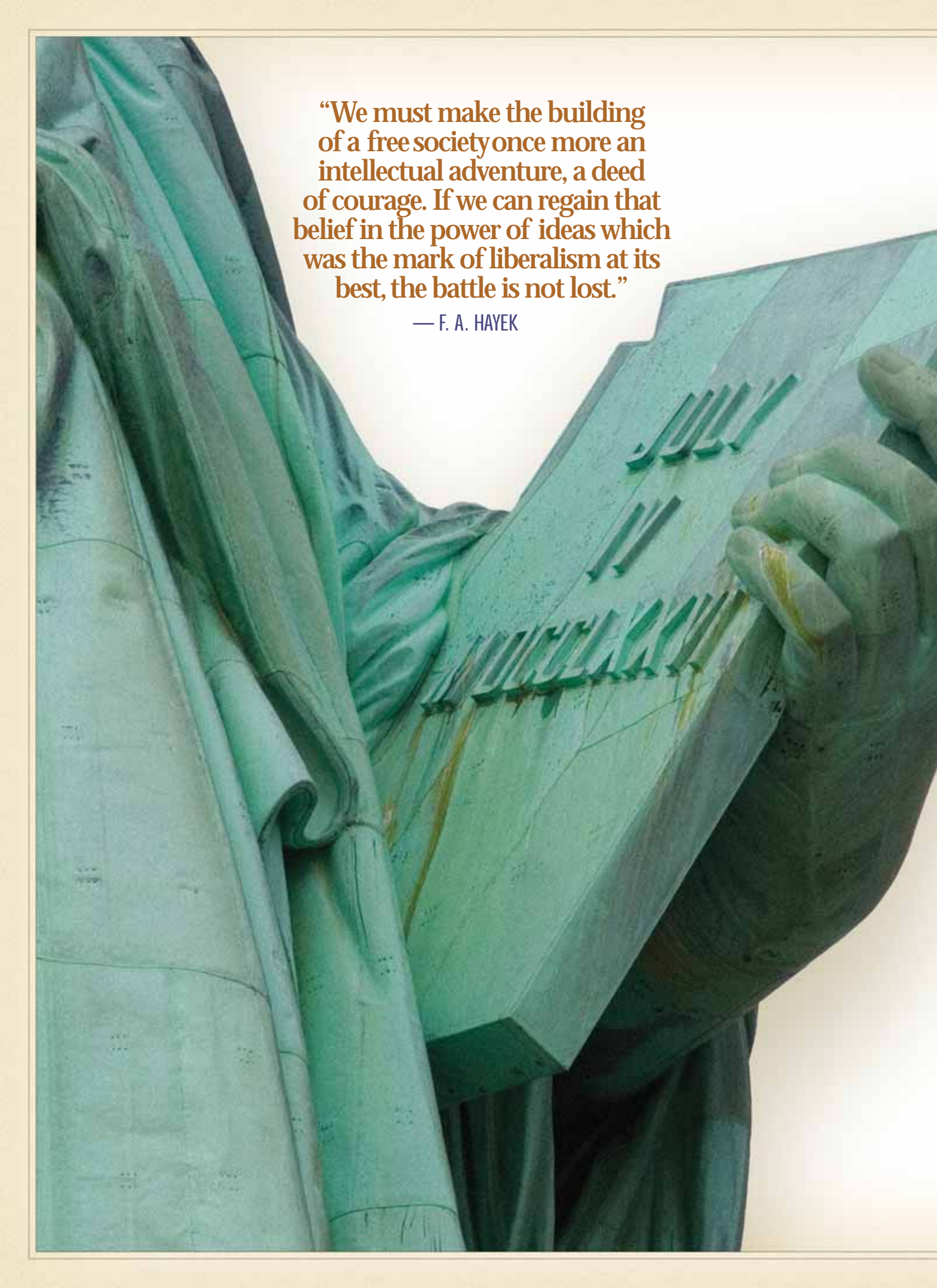




CATO
INSTITUTE
2007 Annual Report

A close-up photograph of the Statue of Liberty's tablet, showing the date "JULY IV 1776" in raised letters. The statue's green patina and the folds of its robe are visible in the background.

“We must make the building
of a free society once more an
intellectual adventure, a deed
of courage. If we can regain that
belief in the power of ideas which
was the mark of liberalism at its
best, the battle is not lost.”

— F. A. HAYEK



A Culture that Cherishes Individual Rights

The first principles on which the American federal republic was founded were not made from whole cloth. Rather, they were the logical result of many centuries of evolution in thinking about individual rights and civil society. A major reason for the success of the United States during its first 150 years was a culture that cherished individual rights and civil society, fearful that the accumulation of unchecked power by government leads inevitably to tyranny.

That changed in the early 20th century with the popularization of “Progressive” ideology, the fundamental premise of which is that government be used to “make society better,” both at home and abroad, unimpeded by the restraints necessary to preserve individual liberty.

This ideology cedes virtually unchecked powers to the federal government, despite clear constitutional restrictions on that power. Our educational system and media reflect the influence of “Progressive” thinking. Deference to and dependence on an ever-expanding leviathan state is the result.

The Cato Institute was founded in 1977 with the mission of spreading the ideas that made the American experiment in freedom the most successful in history. The 2007 *Annual Report* chronicles the efforts of Cato’s scholars to promote and expand this culture of liberty both at home and abroad, using authoritative research and practical proposals across the spectrum of public policy.

MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN

The Cato Institute's 31st annual report hits the presses smack in the middle of a heated presidential campaign in which three major party candidates remain in the hunt. By the time you read this there may well be only two, but no matter. What strikes us as odd about the nature of the campaign in 2008 is the underlying mantra of all three candidates that somehow the most noble thing individual Americans can do is to subsume their personal interest to some greater good as defined by the federal government. Consider:

- Sen. Barack Obama constantly speaks of the need for Americans "to come together again behind a common purpose."
- Sen. John McCain asks people to join him if they "believe in a national purpose that is greater than our individual interests."
- Sen. Hillary Clinton says, "I think that in a life or in a country you've got to have some goals."

Well. The question that comes to mind is, Why? Why should we all get behind a common purpose or a national purpose or a national goal? People flocked to America precisely because here, at last, was a nation that *didn't* have national goals. It was created by people specifically for the purpose of protecting an individual's right to life, liberty, and the pursuit of happiness—and to otherwise leave us alone.

When neoconservatives (who are very much in favor of national goals to create "national great-

ness") speak of "American exceptionalism," they are referring to our overwhelming military power in the world—to our potential to shape the destiny of other nations. But that was never what America was supposed to be about. The true American exceptionalism is our focus on individualism.

Does this make us a nation of atomistic individualists? Hardly. One of the most sophisticated social observers ever to walk the earth, Alexis de Tocqueville, on his extended visit to America in the first part of the 19th century, was fascinated by the desire of Americans to work together—to join churches, guilds, charitable organizations, business associations, neighborhood groups, and on and on. The point is not that we don't want to work together, but that *we* will make the determination of how and why we work together, not political "leaders." As for atomistic individualists, there's plenty of room for you, too.

In *Capitalism and Free-*

dom our late, great friend Milton Friedman wrote that neither half of JFK's "ask not what your country can do for you; ask what you can do for your country," expressed a relation between the citizen and his government "that is worthy of the ideals of free men in a free society." As Friedman put it:

To the free man, the country is the collection of individuals who compose it, not something over and above them. He is proud of



E. H. Crane

EDWARD H. CRANE
PRESIDENT AND CEO

a common heritage and loyal to common traditions. But he regards government as a means, an instrumentality, neither a grantor of favors and gifts, nor a master or god to be blindly worshipped and served. He recognizes no national goal except as it is the consensus of the goals that the citizens severally serve. He recognizes no national purpose except as it is the consensus of the purposes for which the citizens severally strive.

We have always said that the essence of America is a respect for the dignity of the individual and that it is axiomatic that such dignity is enhanced to the extent individuals have more control over their own lives. In the year ahead of us perhaps no domestic policy issue will put that axiom to the test more than the debate over health care. Getting third-party players, particularly government, out of the picture is a key. Health Savings Accounts are a step in that direction. Government-mandated individual health care insurance is not, and we lament the fact that some of our free market friends seem to be promoting that concept, which will, over the long run, cement government control over health care delivery. In which case, get ready to stand in line.

This annual report outlines a productive program of promoting liberty in a wide range of policy areas. We continue to be particularly proud of our international work and would encourage you to go to our homepage at www.cato.org and click on

“Cato International” to see the remarkable work of our Center for Promotion of Human Rights. Vice president and senior fellow Tom Palmer and his colleagues have created libertarian platforms ranging from Arabic to Russian to Chinese. Also, Ian Vásquez and his colleagues have ramped up the work of our Center for Global Liberty and Prosperity. They played a critical role in making Cato aware of the heroic efforts of the 2008 awardee of

the Milton Friedman Prize for Advancing Liberty, Yon Goicoechea of Venezuela. Yon has mobilized millions of young people throughout Latin America to reject populism and embrace free markets and open societies.

As Cato expands—we now have a \$24 million budget, thanks to the great generosity of Cato Sponsors throughout the nation—we have found it necessary to lease 6,800 square feet of office space about a block and a half west of our headquarters building. Tom Palmer and his team will be the first to move over to the new facilities. Eventually, we hope to expand our headquarters

building, and we’re in negotiations with a neighbor for that purpose.

We are proud to be a part of an organization dedicated to the founding principles of this great nation. Cato remains one of the most frequently cited think tanks in America. Our information-rich website attracts about 40,000 visits each weekday, and our podcasts and other online programs continue their rapid growth. We thank each of you who make the pursuit of Cato’s mission possible.



William A. Niskanen

WILLIAM A. NISKANEN
CHAIRMAN

THE ISSUES Rooted in the classical liberal tradition, the Cato Institute's research program today is as radical as the Founders' vision was in 1776. In 2007, the Cato Institute delivered authoritative research and practical policy proposals

PROMOTING CONSTITUTIONAL RIGHTS

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Our civil liberties are too precious to go undefended.

DOWNSIZING GOVERNMENT

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Limited government with limited tax revenues is the best defense of liberty.

PROMOTING CHOICE

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Cato health and education scholars show how freedom of choice is the best solution.

SLASHING SUBSIDIES

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Supply and demand, not subsidies, should determine the fate of American industry.

ROUTING THE GOVERNMENT PLANNERS

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Always and every time, spontaneous order trumps top-down planning.

FREEING THE WORLD

PAGE 26

Nations worldwide are embracing free markets, private property, rule of law—and the many benefits that they bring.

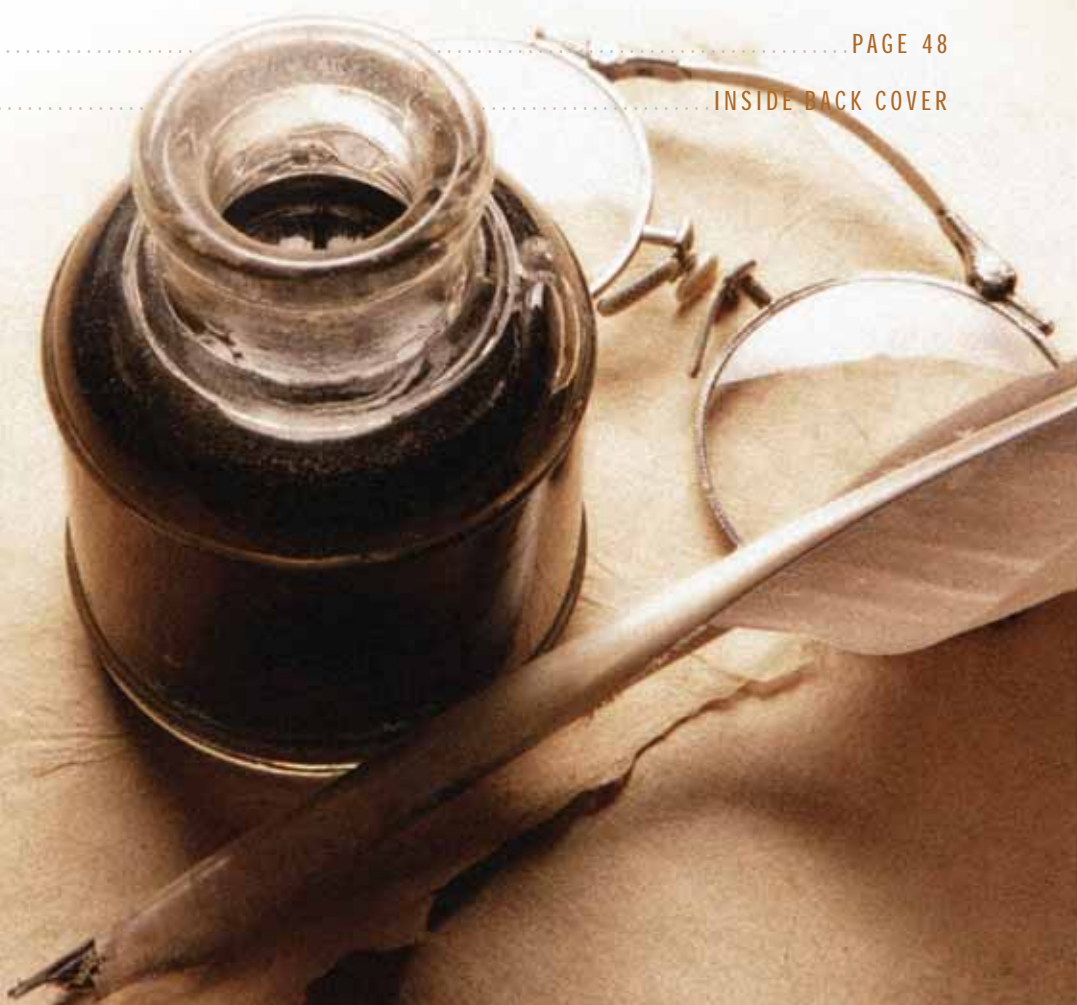
PROMOTING PEACE

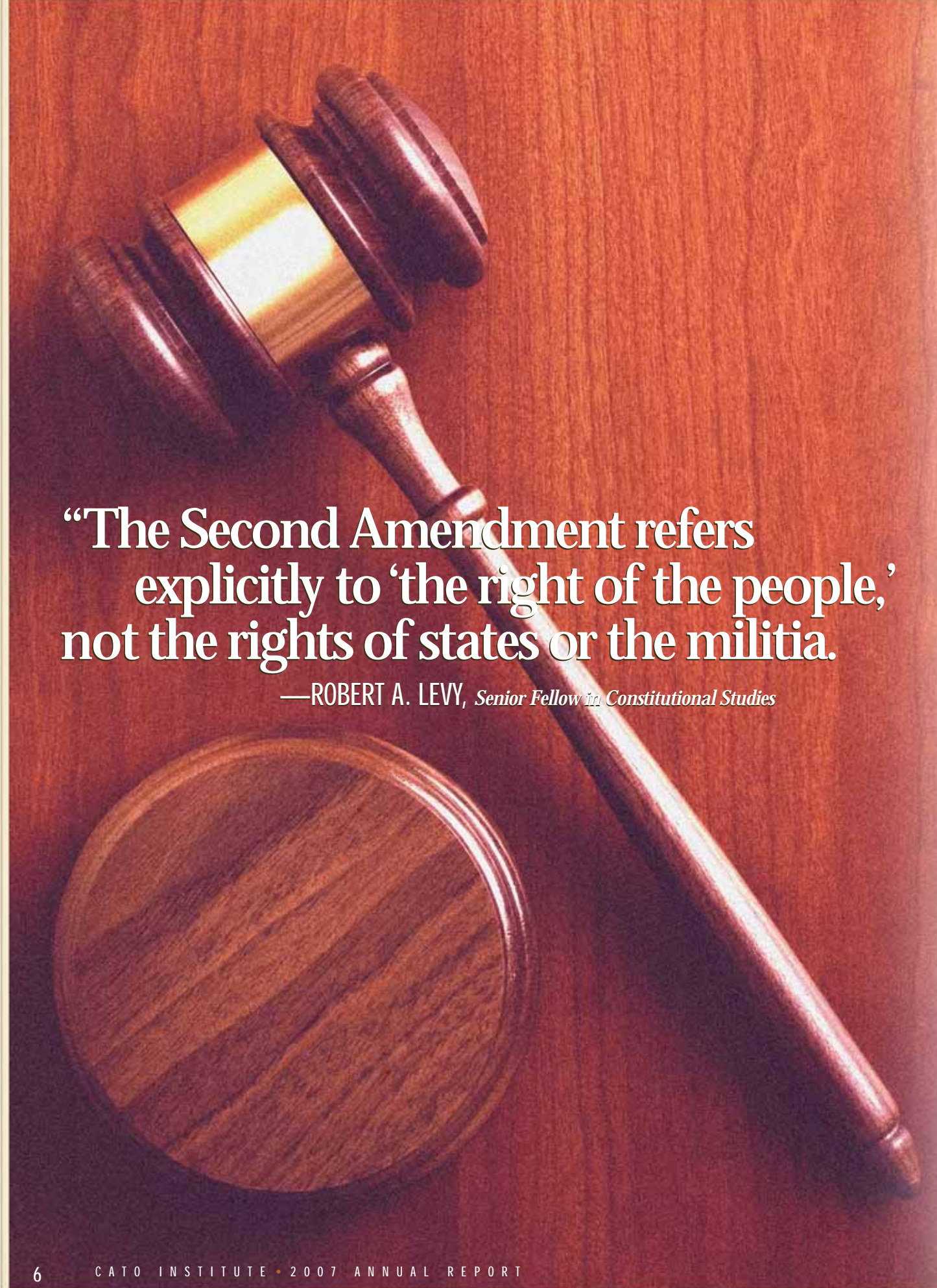
PAGE 30

Goods, services, capital, and culture should cross borders—not armies.

across a range of public policy issues, broadening the bounds of the debate while championing the timeless values of individual liberty, limited government, free markets, and peace.

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“The Second Amendment refers
explicitly to ‘the right of the people,’
not the rights of states or the militia.

—ROBERT A. LEVY, *Senior Fellow in Constitutional Studies*

WHETHER APPEARING IN PRINT OR TELEVISION MEDIA, TESTIFYING BEFORE LEGISLATORS OR SUBMITTING BRIEFS TO THE SUPREME COURT, CATO SCHOLARS ARE CONSTANTLY WORKING TO ENSURE THAT INDIVIDUALS REMAIN FREE. CATO'S WIDER EDUCATIONAL EFFORTS ARE AIMED AT REJUVENATING A CULTURE THAT CHERISHES AND DEFENDS CONSTITUTIONAL RIGHTS.

The Supreme Court has not considered the Second Amendment for nearly 70 years. Since then, the ability to defend one's home and family has been repeatedly trampled on, with some jurisdictions going so far as to completely ban handguns and other firearms. Cato senior fellow Robert A. Levy has spearheaded *District of Columbia v. Heller*, a case now before the Supreme Court that challenges D.C.'s complete handgun ban.

Levy has successfully guided the case through the District and Appeals Court levels and continues to serve as co-counsel. In a groundbreaking decision in March, the U.S. Court of Appeals for the District of Columbia Circuit overturned D.C.'s longstanding gun ban. In November, the Supreme Court agreed to hear *Heller*.

D.C. v. Heller looks to be the most prominent case of the 2007-2008 Supreme Court term, one of the most important Bill of Rights cases in a generation, and likely the most important gun case ever.

Habeas corpus has come under severe attack during the war on terror, with many prisoners of war being detained indefinitely at Guantanamo Bay and elsewhere with no charges filed against them. In August, Timothy Lynch, who as director of Cato's Project on Criminal Justice has previously filed briefs in the cases of Salim Ahmed Hamdan (2006), Jose Padilla (2004), and Yaser Esam Hamdi (2004), filed an amicus brief in *Boumediene v. Bush*, the

latest in a string of habeas corpus cases before the Supreme Court.

In his brief in *Boumediene*, Lynch strongly urged the Court to defend habeas in the face of attempts to bypass it on grounds of expediency, writing that it is "imperative that this Court eschew a deferential posture and stand, in the words of James Madison, as an 'impenetrable bulwark against every assumption of power in the Legislative or Executive.'"

Cato adjunct scholar Richard A. Epstein issued a statement to the Senate Judiciary Committee, saying that "retaining habeas corpus is part of a vital effort to remain faithful to our Constitutional traditions when they matter most, in times of trouble."

"I believe there are more instances of the abridgment of freedoms of the people by gradual and silent encroachment of those in power than by violent and sudden usurpations."

— JAMES MADISON

When Congress passed the McCain-Feingold Act in 2002, which bans mentioning candidates in political ads approaching an election, it violated our right to free speech. In 2004, Wisconsin Right to Life aired advertising that mentioned Sen. Russ Feingold (D-WI) in the months leading up to his reelection, and the ensuing legal battle brought the law before the Supreme Court. The Cato Institute filed an amicus brief supporting Wisconsin Right to Life. In June, the Court crafted a broad exception to advertising limits on campaign ads. Chief Justice John Roberts's skepticism of campaign finance regulation was evident in his opinion, which concluded, "Enough is enough."

John Samples is the director of Cato's Center for



"Hate crimes legislation will take our law too close to the notion of thought crimes. The law enforcement apparatus of the state will be delving into the accused's life and thoughts in order to show that he or she was motivated by bigotry," TIMOTHY LYNCH, director of Cato's Project on Criminal Justice, told a congressional committee in April. Lynch testified against proposed new federal hate crimes legislation.

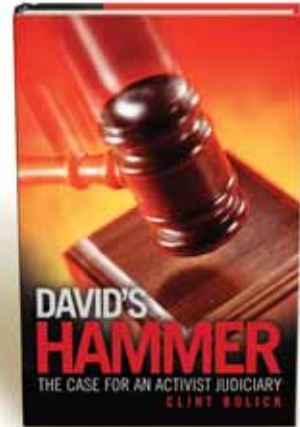
"The REAL ID Act is a dead letter. All that remains is for Congress to declare it so," Cato director of information policy studies JIM HARPER told the Senate Judiciary Committee, testifying in May. Here Harper (left) talks informally with ranking member SEN. ARLEN SPECTER (R-PA).

Representative Government and the author of *The Fallacy of Campaign Finance Reform*. In an August Capitol Hill Briefing, Samples said that many of the ads during the 1990s that were the target of McCain-Feingold would no longer be subject to regulation following the Supreme Court decision. He nonetheless called for a complete repeal of McCain-Feingold. Samples was joined by Rep. Mike Pence (R-IN), a former plaintiff in a past McCain-Feingold case, *McConnell v. Federal Election Commission*.

In 2005, Congress passed the REAL ID Act, which effectively turns drivers' licenses into National ID cards. REAL ID was tacked onto an appropriations bill to fund the wars in Iraq and Afghanistan, meaning there was little discussion or debate over the provision, but Jim Harper, director of information policy studies, worked tirelessly in 2007 to change that. In January, he testified at the first-ever hearing on REAL ID, and in May, he testified in the Senate Judiciary Committee's second-ever hearing on REAL ID, arguing that determined terrorists will always be able to get fraudulent documents despite the act. Harper also testified, gave speeches, and participated in panel discussions in nine states. His work energized opposition to REAL ID at the state level. Ten states passed legislation objecting to the bill and seven states specifically barred implementation.

Hate crime laws, which mandate enhanced punishments for crimes against particular groups of people, have grown increasingly popular with legislators. In April, Timothy Lynch testified before Congress on the Hate Crimes Prevention Act of 2007, arguing that it represented a serious overstep by federal authorities. All of the crimes covered by the act are already illegal at the state and local levels, where crime is most effectively handled.





CLINT BOLICK calls for an activist judiciary that defends constitutional liberties against executive and legislative abuses in *David's Hammer*.



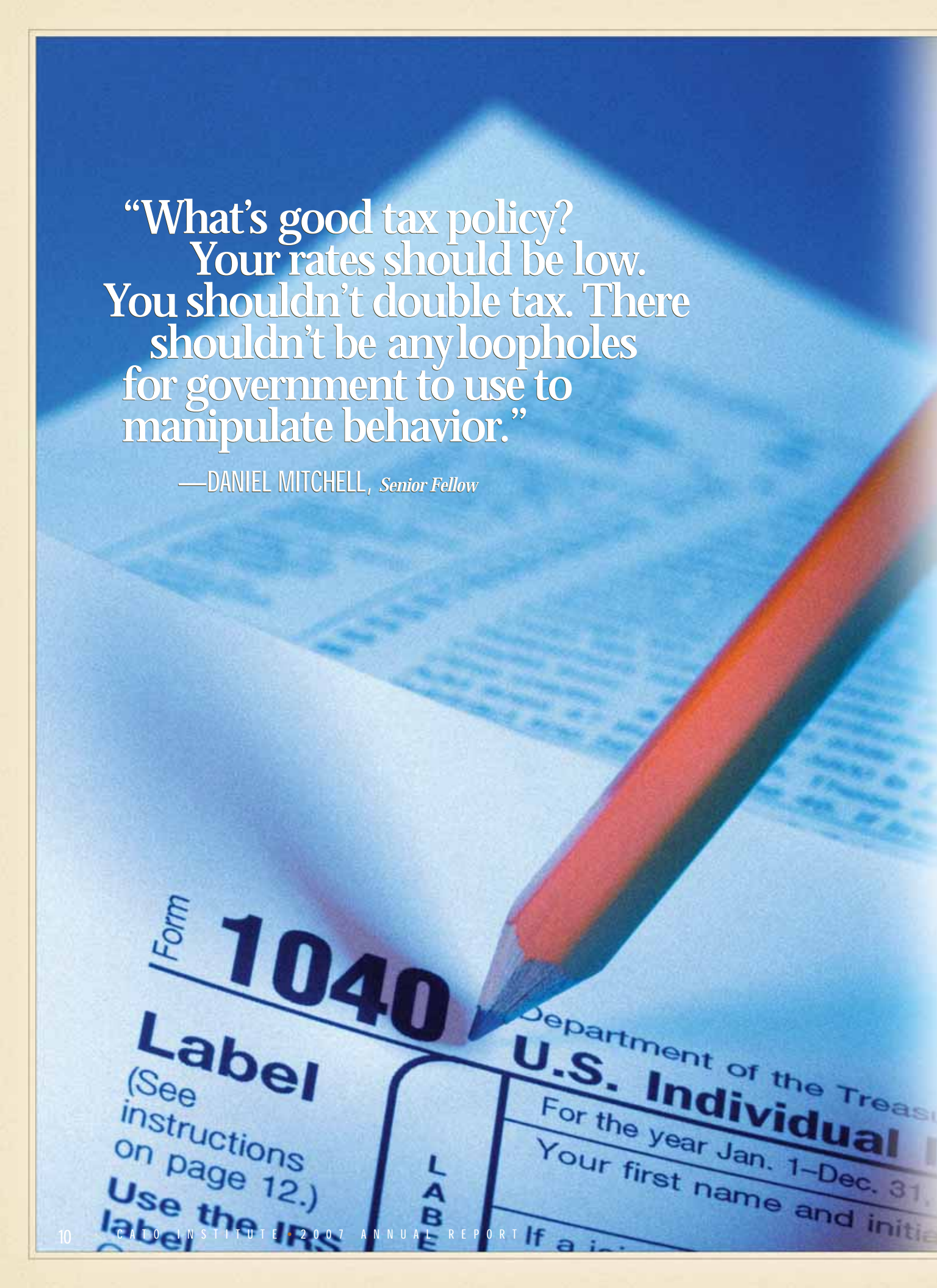
(Top) "Cato Institute is responsible for an extraordinary amount of the national understanding of the issues surrounding McCain-Feingold," REP. MIKE PENCE (R-IN) (top left) stated at an August Cato Capitol Hill Briefing. JOHN SAMPLES, director of Cato's Center for Representative Government, is at right. (Bottom) "At the Cato Institute we suggest that James Madison's view was that in wide areas of life individuals are entitled to be free because they are born free," Cato's vice president for legal affairs ROGER PILON stated in welcoming remarks at Cato's 6th Annual Constitution Day Conference in September.

"The new censors are the most adept practitioners of postmodern cant, double-think and newspeak, echoing Orwell."

—JANICE ROGERS BROWN

U.S. Circuit Court of Appeals Judge, delivering the B. Kenneth Simon Lecture at the 6th Annual Constitution Day Conference.



A red pencil is positioned diagonally across the frame, pointing towards the bottom right. It is resting on a U.S. Individual Income Tax Form 1040. The background is a blurred blue and white, suggesting a desk or office environment. The text is overlaid on the top left of the image.

“What’s good tax policy?
Your rates should be low.
You shouldn’t double tax. There
shouldn’t be any loopholes
for government to use to
manipulate behavior.”

—DANIEL MITCHELL, *Senior Fellow*

Form

1040

Label

(See
instructions
on page 12.)
Use the IRS
label

L
A
B
E

Department of the Treasury
U.S. Individual

For the year Jan. 1–Dec. 31,
Your first name and initial

{ DOWNSIZING GOVERNMENT }

REDUCING THE SIZE OF GOVERNMENT AND PROMOTING ECONOMIC GROWTH GO HAND-IN-HAND. A VITAL PART OF THIS EFFORT IS ACHIEVING LOWER, FLATTER, SIMPLER TAXES, AND PROTECTING INDIVIDUALS AGAINST ABUSE BY TAX AUTHORITIES.

Chris Edwards, director of tax policy studies, stood alone against an IRS crackdown on taxpayers in order to close the “tax gap” at a February hearing of the House Budget Committee. The crackdown was predictably supported by two representatives of the IRS itself and one from the Department of the Treasury.

The United States currently has the second-highest corporate tax rate in the developed world. In a December issue of *Tax Notes*, Edwards invoked the Laffer curve and proposed a robust cut of federal corporate tax rates from their current level of 35 percent down to 15 percent. Edwards also proposed ending the dreaded Alternative Minimum Tax at a December Capitol Hill Briefing, “The Simplified Tax: A Bold Plan to End the AMT and Overhaul the Income Tax,” where he was joined by senior fellow Dan Mitchell and Rep. Paul Ryan (R-WI).

Edwards took a skeptical look at the growth of federal spending for state and local government programs in “Federal Aid to the States: Historical Cause of Government Growth and Bureaucracy,” issued in May. He concluded that “Congress should reconsider the need for aid and begin terminating activities that could be better performed by state and local governments and the private sector.”

The basic requirement for intelligent decision-making is to hear arguments and evidence from both sides of an issue. In a 2007 Cato study, “Budgeting in Neverland: Irrational Policymaking in the U.S. Congress and What Can Be Done about It,” political scientist James L. Payne wrote that in many instances Congress never hears from those opposed to doling out huge sums of money on particular federal programs. Instead, it mostly hears from the special interest group representatives who stand to benefit from the allocation and the federal program administrators

whose careers depend on making those programs appear effective. It’s not surprising then that Cato scholars, through their media appearances and participation in public debates, often find themselves the only voices calling for limited government and free markets.

“... a wise and frugal government, which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned.”

— THOMAS JEFFERSON

Cato scholars continue to lead the way in opposing the use of tax money to subsidize favored corporations. In a May policy analysis, “The Corporate Welfare State: How the Federal Government Subsidizes U.S. Businesses,” director of budget studies Stephen Slivinski pointed out that in the previous year, \$92 billion was given to private sector entities by the federal government. Slivinski proposed a military-base-closing-style commission to make recommendations for ending corporate welfare programs.

Barry Goldwater: Life, Liberty, and Legacy

CATO BOOK FORUM JULY 2007

HONORING THE NEW EDITION OF
The Conscience of a Conservative

Cato president ED CRANE holds up an "Au H2O" Goldwater bumper sticker from the 1964 presidential campaign. "When I was 16 or 17, I read *The Conscience of a Conservative*, and it got me interested in politics," Crane recalled, adding that it became a major influence in shaping his political views.

"It took several runs at HBO" before they agreed to broadcast CC GOLDWATER'S documentary film about the life of her grandfather, *Mr. Conservative: Goldwater on Goldwater*. "In the end, it did quite well for them," she said, so well that HBO will "likely broadcast the film again during 2008." Goldwater presented highlights from the film at the forum.

**"Throughout
history,
government
has proved to
be the chief
instrument
for thwarting
man's liberty."**

—BARRY GOLDWATER
in *The Conscience of a Conservative*

LEE EDWARDS (left) of the Heritage Foundation joined CC GOLDWATER and Cato president ED CRANE for a panel discussion at the forum. Edwards commented, "Goldwater was both a libertarian and a traditional conservative." Crane observed, "The thing that was so great to me about Goldwater was that he stood up in opposition to a regime that FDR had created, a regime that was so opposed to the way America had always been."





"The mantle of fiscal conservatism is up for grabs. Neither party has it right now," REP. JOHN CAMPBELL (R-CA) declared at a Cato Capitol Hill Briefing on the federal budget in February. Campbell (left) is pictured here with Cato senior fellow DANIEL MITCHELL.



REP. PAUL RYAN (R-WI), discusses his proposed Taxpayer Choice Act, repealing the Alternative Minimum Tax and replacing it with a simplified minimum tax, at a December Cato Capitol Hill Briefing.

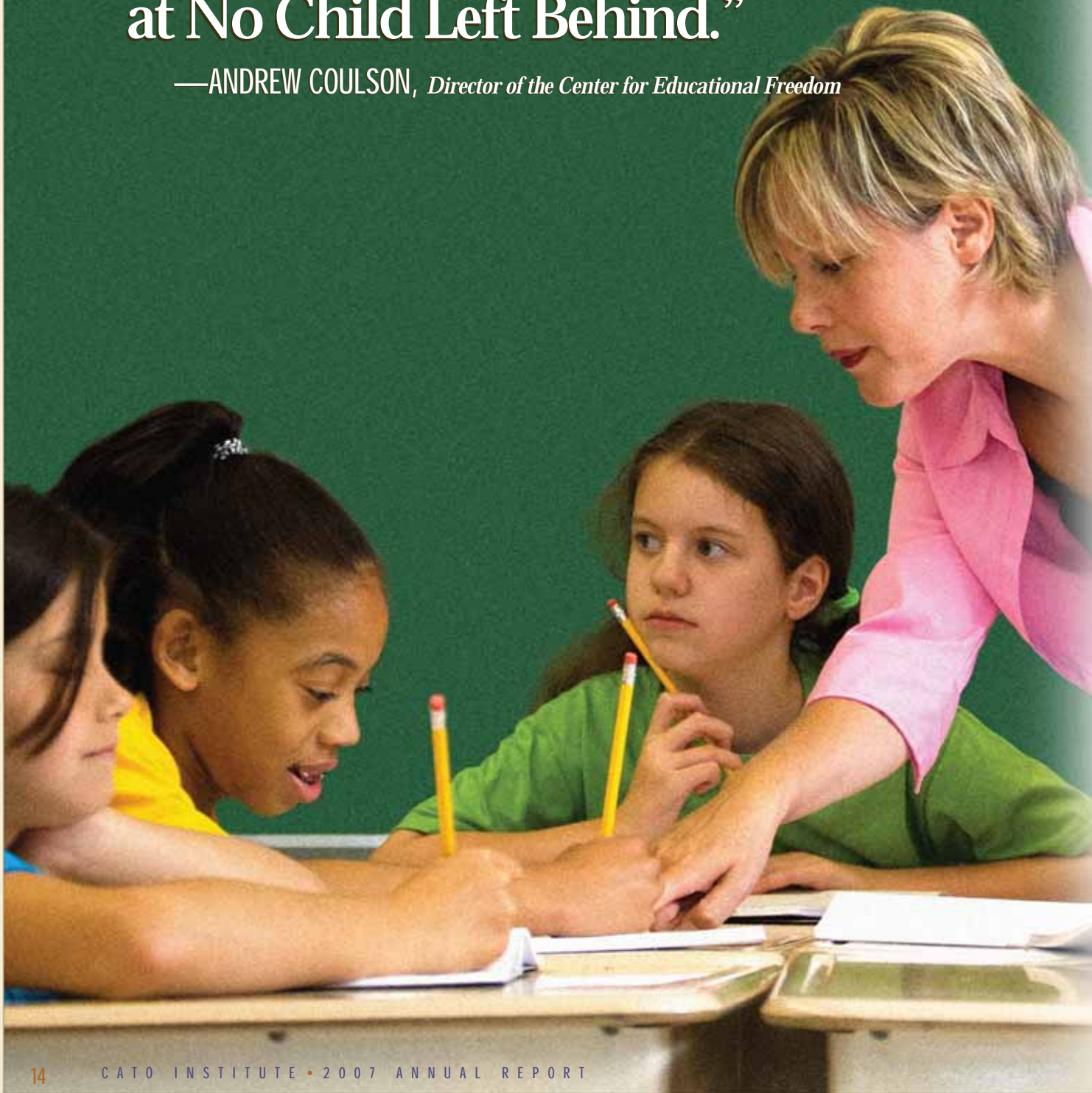
"Rather than increase odious tax-gathering activities, we should instead reform the tax code to reduce marginal rates and eliminate special preferences."

—CHRIS EDWARDS, *Director of Tax Policy Studies*



“Now that the results are in, only
obstinacy and foolishness would
lead us to continue throwing money
at No Child Left Behind.”

—ANDREW COULSON, *Director of the Center for Educational Freedom*



{ PROMOTING CHOICE }

AMERICA'S GOVERNMENT SCHOOLS HAVE LONG FALLEN SHORT OF EDUCATING CHILDREN. EDUCATION REMAINS ONE OF THE ONLY SERVICES IN AMERICA THAT HAS GROWN CONSIDERABLY MORE EXPENSIVE OVER TIME WHILE PROVIDING A PRODUCT THAT BY ALL ACCOUNTS HAS STAGNATED IN QUALITY.

In "The Public Education Tax Credit," Cato policy analyst Adam B. Schaeffer offers an alternative to America's failed policy of top-down control of schools: school choice. Schaeffer points in particular to the benefits of nonrefundable education tax credits, as opposed to school vouchers.

No Child Left Behind was President Bush's ambitious attempt to "do something" about the dismal state of public schooling. It's been something: the No Child Left Behind Act marked the largest expansion of federal involvement in education in history. The program has been a total disaster: after five years American students' scores in math and reading have actually fallen. In the Cato Policy Analysis "End It, Don't Mend It: What to Do with No Child Left Behind," Andrew

Coulson and Neal McCluskey of Cato's Center for Educational Freedom point out that NCLB's goal of forcing schools to meet high standards has been completely overcome by public choice problems.

NCLB actually encourages public schools to keep standards as low as possible while providing the veneer of tough accountability. NCLB presents a clear example of government planning gone awry; the plan's demands on the states have encouraged them to raise their test scores the easiest way possible, by dumping

down the tests.

In a July *Wall Street Journal* op-ed, "No Standards Left Behind," McCluskey called for us to step away from centralized education and toward market-driven, choice-based solutions where schools would be forced to respond to competitive pressures. At a September Capitol Hill Briefing Rep. Scott Garrett (R-NJ) spoke about his LEARN Act, which would allow states to opt out of NCLB without facing financial repercussions.

"With American school children repeatedly coming in at or near the bottom in international tests, why do elected officials act as if what the schools need is more money and more time?"

— THOMAS SOWELL

The assumption that government should provide universal health coverage pervades the policy debate today. In 2007, Cato scholars explained why subjecting health care to ever-expanding government involvement

is the wrong approach. Often standing alone when conservative critics ceded ground, Cato scholars argued that consumer choice and competition remain the keys to a healthier U.S. medical system.

In May, Michael Moore's *Sicko*, a critique of the U.S. health care system paired with plaudits for government-provided health care, was released amid great fanfare. Cato health scholars Michael D. Tanner and Michael F. Cannon, who attended the Washington, D.C., premiere, unleashed a torrent of analysis and



(Top) "No Child Left Behind is based on premises that are fundamentally flawed," **ANDREW COULSON**, director of Cato's Center for Educational Freedom, wrote in a September Policy Analysis. (Center) "The outcome of No Child Left Behind has been less than desired," **REP. SCOTT GARRETT (R-NJ)** stated at a September Cato Capitol Hill Briefing. (Bottom) "A better strategy for providing health care would use deregulation to make private health insurance more affordable," Cato's director of health policy studies **MICHAEL CANNON** wrote in the November *USA Today* magazine.

commentary pointing out, among other facts glossed over in the film, that 800,000 Canadians and 850,000 Britons remain on waiting lists for medical procedures.

In June, Michael Cannon started the Anti-Universal Coverage Club. Hosted on Cato@Liberty, the purpose of the "club" is to illustrate that many prominent policy analysts and scholars do not agree with the ideal of universal coverage at all costs. The Anti-Universal Coverage Club has attracted Tom Saving, former Medicare trustee; Andrew Sullivan of the *Atlantic*; the editorial board of *National Review*; FreedomWorks; Americans for Prosperity; the American Conservative Union; and numerous state-based think tanks.

In 2007, advocates of government-managed coverage ratcheted up their campaign at the state level. Many proposals emulated the "Massachusetts plan" pushed through by former governor Mitt Romney. Many of these state plans were actively supported by conservative organizations. Cannon and Tanner emerged as leading critics of the proposals, testifying before and meeting with state legislatures. In one likely record-setting day in Kansas, Michael D. Tanner testified before three different legislative committees and the state task force on health care reform, and held numerous meetings with the governor's staff and legislative leadership.

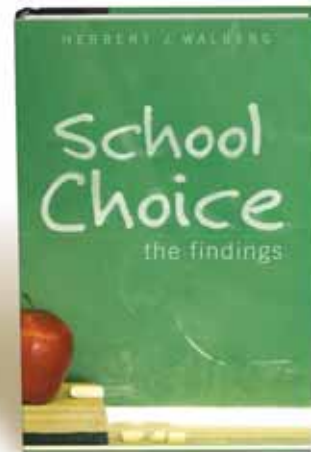
In 2007, Cato held its first State Health Care Summit in Chicago. Representatives from 27 state-based think tanks attended.

In December, Cato held Health Care University on Capitol Hill, a week-long series of lectures targeted at legislators that provided a comprehensive overview of health care issues. Topics ranged from the basic economics of health care to ineffective government health programs to how to reduce the role of government in health care.

One of the more promising developments in health care policy last year was President Bush's proposal to replace the federal government's open-ended tax exclusion for employer-sponsored health insurance with a standard deduction for health insurance. Presumptive Republican presidential nominee John McCain also advocates changing the tax code to equalize the treatment of employer-provided and individually purchased health insurance. Doing so would enable the consumers of health care to exercise more control over their policies and would de-link employment and insurance, increasing the portability of health insurance. The notion of de-linking health insurance and employment has been a major theme of Cato books *Crisis of Abundance: Rethinking How We Pay for Health Care* (2006) and *Healthy Competition: What's Holding Back Health Care and How to Free It* (2007, 2nd edition).



ARNOLD KLING, Cato Institute adjunct scholar and author of *Crisis of Abundance: Rethinking How We Pay for Health Care*, offers a pragmatic approach to adopting pro-market health care reforms during a Cato Health Care University seminar on Capitol Hill in December.



In 2007 the Cato Institute, in cooperation with the Heartland Institute, distributed 75,000 copies of a pocket edition of *School Choice: The Findings* by Herbert Walberg as an insert in Heartland's *School Reform News*. Copies went to all private and charter school principals in the country, school board chairs of all 14,000 U.S. school districts, members of Congress and state legislators, education reporters, and other key players in education policy.



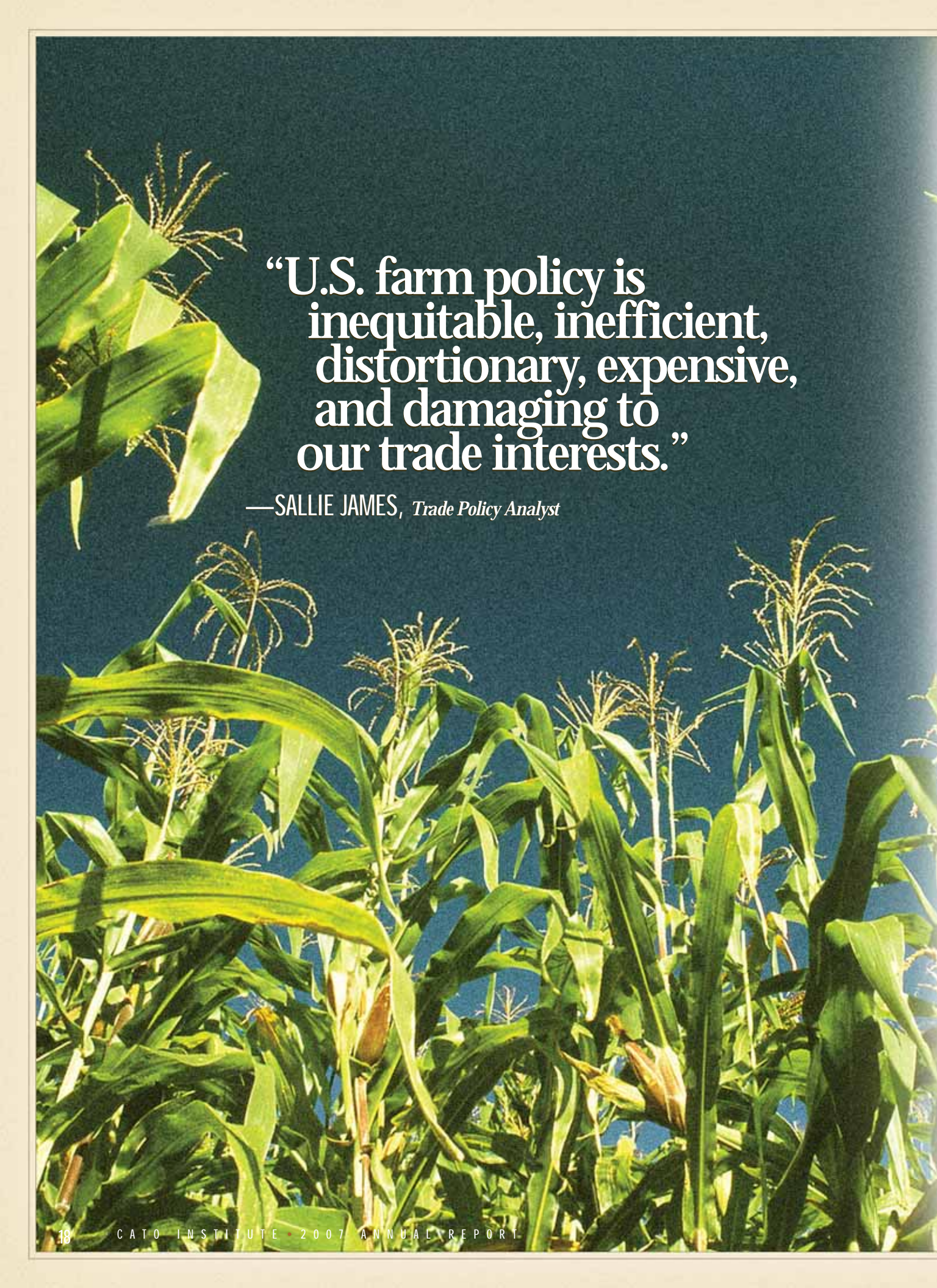
"The individual mandate represents a significant expansion of government power and intrusion into the personal health decisions of Alaskans."

—MICHAEL TANNER,

Testimony before Alaska Senate Committee on Health, Education, and Social Services



"Few early Americans would have considered providing education a proper function of local or state governments, much less some distant federal government," wrote NEAL MCCLUSKEY, associate director of Cato's Center for Educational Freedom, in his 2007 book, *Feds in the Classroom: How Big Government Corrupts, Cripples, and Compromises American Education*.



“U.S. farm policy is
inequitable, inefficient,
distortionary, expensive,
and damaging to
our trade interests.”

—SALLIE JAMES, *Trade Policy Analyst*

{ SLASHING SUBSIDIES }

SUBSIDIES PROP UP INEFFICIENT INDUSTRIES, CREATE A MARKET FOR GOVERNMENT LOBBYISTS, AND PAVE THE WAY FOR EVERY INDUSTRY UNDER THE SUN TO GO BEGGING FOR SPECIAL TREATMENT. SCHOLARS AT CATO HAVE BEEN CRITICIZING GOVERNMENT SUBSIDIES SINCE THE CATO INSTITUTE'S FOUNDING IN 1977, AND 2007 WAS NO EXCEPTION.

The agriculture industry has been the beneficiary of myriad subsidies since the 1930s. In a study released in April, Cato scholars Sallie James and Daniel T. Griswold ran the numbers and found that U.S. agricultural policy has imposed \$1.7 trillion in opportunity costs on American consumers over the last 20 years. With the Farm Bill up for reauthorization, Cato scholars proposed a one-time buyout of farmers by the federal government in return for an end to those subsidies.

Federal dairy programs have cartelized much of the industry, protecting entrenched producers from competition and raising prices for consumers. Chris Edwards examined dairy policy in a July study, finding that it imposes an effective 26 percent tax on consumers while directly costing an estimated \$600 million to taxpayers over the next decade. The dairy programs stifle innovation by restricting the market to those who work within the subsidy system, removing incentives to respond to consumers' tastes by developing new products or altering production patterns.

U.S. sugar prices are typically more than twice those found on the world market. The Government Accounting Office estimates that sugar subsidies amount to \$1.2 billion annually in direct and indirect costs. These subsidies benefit an agricultural industry that employs just 61,000 people, and about one million more employed in food industries that use sugar.

Even the distribution of the sugar program's handouts is lopsided. Chris Edwards pointed out in a June study that 1 percent of sugar growers receive a whopping 42 percent of government benefits.

Congress has called for replacing 20 percent of gasoline consumption with ethanol, while lavishing not-so-modest subsidies on the ethanol industry. But ethanol is no "solution" to America's energy security woes, real or imagined. The lead article in the 2007 Fall edition of Cato's

Regulation magazine pointed out that even if every single ear of corn now grown in the United States were devoted to ethanol, it would replace only 3.5 percent of American gasoline requirements.

In the *International Herald Tribune*, Indur Goklary, author of the Cato book *The Improving State of*

the World, points out that America's increasing subsidies to biofuels are driving up prices for food products worldwide, erasing many of the gains that capitalism has brought to the poor and undernourished.

Cato senior fellow Jerry Taylor ventured deep into corn country to debate the value of ethanol at the University of Nebraska before 2,400 people and four other sites watching by simulcast. *The Daily Nebraskan* reported afterward that "corn ethanol's image as an energy savior has taken a deserved beating."

**"Government
doesn't solve
problems;
it subsidizes
them."**

— RONALD REAGAN

At a May Capitol Hill Briefing "Global Warming: Some Convenient Facts," Cato senior fellow **PAT MICHAELS** (right), a climatologist, stated: "Anyone who says the planet is warming at an increasing rate is dead wrong. The rate is constant." Addressing the economics of climate change, Cato Senior Fellow **JERRY TAYLOR** (left) asked, "What impact will warming have on the U.S. economy?" Even at rates higher than can be reasonably projected, "There will be virtually no effect" from warming.

"There will be virtually no effect on the economy from global warming."

—**JERRY TAYLOR**

JOSEPH CAGGIANO (left) of Chevron Energy Technology Company and **DAVID K. BELLMAN** of American Electric Power debated the findings of a National Petroleum Council report titled "Facing the Hard Truths about Energy" at a November Cato Policy Forum. Caggiano and Bellman helped assemble the report.

Czech President **VÁCLAV KLAUS** (second from left) is greeted by Cato chairman **WILLIAM NISKANEN** (center), vice president for academic affairs **JAMES DORN** (third from right) and executive vice president **DAVID BOAZ** (second from right) at a March Cato Policy Forum. Klaus warned an overflow audience in the F. A. Hayek Auditorium that "environmentalism only pretends to deal with environmental protection," with a hidden agenda of "radically reorganizing" human society along collectivist lines.





"We need to remind people of what's at stake financially, what's at stake in terms of market incentives. Anytime we provide subsidies, such as we do to agriculture, we distort the market." SEN. JOHN SUNUNU (R-NH), stated at a Cato Capitol Hill Briefing in May.

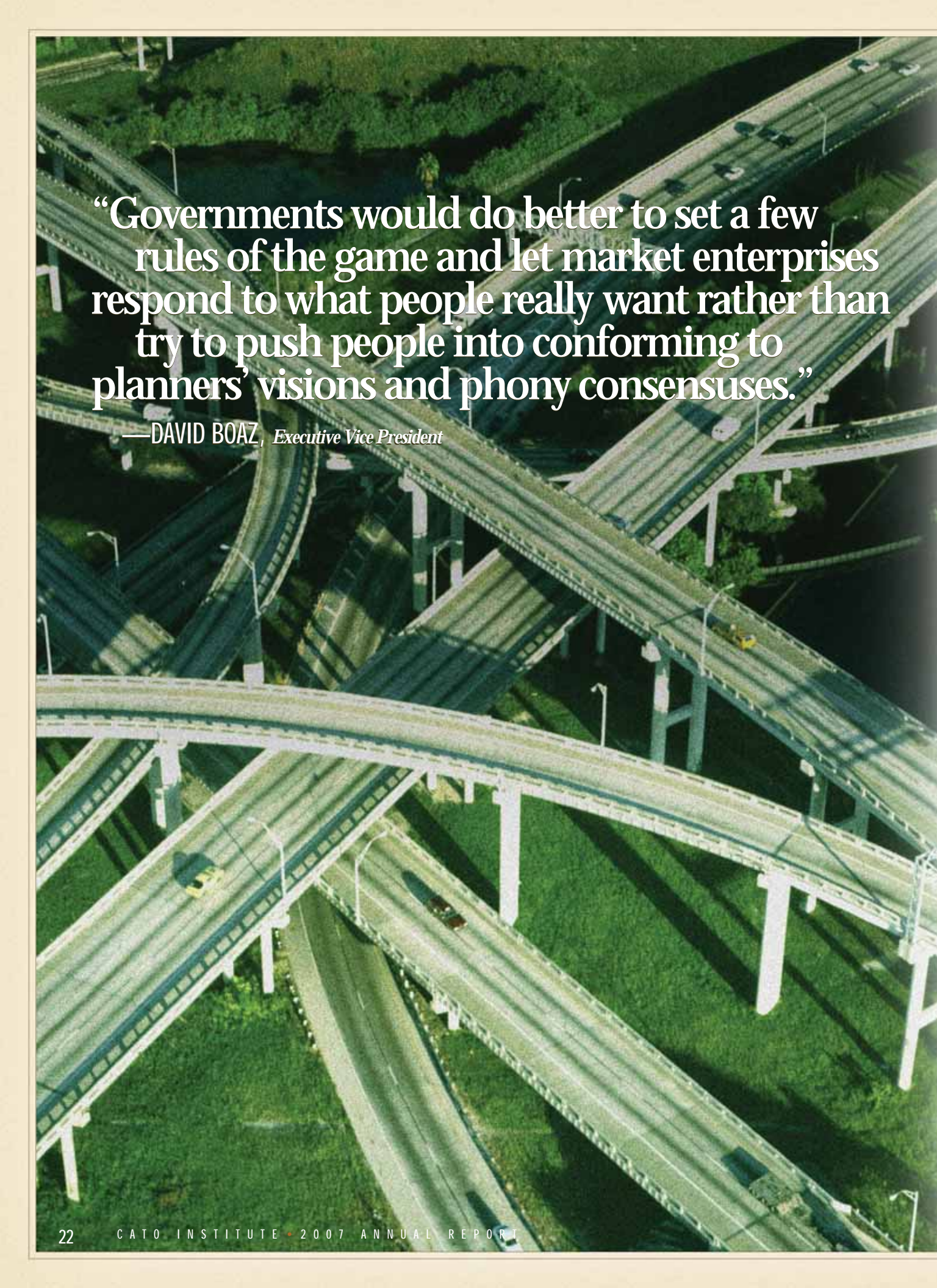


"Willingness to pay market prices will secure all the energy a nation could possibly wish for during peacetime," Cato senior fellow and *Regulation* editor PETER VAN DOREN, pictured here, and Cato senior fellow Jerry Taylor wrote in an article for *Limes: The Italian Journal of Geopolitics* in November. During 2007 Van Doren and Taylor authored several articles and a policy analysis dealing with energy issues from a free market perspective.

**"Benefits to consumers
and taxpayers from
removal of price supports
would be enormous."**

—SALLIE JAMES,
During a May Capitol Hill Briefing, "Freeing the Farm."





“Governments would do better to set a few rules of the game and let market enterprises respond to what people really want rather than try to push people into conforming to planners’ visions and phony consensuses.”

—DAVID BOAZ, *Executive Vice President*

{ ROUTING THE GOVERNMENT PLANNERS }

GOVERNMENT PLANNING IS OFTEN PORTRAYED AS A PANACEA TO ALL OF SOCIETY'S AILMENTS. BUT THE PLANNERS INTRUDE ON OUR ABILITY TO MAKE THE DECISIONS THAT WE ARE MORE QUALIFIED TO MAKE. GOVERNMENT PLANS HAVE A LONG HISTORY OF UNINTENDED CONSEQUENCES, DRIVING UP HOUSING COSTS, CREATING RATHER THAN ALLEVIATING CONGESTION ON OUR ROADWAYS, HAMPERING INNOVATION, AND EVEN DRIVING TOP MANAGERIAL TALENT OUT OF PUBLICLY TRADED COMPANIES.

Since joining the Cato Institute as a senior fellow in February 2007, Randal O'Toole has launched a comprehensive critique of government planning. In September, the Cato Institute published O'Toole's *The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future*. In the book, O'Toole reveals how government attempts to do long-range, comprehensive "smart growth" planning inevitably do more harm than good.

O'Toole can be credited with helping save taxpayers millions of dollars. His efforts helped kill, or at least scale back, streetcar proposals in Columbus, Madison, Scottsdale, and other cities. Opponents of a Seattle light-rail plan used O'Toole's analysis to stop a light-rail project, and the Congressional Research Service borrowed his recommendations for reform of federal transit programs.

The Sarbanes-Oxley Act, the government's response to the Enron scandal, was put in place to reassure investors and make corporations more transparent. The law has proven extremely costly,

especially to smaller firms. In January, Cato Chairman William A. Niskanen wrote that "these costs have led some small companies to go private, hardly a victory for public oversight."

Meanwhile, the entrepreneurial spirit of executives is under attack by the onerous restrictions of the bill. In the Fall 2007 issue of *Regulation*, law professors Craig S. Lerner and Moin A. Yahya contend that

Sarbanes-Oxley has led to a flight of honest, talented executives into private equity, while risk-averse "bean counters" and dishonest "swashbucklers" remain.

Regulation revisited Sarbanes-Oxley in the Winter 2007-2008 issue, with a call from Howard H. Chang and David S. Evans of Uni-

versity College to roll back Sarbanes-Oxley and other legislation that has "created a climate of fear among honest corporate executives." In the wake of Enron, the government's attempts at reforming corporate governance have had the opposite of the intended effect. The time has come to reduce the government's role and allow executives to do their jobs without fear of being imprisoned for undertaking a risky business venture.

"The economic miracle that has been the United States was not produced by socialized enterprises, by government-union-industry cartels or by centralized economic planning. It was produced by private enterprises in a profit-and-loss system."

— MILTON FRIEDMAN



Cato's *Regulation* magazine features well-researched articles detailing effects of government regulations on business and the economy. Sarbanes-Oxley came under particularly intense scrutiny in 2007.

The Best-Laid Plans: How Government Planning Harms Your Quality of Life, Your Pocketbook, and Your Future.

Reviewing the book, Alan Cooperman wrote in the *Washington Post Book World*: "O'Toole presents an across-the-board indictment of government planning. Whether zoning suburbs, designing rail systems or determining how much timber to cut in national forests, he says, federal, state, and local planners are trying to simplify dizzyingly complex problems."

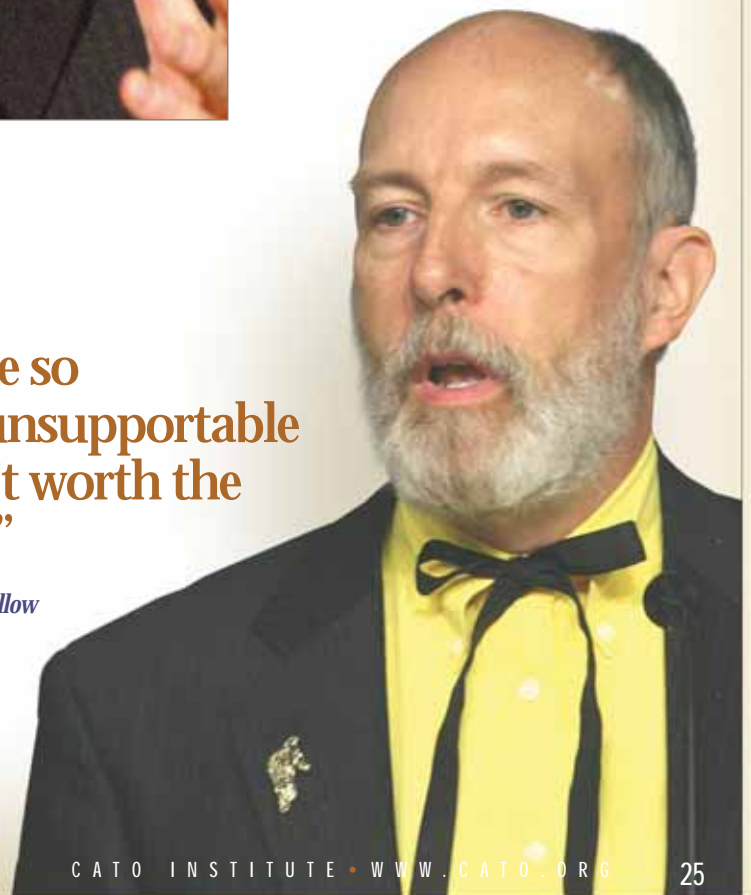


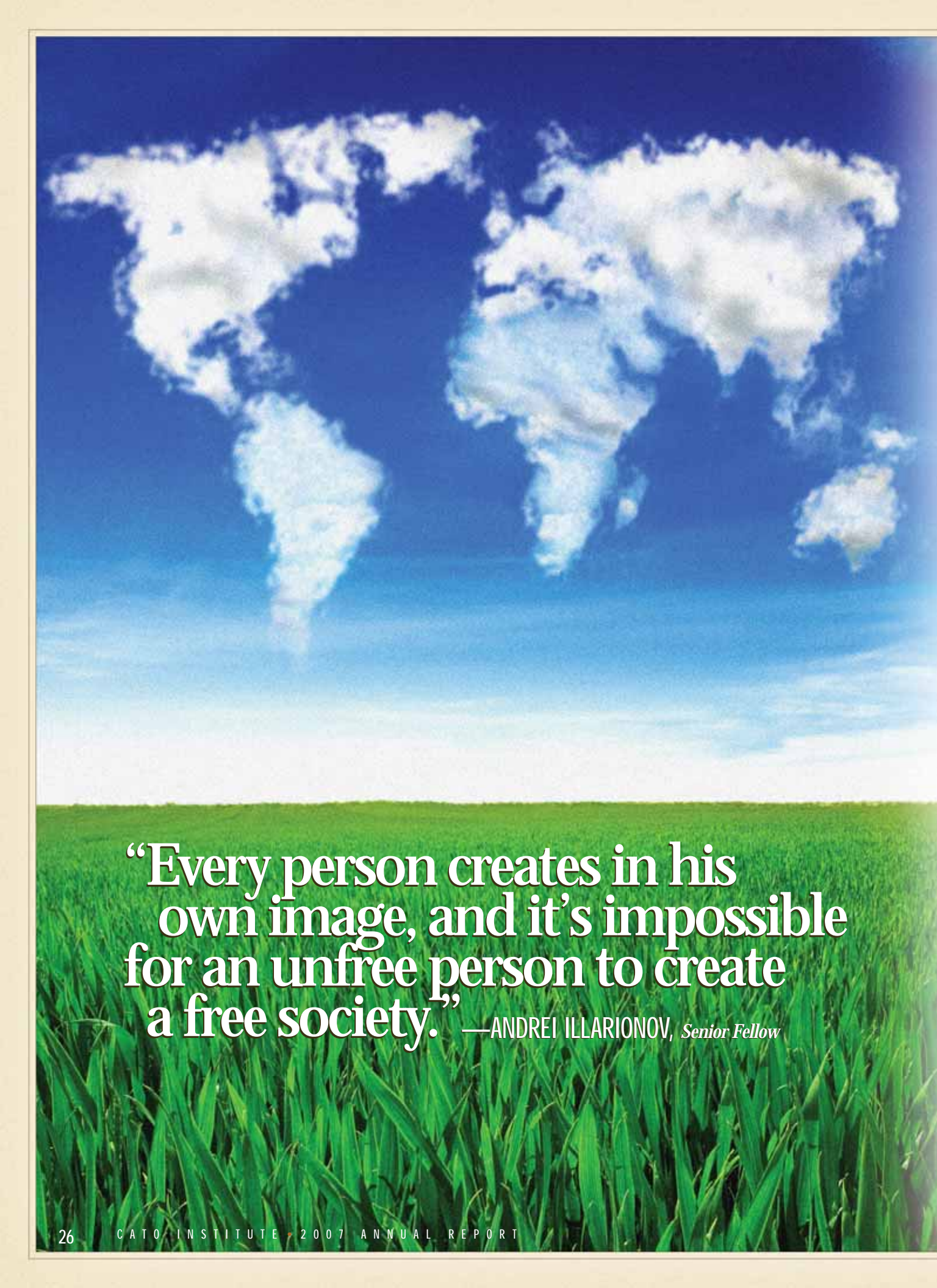


"Assaults on freedom come from all sides these days. The right and the left, the military-industrial complex and the teachers unions, the environmentalists and the family-values crowd, they all have an agenda to impose on us through government," Cato executive vice president DAVID BOAZ writes in his book *The Politics of Freedom*. The anthology is a collection of Boaz's writings spanning a 30-year period and a wide array of policy issues.

"Most government plans are so full of fabrications and unsupportable assumptions that they aren't worth the paper they are printed on."

—RANDAL O'TOOLE, *Senior Fellow*





“Every person creates in his own image, and it’s impossible for an unfree person to create a free society.” —ANDREI ILLARIONOV, *Senior Fellow*

THE WORLD IS BECOMING RADICALLY FREER AND MORE PROSPEROUS. SINCE 1950, THE WORLD POPULATION HAS SOARED BY MORE THAN 150 PERCENT. MEANWHILE, THE FOOD SUPPLY HAS GROWN SO MUCH THAT GLOBAL FOOD PRICES HAVE FALLEN FULLY 75 PERCENT. CHRONIC UNDERNOURISHMENT IN POOR COUNTRIES HAS BEEN SLASHED FROM 37 PERCENT TO 17 PERCENT IN THAT TIME SPAN. INFANT MORTALITY HAS DECLINED, LIFE EXPECTANCY HAS INCREASED, EDUCATIONAL ACHIEVEMENT HAS CLIMBED, AND CHILD LABOR RATES HAVE BEEN REDUCED.

The good news is chronicled in *The Improving State of the World: Why We're Living Longer, Healthier, More Comfortable Lives on a Cleaner Planet*, a 2007 book from the Cato Institute by Indur M. Goklany. As nations grow wealthier, their quality of life rises. Economic growth allows an increasingly larger group of people to live ever-improving lives in an ever-cleaner environment.

On July 4, 2007, the Cato Institute launched the Global Freedom Initiative. The Global Freedom Initiative combines original research into the conditions of freedom, the rule of law, prosperity, and peace, with the active promotion of the values, principles, and policies of liberty.

Cato's Arabic language platform, Misbahalhurriyya.org, or Lamp of Liberty, edited by Jordanian economist Fadi Haddadin, is working to bring the ideas of freedom to an area of the world so far sorely lacking in it. In 2007 Lamp of Liberty translated and syndicated 598 pieces throughout the Arabic-speaking world. Cato scholars Steve Hanke, Richard Rahn, and Alan Reynolds saw many of their articles syndicated in Jordan, Bahrain, Kuwait, Qatar, Iraq, Oman, Saudi Arabia, Morocco, Sudan, Tunisia, Yemen, Lebanon, Palestine, Syria, Libya, United Arab Emirates, and Algeria.

As 2007 drew to a close ElCato.org celebrated its tenth anniversary. Edited by Gabriela Calderón, ElCato.org has built a reputation throughout the Spanish-speaking world for up-to-date and insightful analysis.

In 2007, ElCato.org launched Libremente.org, a blog devoted to counteracting destructive Latin American policy proposals immediately as they arise. Contributors include distinguished senior fellow José Piñera, architect of Chile's successful social security privatization.

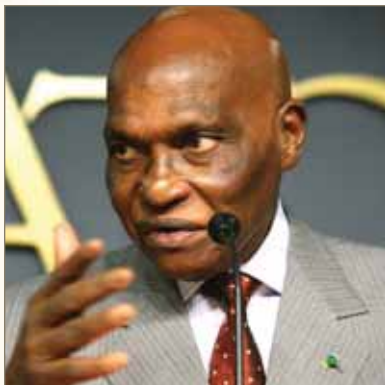
Several scholars affiliated with Cato pen columns regularly throughout Latin America. They include Alberto Benegas Lynch (*La Nación*, Argentina's most significant newspaper); Carlos Ball (*El Tiempo*, Colombia's most significant newspaper); and Gabriela Calderón (*El Universo*, Ecuador's most significant newspaper).

Cato.ru, Cato's Russian language platform, issued several books in Russian in 2007: *Toward a Limited State*, by Leszek Balcerowicz, *In Defense of Global Capitalism* by senior fellow Johan Norberg, *The Constitution of Liberty* by F. A. Hayek, and *Reviving the Invisible Hand*, by Cato senior fellow Deepak Lal. Cato.ru held an essay contest organized around the theme of "Global Capitalism and Personal Freedom."

The Center for Promotion of Human Rights launched six additional foreign language platforms in

**"Wealth and
currency should
be allowed to
flow as freely
as water."**

— SIMA QIAN (145–85 B.C.)



(Top) Senegal president **ABDOULAYE WADE** told a September Cato Policy Forum that, "I believe in the benefits of competition," and pointed to a 6% annual growth rate since he took office in 2001 and initiated pro-market reforms. (Center) Cato senior fellow **ANDREI ILLARIONOV** and Cato.ru editor **ANNA KRASINSKAYA** at a September Cato conference in Alushta, Ukraine. (Bottom) "Today we have an economy that is growing at 7% annually; four years ago we were at 3% annually," Egyptian minister of finance **YOUSSEF BOUTROS GHALI** stated at a Cato Policy Forum in April, pointing to the success of Egyptian market reforms.

2007. These include Cheragheazadi.org (Persian), Chiriazadi.org (Kurdish), Tiandaocn.org (Chinese), Unmondelibre.org (French, emphasis on Francophone Africans), Ordemlivre.org (Portuguese), and Africanliberty.org (English and Swahili). The Center also translated six books, ranging from Bastiat's *The Law* to Hayek's *Road to Serfdom*, in 10 different languages.

For many people, Cato's websites present their first opportunity to read the great works of classical liberal thought in their own language.

During 2007, Cato held seminars in Asia, Africa, and Eurasia, to bring the ideas of liberty, rule of law, and freedom of trade and travel to areas that recently have had little experience of them.

In April, the Center for Promotion of Human Rights held a conference in Morocco for Francophone students interested in how to propagate liberal ideas in Africa. This followed up on a successful conference for bloggers that was held in Egypt and organized by the Center.

In the heart of Ghana's historical capital of Accra lies Ashesi University, which in August played host to the seminar "Inspiring African Transformation." Students drawn from throughout the English-speaking African world attended. Kenyan documentary filmmaker June Arunga spoke on how her medium can be used to spotlight government corruption and to spearhead the push for reform.

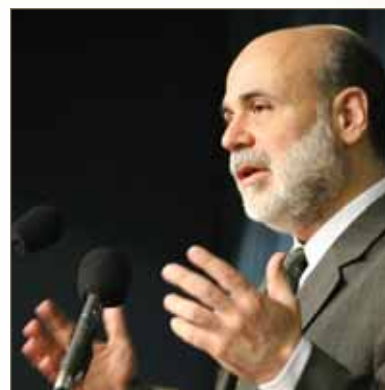
The Center held a seminar in Beijing focusing on China's remarkable transformation from a nation governed by the rule of men, to one that is—with notable exceptions—governed by the rule of law.

The Center for Promotion of Human Rights also conducted a September seminar in Alushta, Crimea. Speakers included Andrei Illarionov, former economic adviser to Vladimir Putin and now a senior fellow at the Cato Institute; Cato senior fellow Johan Norberg, author of *In Defense of Global Capitalism*, recently issued in Russian by Cato.ru; Tom G. Palmer, Cato's vice president for international programs and director of the Center for Promotion of Human Rights; and Georgian state minister Kakha Bendukidze.

The flat tax is sweeping the globe. Cato scholar Daniel Mitchell has been a leading advocate of flat tax reforms. He chronicled "The Global Flat Tax Revolution" in the July-August edition of *Cato Policy Report*, and updated the revolution's progress on Cato's blog, Cato@Liberty. This movement picked up speed as 9 new nations have adopted a flat tax in the last year, bringing the total number of jurisdictions with flat tax regimes to 24. In the *Wall Street Journal Europe*, Mitchell wrote about

the rapid economic growth rate of flat-tax nations, where businesses are moving out of the shadows of the black market and into the light of legitimate enterprise. In an Asian *Wall Street Journal* op-ed Mitchell said that in an increasingly globalizing world, businesses—just like capital, goods, and services—are increasingly refusing to be shackled by high taxes and growth-dampening government regulations. “The geese that lay the golden eggs [can] escape to other jurisdictions.”

Last November Cato held its 25th Annual Monetary Conference, “Monetary Arrangements in the 21st Century.” James A. Dorn, Cato’s vice president for academic affairs, has coordinated the Monetary Conference for all 25 years. Federal Reserve chairman Ben Bernanke delivered the keynote address. Other speakers included Yi Gang, assistant governor of the People’s Bank of China; Anna J. Schwartz, coauthor with Milton Friedman of *A Monetary History of the United States*; Antonio Martino, member of Italian parliament; Steve Hanke, Cato senior fellow and monetary reform adviser to many governments; Miranda Xafa of the IMF; and Eddie Yue, deputy chief executive of the Hong Kong Monetary Authority.



“Good communications are a prerequisite if central banks are to maintain the democratic legitimacy and independence that are essential to sound monetary policymaking,” said Federal Reserve chairman **BEN BERNANKE** in his keynote speech at Cato’s 25th Annual Monetary Conference in November. Bernanke chose Cato as the venue to announce an overhaul in the way in which the Fed communicates with Congress and the public.

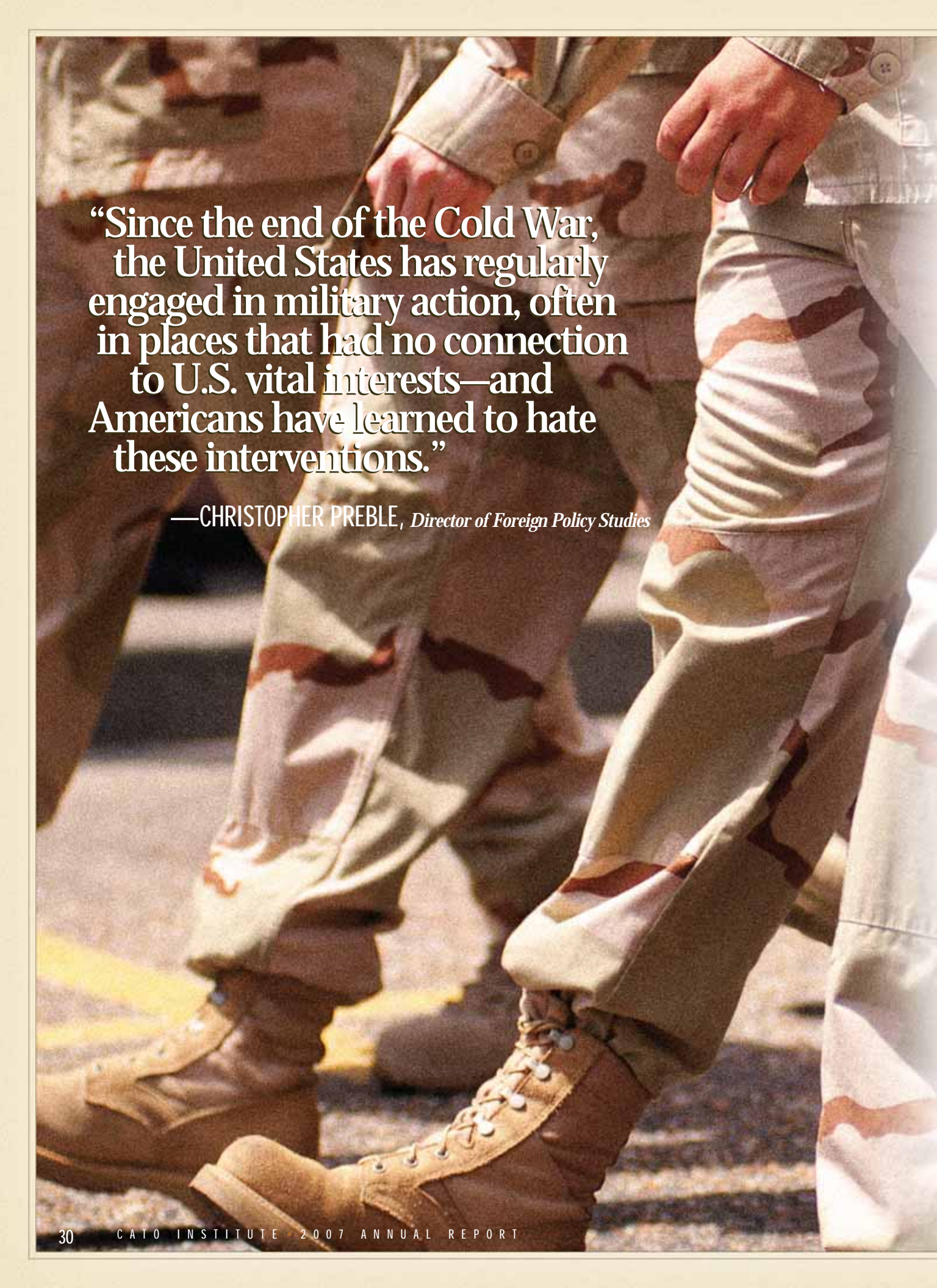


Cato’s F. A. Hayek Auditorium was filled to capacity during the 25TH ANNUAL MONETARY CONFERENCE in November. The conference has become “the forum for presenting new work on the intersection of monetary economics and monetary politics,” said St. Louis Federal Reserve president William Poole.

“Peru has become a key country in Latin America’s ideological battle between the modernizers and the populists. Peru has stuck to the far-reaching market reforms it made in the early to mid-1990s. It’s paying off.”

— **IAN VÁSQUEZ**,
Director, Center for Global Liberty and Prosperity





“Since the end of the Cold War,
the United States has regularly
engaged in military action, often
in places that had no connection
to U.S. vital interests—and
Americans have learned to hate
these interventions.”

—CHRISTOPHER PREBLE, *Director of Foreign Policy Studies*

AMID THE TROUBLING BACKDROP OF THE ONGOING OCCUPATION OF IRAQ AND TALK OF OPENING A NEW FRONT IN THE MIDDLE EAST, CATO SCHOLARS OFFERED COMMENTARY AND ADVANCED POLICY PROPOSALS STRESSING THE IMPORTANCE OF PEACE. CATO TRADE ANALYSTS STRESSED THE IMPORTANCE OF COOPERATION AND FREE TRADE IN PROMOTING PEACE.

Since the first war drums in early 2002, Cato foreign policy scholars warned against the invasion of Iraq. In 2007 they remain principled opponents of the ongoing occupation, pointing out the considerable cost in blood and treasure of the war effort.

It costs about \$8 billion per month to maintain the war in Iraq, but the true costs go well beyond that. Christopher Preble, director of foreign policy studies, in an opinion piece with Lawrence J. Korb, former assistant secretary of defense under President Reagan, pointed out how stop-loss orders are acting as a backdoor draft, preventing many troops whose tours have expired from returning home.

In 2007 Ted Galen Carpenter, vice president for defense and foreign policy studies at the Cato Institute, released an important study, "Escaping the Trap: Why the United States Must Leave Iraq." Carpenter pointed out that the U.S. military occupation of Iraq has now lasted longer than U.S. involvement in World War II. More American lives have been lost than during the terrorist attacks of September 11. His call for a "months, not years" timetable to exit Iraq formed the basis of a March Cato policy forum featuring Carpenter, Steven Simon of the Council on Foreign Relations, and retired Lt. Gen. William Odom.

At a July Cato Capitol Hill Briefing scholar Christopher A. Preble and Sen. Chuck Hagel (R-NE) discussed the next steps in Iraq. Hagel said that Congress is not meddling in military affairs when it attempts to

influence the administration to change course in Iraq; rather it is fulfilling its constitutional duty. Congress ought to force the executive to take a realistic look at the situation in Iraq.

Conventional wisdom holds that success in Iraq could have been achieved had there been more troops, a different executive, greater cooperation among U.S. government agencies, or a better counterinsurgency doctrine. In a November piece in the *National Interest*, Christopher A. Preble said the consensus view is wrong and dangerous. The most important lesson from

the war in Iraq is that while the military can conquer foreign nations, it does not allow us to run them or instill democracy. The Iraq war should give American policymakers a newfound appreciation for the limits on what can be achieved through military intervention.

**"There
never was
a good
war or
bad peace."**

— BENJAMIN FRANKLIN

Cato scholars devoted considerable time and energy during the past year warning of the perils of a possible war with Iran.

On the heels of Carpenter's study "Iran's Nuclear Program: America's Policy Options," and associate director Justin Logan's study, "How to Deal with Iran: Options for Today and the Future," Cato foreign policy scholars embarked on a 16-city speaking tour warning against an Iran incursion. Ted Galen Carpenter, Christopher A. Preble, Justin Logan, and Leon Hadar urged audiences in Dallas, Chicago, Atlanta, San Francisco, and Seattle that of the options available to



(Top) Taiwan's "belief in an ambiguous U. S. security commitment" has contributed to failure to adequately fund its own defense, Cato's associate director of foreign policy studies **JUSTIN LOGAN** advised at an October Cato Capitol Hill Briefing. (Center) **TED CARPENTER**, Cato's vice president for defense and foreign policy studies, wrote in a February Policy Analysis that "staying in Iraq is a fatally flawed policy that has already cost more than 3,000 American lives." (Bottom) Cato's director of foreign policy studies **CHRISTOPHER PREBLE** makes the case for rational international relations to students at Northwestern University.

policymakers—sanctions, subversion, air strikes, deterrence—a "grand bargain" remains the best one. A "grand bargain" would exchange normal diplomatic and economic relations with Iran for on-demand international inspections of its nuclear sites.

The enthusiasm shown by the leading candidates for president in both parties for continued military intervention runs counter to the public's strong desire for a dramatic change of course. In a November piece in the *National Interest*, Christopher A. Preble said it was only logical that Americans, fatigued by the war in Iraq, would seek a new national security strategy, one not predicated on America playing the role of global sheriff.

Military intervention should be used as a last resort only. Cato scholars instead propose a principled policy of nonintervention and free trade. In particular, Cato scholars focus on removing artificial barriers to the movement of goods, services, capital, and people across international borders.

Over the last year Cato scholars have advocated a host of reforms for our trade policy that would help deliver higher quality goods to Americans at lower cost, while allowing others around the world to reap the rewards of increased trade.

In congressional testimony in February, Daniel T. Griswold, director of the Center for Trade Policy Studies, engaged in a spirited debate with Sen. Byron Dorgan (D-ND) in a hearing on "Overseas Sweatshop Abuses, Their Impact on U.S. Workers, and the Need for Anti-Sweatshop Legislation." Griswold asserted that job loss due to trade is a "natural, healthy feature of a dynamic market economy," similar to what is caused by the introduction of new technology. In testimony before the House Small Business Committee in June, Griswold noted that one-third of U.S. exports to China are produced by small and medium-sized businesses. If Congress really wants to help American small businesses, it ought to cut barriers to trade.

"Reports of the death of U.S. manufacturing have been greatly exaggerated." In an August analysis, Daniel J. Ikenson, associate director of the Center for Trade Policy Studies, pointed out that the sector has experienced robust and sustained output, revenue, and profit growth since 2002. Meanwhile the United States remains the most prolific manufacturer in the world, producing about two and half times the output of Chinese factories in 2006. Ikenson's analysis helped undermine the justification for numerous protectionist pieces of legislation during the 110th Congress.

In June, Cato held a Capitol Hill Briefing discussing America's longstanding trade embargo against Cuba. There, two Congressmen of very different political persuasions, Rep. Jeff Flake (R-AZ) and Rep. Charles Rangel (D-NY), agreed that the half-century policy damaged the interests of both Cuban and American citizens.



"Reports of the death of U.S. manufacturing have been greatly exaggerated. Since the depth of the manufacturing recession in 2002, the sector as a whole has experienced robust and sustained output, revenue, and profit growth," wrote DANIEL IKENSON, associate director of Cato's Center for Trade Policy Studies, in an August Trade Policy Analysis.

"We should reject the protectionist and defeatist arguments that portray the U.S. economy in general and American manufacturing companies in particular as victims of global competition. Nothing could be further from the truth," director of Cato's Center for Trade Policy Studies DANIEL GRISWOLD advised Congress, testifying before a House committee in June.

**"Foreign policy
cannot be driven
by 'divine mission.'
We must explore all
other options before
we get to conflict."**

**—SEN. CHUCK HAGEL (R-NE)
at a July Cato Capitol Hill Briefing**



WORKING TOWARD A NEW CULTURE OF LIBERTY

To create a culture of liberty, spreading the truth is indispensable—the reality that freedom is the ethical and practical venue to solve human problems, and the certainty that ever-expanding government is the precursor to tyranny.

The truth will not win out on its own: it requires dedicated men and women as its advocates. Cato scholars and staff, with the essential support of more than 15,000 individual Sponsors, spread this knowledge as widely as possible, helping to lay the foundation for a new culture of liberty in the 21st century.

On the following pages are some of the highlights of Cato's work in 2007 to reach out to an ever-wider audience to promote a culture of liberty.



D.C. resident and Cato vice president for international programs **TOM PALMER** was interviewed by local and national media following a March ruling in *Parker v. District of Columbia*. The D.C. Circuit Court of Appeals overturned a 30-year-old handgun ban in the case, now known as *D.C. v. Heller*, as a violation of the Second Amendment. The case is now on appeal to the U.S. Supreme Court with a ruling expected in June.

PROMOTING THE CULTURE OF LIBERTY IN THE MEDIA

	2006	2007
MAJOR TELEVISION	429	439
MAJOR RADIO	364	362
MAJOR OP-EDS	358	507
MAJOR LETTERS TO EDITOR	19	18
MAJOR PRINT ARTICLES	2261	2142
EDITORIAL MENTIONS	n/a	44*

*Cato began tracking editorial mentions in 2007.



Newspapers

Some of Cato's top op-eds in 2007 were **William Niskanen** on repealing Sarbanes-Oxley, *New York Times*, January 3; **Robert Levy** on the DC gun ban being overturned, *Washington Post*, March 12; **Ted Carpenter**, Taiwan's defense irresponsibility, *Asian Wall Street Journal*, April 23; **Roger Pilon** on drug importation, *Wall Street Journal*, May 7; **Edward Crane**, Is Hillary a Neocon? *Financial Times*, July 11; **Neal McCluskey** on No Child Left Behind, *Wall Street Journal*, July 27; **Ian Vásquez** on government failure in Peru, *Wall Street Journal*, August 20; **Robert Levy** on the Supreme Court taking its first Second Amendment case in 68 years, *Los Angeles Times*, November 14; **Andrei Illarionov** on Secretary Rice's endorsement of Dmitri Medvedev, *Washington Post*, December 14.

Television and Radio

Major television appearances by Cato scholars during 2007 included **Daniel T. Griswold**, PBS, *Nightly Business Report*, the U.S. auto industry and the Japanese yen, March 5; **Tom Palmer**, NBC, *NBC Nightly News with Brian Williams*, the D.C. gun law, March 9; **Patrick Michaels**, Fox News, *Special Report with Brit Hume*, Global warming, March 21; **Jerry Taylor**, ABC, *20/20*, Ethanol and energy policy, May 4; **Brink Lindsey**, Comedy Central, *The Daily Show with Jon Stewart*, on Lindsey's book *The Age of Abundance*, May 17; **Michael Tanner**, CBS *Evening News*, on the First baby boomer retiring, October 15; **Ian Vásquez**, Univision, Venezuela's referendum, December 3.

Major radio appearances during 2007 included **Brink Lindsey**, *Dennis Miller Radio Show*, on *The Age of Abundance*, May 3; **Robert Levy**, C-SPAN, D.C. gun law, June 2; **Ian Vásquez**, NPR, *Marketplace*, Hugo Chavez oil revenues, July 31.

CATO WEBSITES

In 2007, the Cato.org website received almost 13 million visits, up 28 percent from 2006 and up approximately 60 percent from 2005. After nearly a year of research, design, and testing, Cato's new website was launched in November 2007. Incorporating the most innovative web features and online technologies available, www.cato.org provides users with streamlined, unparalleled access to a continually growing wealth of material. Further, Cato's website now maximizes the use of multimedia technologies—including acclaimed podcasts, videocasts, audio files, and video archives.

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Individual Liberty, Free Markets, and Peace

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Petraeus: Do Not Set Withdrawal Timetable

Gen. David Petraeus testified before the Senate Armed Service Committee on Tuesday, and said that troop levels in Iraq should return to "pre-surge" levels this summer. Petraeus testified that the military should then wait at least 45 days before deciding on further reductions. Cato scholars have long been making the case for immediate withdrawal.

- "Learning the Right Lessons from Iraq," by Benjamin H. Friedman, Harvey Sapolsky and Christopher Preble
- "Redefining Success in Iraq," by Christopher Preble
- "Escaping the Trap: Why the United States Must Leave Iraq" by Ted Galen Carpenter
- Additional Cato research on Iraq

New Cato Journal Looks at Milton Friedman and Russia.

Hot Air in Bangkok
Indur Goklany on who will pay for global warming in *The Wall Street Journal Asia*.

Starbucks and 'Laissez Faire'
David Boaz on Starbucks' personalization policy in *The Wall Street Journal*.

The Real Cost of Public Schools
Andrew J. Coulson on the costs of public vs. private schools in D.C. in the *Washington Post*.

America's Protectionist Drift
James A. Dorn on US-China trade relations in the *South China Morning Post*.

Don't 'Pull an Iraq' in Afghanistan
Benjamin H. Friedman on U.S. strategy in Afghanistan in the *Christian Science Monitor*.

[Commentary Archives]

Cato University - Freedom's Campaign in the 21st Century - July 20-25, San Diego. Reserve your place today!

The Cato Institute is now pleased to offer the **Cato University Home Study Course**, a self-paced, home study program.

Video Highlight
David Boaz talks with Glenn Beck about Starbucks vs. Laissez-Faire

1 2 3 4 Archives

OF SPECIAL NOTE

NEW EVENT

The Milton Friedman Prize for Advancing Liberty is presented every other year to an individual who has made a significant contribution to advance human freedom. Make your reservation to attend the award dinner on May 15 in New York City.

NEW BOOK

The Politics of Freedom
David Boaz offers his unique and often surprising views on such hot-button issues as the presidential race, individual rights vs. national security, drugs, immigration, the war on terror, and government intrusion into private lives.

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Foreign Language Websites Possibly the most internationally diverse among U.S. public policy organizations, Cato's foreign language websites now include Elcato.org (Spanish); Cato.ru (Russian), Mibahalhurriya.org ("Lamp of Liberty" in Arabic); Cheragheazadi.org ("Lamp of Liberty" in Farsi); Chiraiazadi.org ("Lamp of Liberty" in Kurdish); Tiandaocn.org ("Natural Order" in Chinese); Unmondelibre.org ("One Free World" in French); Ordemlivre.org ("Free Order" in Portuguese). Additionally, Africanliberty.org is in both English and Swahili.

Podcasts Cato Daily Podcasts have proved to be extremely popular. There were nearly 1.7 million downloads of podcasts in 2007, and monthly downloads continue to trend up. Every weekday, a Cato scholar or other important friend of liberty reaches thousands of individuals directly through podcasts, available at Cato.org and also through iTunes.

Videocasts Cato Weekly Video is a short highlight from the myriad events hosted by the Cato Institute, viewable on the Cato Institute's web page and as a video podcast. Recent featured speakers include *Reason* magazine editor in chief **Matt Welch**; author **Michael Shermer**, Federal Reserve chairman **Ben Bernanke**, and economist **Tyler Cowen**.

EDUCATION TOWARD A CULTURE OF LIBERTY

Cato Forums Cato's public forums, regularly presented in its F. A. Hayek Auditorium, have become a well-known institution in Washington. Here are just a few people who spoke at Cato's forums in 2007: **President Abdoulaye Wade** of Senegal; **President Vaclav Klaus** of the Czech Republic; **Youssef Boutros Ghali**, minister of finance, Egypt; **David Brooks** of the *New York Times*; and **CC Goldwater**. Nearly every event is recorded and can be viewed on the Cato website's Events Archive at www.cato.org/archive.html.

Cato City Seminars Cato City Seminars were held in New York, Boston, Chicago and San Francisco during 2007 and attended by a total of nearly 2,000 individuals. The six seminars featured nationally and internationally known friends of liberty, including **Ayaan Hirsi Ali** on her acclaimed memoir *Infidel*; syndicated columnist **Robert Novak**; author **P. J. O'Rourke**; **Sen. Chuck Hagel (R-NE)**; and **Sen. John Sununu (R-NH)**.

Cato University Cato University 2007, "The Graduate School of Liberty," was held July 22-27 in Rancho Bernardo, California. With more than 160 attendees, the seminar focused on liberty, privacy, freedom, individual rights, law, history, and philosophy. The event's energy and enduring popularity continues to derive from the exceptional roster of speakers, and from the one-of-a-kind opportunities it provides participants for back-and-forth debates, discussions and shared personal perspectives.

Cato Conferences More than 1,000 individuals attended Cato's major conferences in 2007. Federal Reserve Chairman **Benjamin Bernanke** delivered a major policy address at the 25th Annual Monetary Policy Conference. **Judge Janice Rogers Brown** of the U.S. Court of Appeals for the D.C. Circuit delivered the B. Kenneth Simon Lecture at the 6th Annual Constitution Day Symposium.

Hill Briefings Hill Briefings provide Cato scholars the opportunity to make liberty-centered policy proposals directly to members of Congress and key congressional staffers. Notable speakers at Hill events in 2007 included **Katherine Baicker**, member, Council of

Economic Advisers; **Rep. John Campbell (R-CA)**; **Rep. Phil English (R-PA)**; **Rep. Charles Rangel (D-NY)**; **Rep. Jeff Flake (R-AZ)**; **Cal Dooley**, president and CEO, Grocery Manufacturers/Food Products Association; **Sen. Judd Gregg (R-NH)**; **Rep. Mike Pence (R-IN)**; **Rep. Scott Garrett (R-NJ)**; and **Rep. Paul Ryan, (R-WI)**.

Cato Congressional and State Legislative Testimony

Cato scholars testified 11 times before Congress in 2007, and 8 times before various state legislatures, bringing the benefits of their principled scholarship directly to the nation's lawmakers.

The Cato Institute's Young Leaders Program Every semester and each summer, the Cato Institute Internship Program recruits and trains a new team of interns to conduct research, report on congressional hearings and other conferences, and help with policy forums and events. Each year more than 2,000 college students and recent graduates apply for 66 intern positions (22 per semester). Cato's 2007 interns came from colleges and universities throughout the United States, and from Azerbaijan, Brazil, Czech Republic, Dominican Republic, Republic of Georgia, Germany, Guatemala, Mexico, Norway, Poland, Russia, Taiwan, and Venezuela.



CATO PUBLICATIONS

Issued quarterly, *Regulation's* in-depth examinations of regulatory policies focus intense light on their often unseen intricacies and impact on our lives and livelihoods.

Each of the year's three *Cato Journals* amasses a veritable Who's Who of writers and analysts to dissect pressing economic topics.

Each monthly *CatoAudio* CD provides subscribers with one-of-a-kind highlights from forums, speeches, debates, and conferences, along with presentations and discussions recorded exclusively for listeners.

Six times annually, *Cato Policy Report* presents major policy analysis by leading scholars, as well as news about the Institute.

Cato's Letter, published quarterly, showcases important speeches and presentations made at Cato events by Institute scholars and other experts.

The Cato Institute's official blog *Cato@Liberty* offers insight and commentary on the news of the day.

Cato Unbound, Cato's monthly online forum, is a state-of-the-art virtual trading floor in the intellectual marketplace, specializing in the exchange of big ideas.

Cato's Letter
A Quarterly Message on Liberty
Summer 2007
Volume 5
Number 3

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On Barry
Goldwater and
libertarianism
PAGE 4

BRUCE FEIN
The Constitution
and executive
power
PAGE 13

RANDAL O'TOOLE
Takes on
planning and
planners
PAGE 16

Cato Policy Report
September/October 2007
Vol. XXX No. 5

Hazards of the Individual Health Care Mandate
BY GLEN WHITMAN

The latest fad in health care reform is the "individual mandate"—a law that requires individuals to purchase health insurance and threatens punishment for those who don't. Massachusetts, under the governorship of presidential hopeful Mitt Romney, has already created a health care policy with an individual mandate as its centerpiece.

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CATO BOOKS

THE POLITICS OF FREEDOM: TAKING ON THE LEFT, THE RIGHT, AND THREATS TO OUR LIBERTIES by David Boaz

"If you are interested in why the roots of American freedom conflict so greatly with the American political scene of today, open this book and read." —KURT RUSSELL

THE BEST-LAID PLANS: HOW GOVERNMENT PLANNING HARMS YOUR QUALITY OF LIFE, YOUR POCKETBOOK, AND YOUR FUTURE by Randal O'Toole

"O'Toole presents an across-the-board indictment of government planning." —ALAN COOPERMAN, *Washington Post Book World*

SCHOOL CHOICE: THE FINDINGS by Herbert J. Walberg

"*School Choice: The Findings* is a great weapon to have in a debate on school choice. Walberg provides readers with empirical ammunition to fight for school choice." —JILLIAN METZ, *School Reform News*

THE ANTITRUST RELIGION by Edwin S. Rockefeller

"If antitrust is a religion, Edwin Rockefeller has long been one of its high priests, so his thoughtful and pointed observations demand the serious attention of anyone interested in competition law." —R. HEWITT PATE, former assistant U. S. attorney general for antitrust

THE AGE OF ABUNDANCE: HOW PROSPERITY TRANSFORMED AMERICA'S POLITICS AND CULTURE by Brink Lindsey (*Published by Collins*)

"Lindsey is an economic thinker who, like John Maynard Keynes, has a flair for lapidary summations. Lindsey's measured cheerfulness is, like his scintillating book, reasonable." —GEORGE F. WILL, *New York Times Book Review*

THE IMPROVING STATE OF THE WORLD: WHY WE'RE LIVING LONGER, HEALTHIER, MORE COMFORTABLE LIVES ON A CLEANER PLANET by Indur Goklany

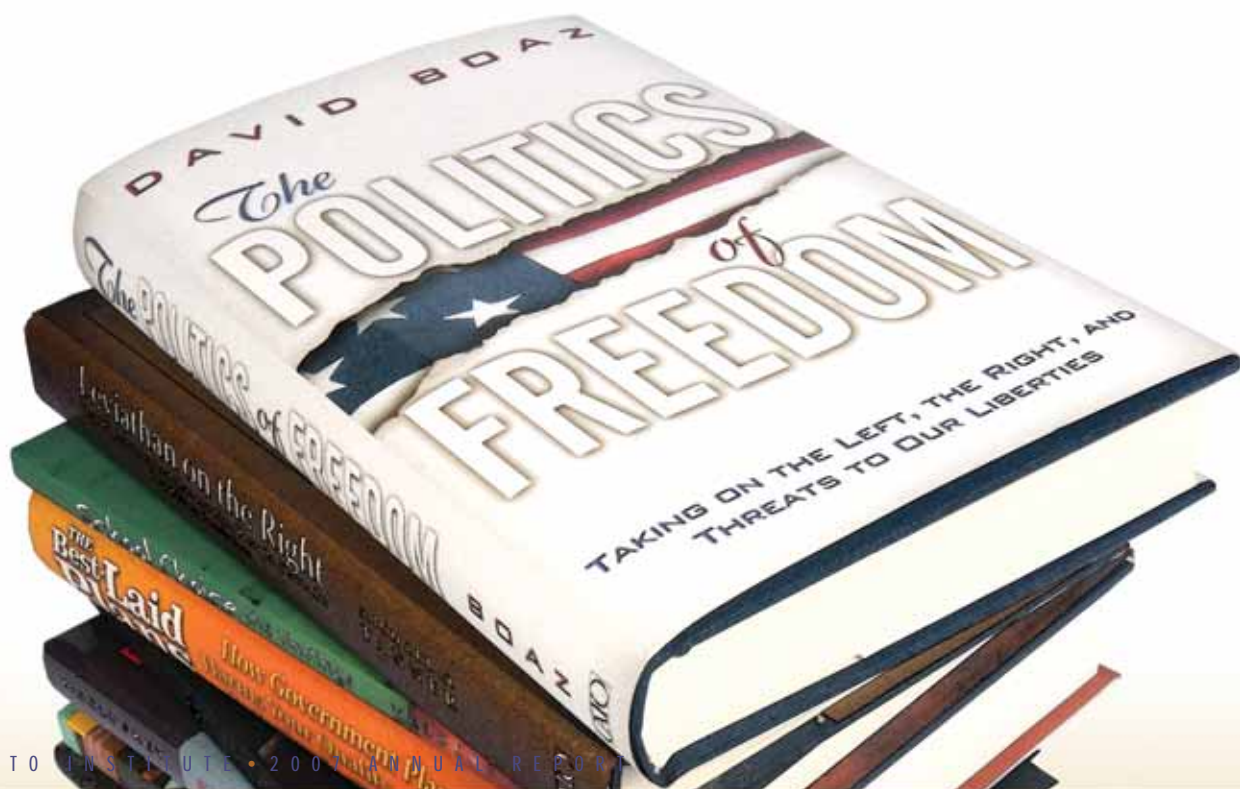
"Goklany's essential message in his book is that the world over, more people are already, or are fast becoming, more blessed than they've ever been by a considerable margin." —RICHARD GWYN, *Toronto Star*

CATO SUPREME COURT REVIEW edited by Mark K. Moller

"In view of so many Americans' alarming lack of knowledge of why we are Americans, the *Cato Supreme Court Review* is essential reading." —NAT HENTOFF, *Village Voice*

DAVID'S HAMMER: THE CASE FOR AN ACTIVIST JUDICIARY

by Clint Bolick "Transcending ideological boundaries, Bolick makes a compelling case that anyone who cares about civil liberties must stand up for legal recourse



when the government violates our rights.”

—NADINE STROSSEN, president, American Civil Liberties Union

ECONOMIC FREEDOM OF THE WORLD: 2007 ANNUAL REPORT by James Gwartney and Robert Lawson

(Co-published with the Fraser Institute.) “The conclusion is abundantly clear: the freer the economy, the higher the growth and the richer the people.” Review of prior edition in *The Economist*

HEALTHY COMPETITION: WHAT’S HOLDING BACK HEALTH CARE AND HOW TO FREE IT by Michael F. Cannon and Michael D. Tanner

“Cannon and Tanner offer proposals that would further tap the power of markets to make health care more valuable and more affordable.” —GEORGE P. SHULTZ, former U. S. secretary of state

LEVIATHAN ON THE RIGHT: HOW BIG-GOVERNMENT CONSERVATISM BROUGHT DOWN THE REPUBLICAN REVOLUTION by Michael D. Tanner

“*Leviathan on the Right* is a powerful argument that today’s brand of ‘conservatism’ is fundamentally different from that advocated by Barry Goldwater and Ronald Reagan.” —CC Goldwater, executive producer, *Mr. Conservative: Goldwater on Goldwater*

FEDS IN THE CLASSROOM: HOW BIG GOVERNMENT CORRUPTS, CRIPPLES, AND COMPROMISES AMERICAN EDUCATION by Neal P. McCluskey

(Published by Rowman & Littlefield). “The overriding value of Neal McCluskey’s work is that it shows that most federal educational programs are overwhelmingly useless, if not counterproductive.” —MYRON LIEBERMAN, chairman, Education Policy Institute

CATO POLICY STUDIES



Cato policy studies make use of meticulously researched and verified data to support policy proposals centered on individual and economic liberty.

During 2007, Cato issued 53 policy studies. Among others were “Environmentalism and Other Challenges of the Current Era,” by Václav Klaus, president of the Czech Republic, April 20; “Troubling Signs for South African Democracy under the ANC,” by Marian L. Tupy, April 25; “Federal Aid to the States: Historical Cause of Government Growth and Bureaucracy,” by Chris Edwards, May 22; “Don’t Increase Federal Gasoline Taxes—Abolish Them,” by Jerry Taylor and Peter Van Doren, August 7; “The Freedom to Spend Your Own Money on Medical Care: A Common Casualty of Universal Coverage,” by Kent Masterson Brown, October 15; “Fifteen Years of Transformation in the Post-Communist World,” by Oleh Havrylyshyn, November 7.

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(Top) "It is important to understand *The Wealth of Nations*, so that we can understand the moral lesson that Adam Smith was trying to convey—the necessity of freedom and equality," P. J. O'ROURKE told a February City Seminar in Chicago. (Center) At a February Cato Capitol Hill Briefing, KATHERINE BAICKER of the Council of Economic Advisers agreed everyone should be eligible for tax-exempt health insurance. (Bottom) Syndicated columnist ROBERT NOVAK offered his frank assessment of Republican presidential candidates at a Cato Chicago City Seminar in November.

FINANCES

The unaudited financial information below indicates a very successful year for the Cato Institute. Individuals continue to be the backbone of the institute, with 77.4% of revenue coming from that group. The balance sheet shows net assets of \$29.2 million, which represents a \$5.4 million increase from fiscal year 2007. Cato's fiscal year runs April 1 through March 31.

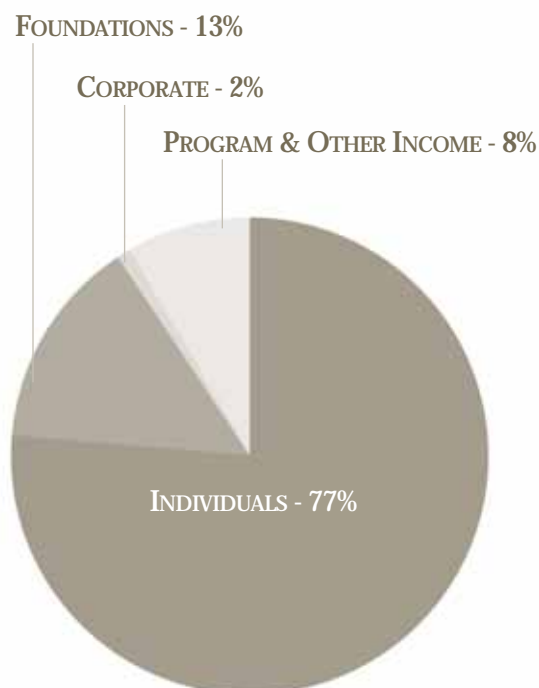
FISCAL YEAR 2008 INCOME

INDIVIDUALS	\$18,613,000
FOUNDATIONS	\$3,181,000
CORPORATIONS	\$389,000
PROGRAM REVENUE	\$949,000
OTHER INCOME	\$931,000
TOTAL	\$24,063,000

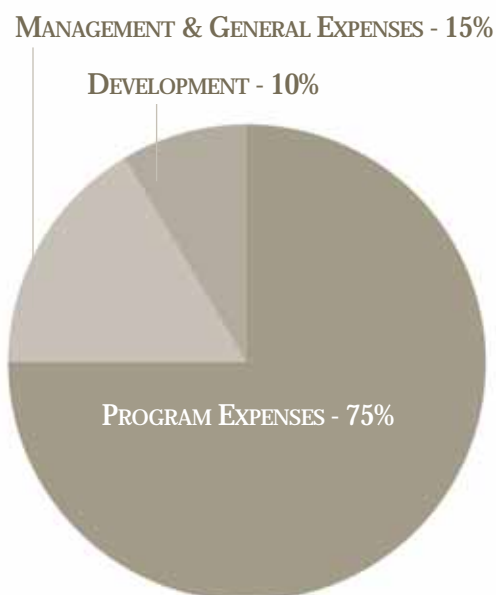
ASSETS AND LIABILITIES

CASH AND EQUIVALENTS	\$22,268,000
NET FIXED ASSETS	\$6,194,000
OTHER ASSETS	\$2,226,000
LIABILITIES	(\$1,501,000)
TOTAL	\$29,187,000

FISCAL YEAR 2008 INCOME



FISCAL YEAR 2008 EXPENSES



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A large, detailed image of the Statue of Liberty, showing her head, crown, and the folds of her robe. She is holding a tablet in her left hand, which has the date "JULY 4" and the word "LIBERTY" inscribed on it. The statue is green and set against a light, hazy background.

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