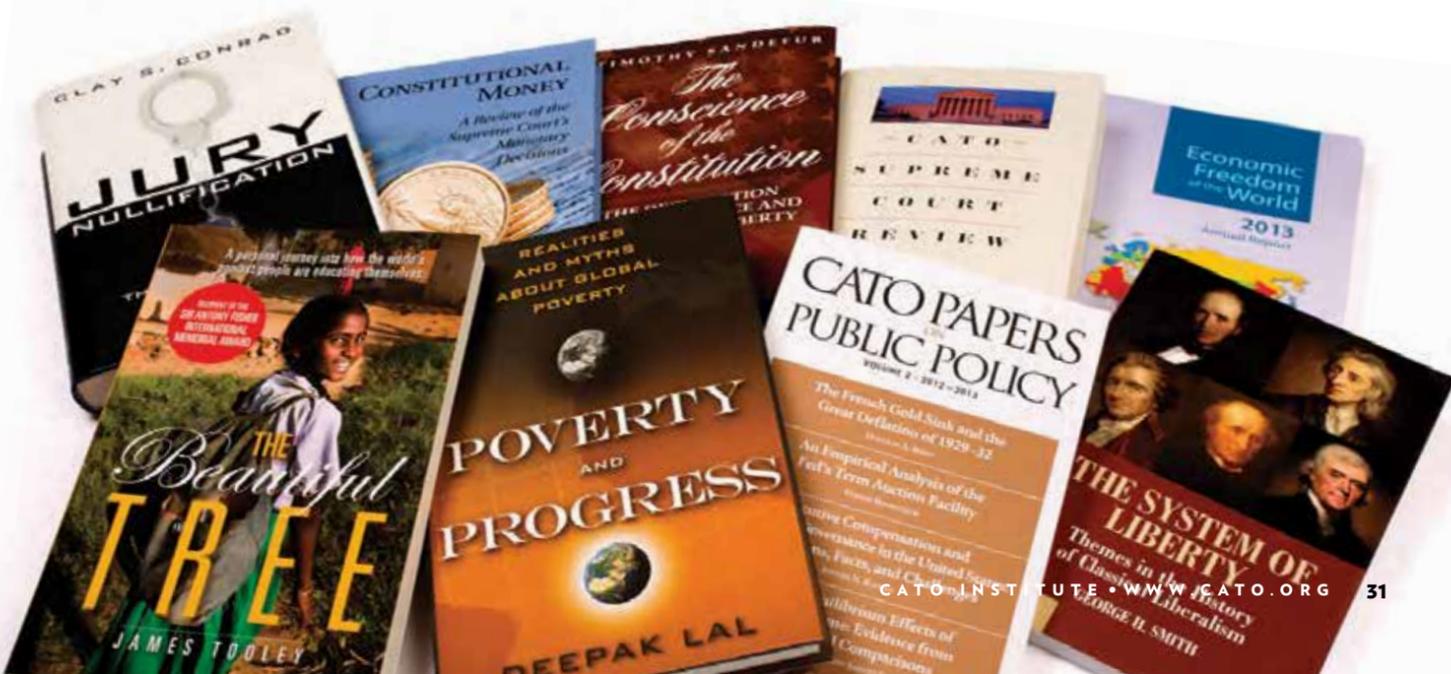
The leading index, measuring the degree to which policies and institutions of countries are supportive of economic freedom and its cornerstones.

THE SYSTEM OF LIBERTY

BY GEORGE H. SMITH
 The difficult issues that have divided classical liberalism's greatest thinkers and an exploration of these conflicts and their implications for contemporary liberal and libertarian thought.
PUBLISHED BY CAMBRIDGE UNIVERSITY PRESS

CATO PAPERS ON PUBLIC POLICY, VOLUME 2

EDITED BY JEFFREY MIRON
 An annual collection of articles by national experts on a wide range of economic and public policy issues.



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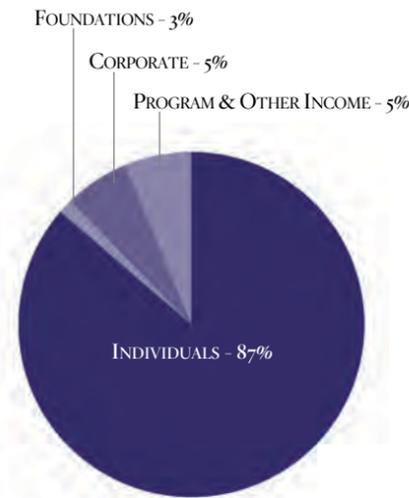
FINANCES

As indicated in the unaudited financial information below, Cato significantly improved its already strong financial position in fiscal 2014, adding over \$4 million to its cash balances versus fiscal 2013. Operating revenues increased by approximately \$7 million, while expenses were reduced by more than \$500,000. Operating revenue growth included a large, one-time bequest, but even excluding that bequest, Cato achieved outstanding revenue growth. Given Cato's strong performance in fiscal 2014, the focus in the current fiscal year is to invest in additional scholars and programs to expand Cato's influence and to achieve future growth. Cato's fiscal year runs from April 1 to March 31.

FISCAL YEAR 2014 OPERATING REVENUE

INDIVIDUALS.....	\$25,393,000
FOUNDATIONS.....	\$944,000
CORPORATIONS.....	\$1,514,000
PROGRAM REVENUE.....	\$1,167,000
OTHER INCOME.....	\$127,000
TOTAL.....	\$29,145,000

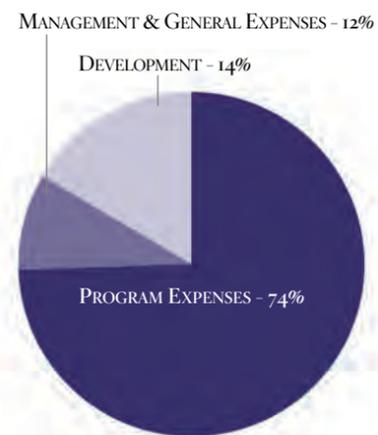
FISCAL YEAR 2014 OPERATING REVENUE



FISCAL YEAR 2014 OPERATING EXPENSES

PROGRAM.....	\$18,756,000
MANAGEMENT & GENERAL.....	\$3,076,000
DEVELOPMENT.....	\$3,458,000
TOTAL.....	\$25,290,000

FISCAL YEAR 2014 OPERATING EXPENSES



ASSETS AND LIABILITIES

CASH AND EQUIVALENTS.....	\$19,158,000
FIXED ASSETS.....	\$37,650,000
OTHER ASSETS.....	\$7,602,000
LIABILITIES.....	(\$1,822,000)
NET ASSETS.....	\$62,588,000

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