



CATO
INSTITUTE
2008 Annual Report

MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN

We begin with a tribute to our friend and colleague, Bill Niskanen, who has stepped down as chairman of the Cato Institute after serving 23 years in that position following his tenure as senior member of President Reagan's Council of Economic Advisors. Cato was advised, for corporate governance reasons, that the Institute's chairman should not be an employee. Accordingly, our director and former employee Bob Levy proudly, if reluctantly, agreed to serve as chairman. Bill remains a distinguished senior economist at Cato and assumes the title of chairman emeritus.

This is Cato's 32nd annual report, and at no time in our history have we faced as many challenges to the classical liberal, libertarian philosophy that informs our approach to public policy. Foremost among the principles that we embrace is a respect for the rule of law. It deeply concerns us that the new administration and Congress have not only endorsed wrong-headed policy proposals, but also defended an astounding disregard for the rule of law.

And that begins with the Constitution and the abuse of executive power. White House chief of staff Rahm Emanuel set the tone early on when he said, "Never let a serious crisis go to waste . . . It's an opportunity to do things that you think you could not do before." Certainly, before the current economic malaise, no one would assert that the president could nationalize banks, fire the CEO of General Motors, or spend a \$700 billion slush fund (the so-called Troubled Assets Relief Program) any way he pleases. Nor could he

have forced Chrysler into a special form of bankruptcy giving the UAW effective control of that company while labeling those who should be most protected—secured bondholders—as "speculators" who should get no more than 30 cents on the dollar. When the rule of law is ignored in such dramatic fashion, we can rest assured that private capital will invest elsewhere to avoid confiscation.

Perhaps no starker example of this administra-

tion's preference for the rule of man over the rule of law is President Obama's announced criteria for choosing a Supreme Court Justice. He or she should be someone "who understands that justice isn't about some abstract legal theory or footnote in a case book." Rather, the president said, the candidate should be someone with "empathy," attuned to the "daily realities of people's lives." Not to belabor the obvious, but the Constitution is based on abstract legal theory. Under American jurisprudence justice is

famously blind to the "realities" surrounding those being judged. That is why it is called the rule of law.

On fiscal matters the outlook is equally grim. Overlooking the truly massive unfunded liabilities of Medicare and Social Security, the administration proposes, using very optimistic economic assumptions, to increase federal debt by more than \$9 trillion over the next nine years. This from a presidential candidate who said during the campaign that "rising debt is a hidden domestic enemy."

It's as if there is a headlong rush to turn America into France. Defenders of the administration say this is simply the "change" Barack Obama was



A handwritten signature in blue ink that reads "E. H. Crane".

EDWARD H. CRANE
PRESIDENT AND CEO

“OUR CAPITALIST SYSTEM FACES A SHOCK AND AWE BLITZKRIEG.”

talking about during the campaign. But during the campaign, in addition to warning about the dangers of debt, he promised there would be “no net new spending” in an Obama administration. Also, no new taxes for those making less than \$250,000 in income. Both promises were forgotten in a heartbeat. Federal spending is skyrocketing to nearly \$4 trillion a year. Taxes, in addition to the predictable soak-the-rich proposals, will include a sharp rise in cigarette taxes and may include massive energy tax increases in the form of cap-and-trade restrictions on carbon emissions. Those, of course, fall most heavily on people earning less than \$250,000.

We are also concerned about taxpayer-funded bailouts, increased federal involvement in education, the redirection of America’s energy industry, and the prospect of a nationalized health care system, to name just a few of the initiatives that run so counter to Cato’s classical liberal principles.

Over the next several years there will be a battle for the soul of America. The Cato Institute is prepared to be fully engaged in that struggle. In that regard, we are pleased to announce the expansion of our beautiful headquarters building at 1000 Massachusetts Avenue in the heart of the nation’s capital. We have purchased the building to our south and plan to raze and rebuild it, effectively doubling our square footage. About half of the new space will be used for a conference center, library, and modern classroom. We also hope to increase the size of the Hayek Auditorium. In addition, we will be hiring policy, administrative, and media staff over the next two years. Completion of the project is due in the fall of 2011.

And speaking of adding to our policy staff, we made several significant hires during the year

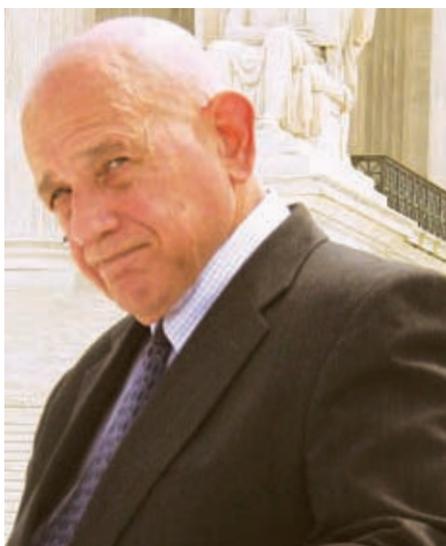
covered by this report. Fox News political analyst Tucker Carlson is now a senior fellow at Cato, with his first project being a book on libertarianism. Nat Hentoff, one of the nation’s leading civil libertarians, has also joined us. A third new senior fellow is Jeff Miron, director of undergraduate studies at Harvard University’s department of economics. Jeff teaches a course on libertarianism to some 300 undergraduates and is a first-rate promoter of free market ideas.

At long last we have found a director of financial services regulation. He is Mark Calabria,

whom we liberated from six years as a senior economist on the Senate Banking Committee. As you might imagine, Mark has a lot on his plate these days. Finally, we have a new adjunct scholar, John Cochrane, professor of finance at the University of Chicago. John is the author of a Cato study promoting his idea for “health-status insurance,” which answers many of the legitimate concerns people have about our current system without abandoning free market principles. We welcome them all on board.

Cato, like most nonprof-

it institutions today, faces formidable financial challenges. We expect at least two years of deficits in our operating budget. We have an exceptionally strong balance sheet, however, and debt-free ownership of our headquarters, which will be expanded using funds we hope to raise from a capital campaign. That said, our main challenge is not financial. It is the struggle to preserve our liberties and our capitalist system in the face of a “shock and awe” blitzkrieg against them. We are encouraged in that regard by the competence and commitment of our colleagues and the loyalty of our thousands of supporters. We sincerely thank you for that support.



Robert A. Levy
ROBERT A. LEVY
CHAIRMAN

There is no disagreement
need action by our gov
a recovery plan that v
jumpstart the econ

— PRESIDENT-ELECT BARACK OBAMA

With all due President, the

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WITH ALL DUE RESPECT MR. PRESIDENT

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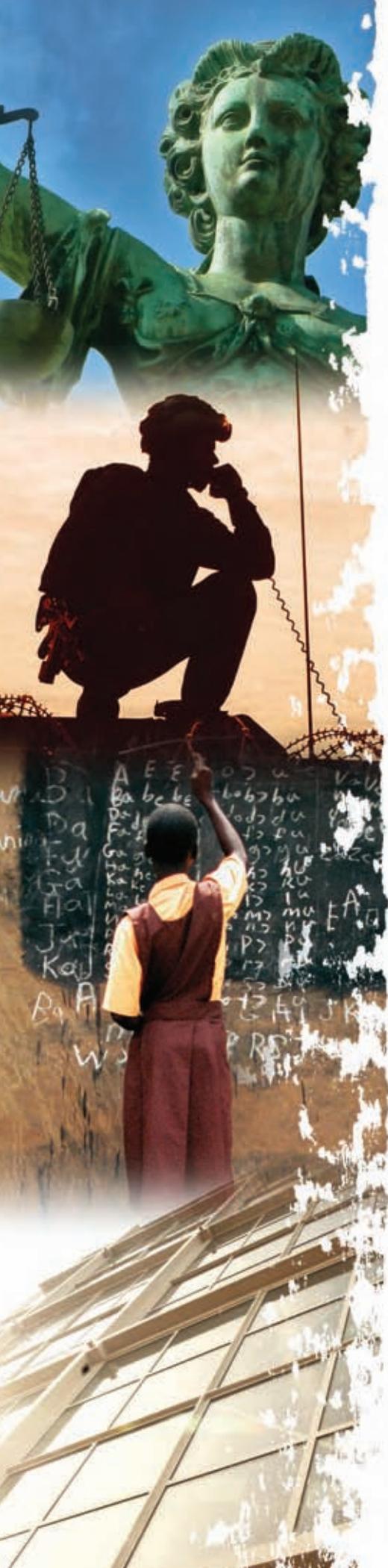
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DIRECTORS**

ing America and
urgent than combating
he science is beyond
facts are clear.”
OBAMA, NOVEMBER 10

THE NEW YORK TIMES, WEDNESDAY, JANUARY 28, 2009

“There is no disagreement that we need action by our government, a recovery plan that will help to jumpstart the economy.”

— PRESIDENT-ELECT BARACK OBAMA, JANUARY 9, 2009

With all due respect Mr. President, that is not

Notwithstanding reports that all economists are now Keynesians and that we all support a big government, we the undersigned do not believe that more government spending is a way to improve the economy. More government spending by Hoover and Roosevelt did not pull the United States economy out of the 1930s. More government spending did not solve Japan's "lost decade" in the 1990s. As such, it is difficult to have the experience to believe that more government spending will help the U.S. today. To improve the economy, we focus on reforms that remove impediments to work, saving, investment and production. Lower taxes and a reduction in the burden of government are the best ways of using fiscal policy to boost growth.

BURTON ABRAMS, *Univ. of Delaware*

DOUGLAS ADIE, *Ohio University*

RYAN AMACHER, *Univ. of Texas at Arlington*

J.J. ARIAS, *Georgia College & State University*

HOWARD BAETJER, JR., *Towson University*

STACIE BECK, *Univ. of Delaware*

DON BELLANTE, *Univ. of South Florida*

JAMES BENNETT, *George Mason University*

BRUCE BENSON, *Florida State University*

SANJAI BHAGAT, *Univ. of Colorado at Boulder*

MARK BILS, *Univ. of Rochester*

ALBERTO BISIN, *New York University*

CHRISTOPHER DOUGLAS, *Univ. of Michigan, Flint*

FLOYD DUNCAN, *Virginia Military Institute*

FRANCIS EGAN, *Trinity College*

JOHN EGGER, *Towson University*

KENNETH ELZINGA, *Univ. of Virginia*

PAUL EVANS, *Ohio State University*

EUGENE FAMA, *Univ. of Chicago*

W. KEN FARR, *Georgia College & State University*

HARTMUT FISCHER, *Univ. of San Francisco*

FRED FOLDVARY, *Santa Clara University*

MURRAY FRANK, *Univ. of Minnesota*

PETER FRANK, *Wingate University*

TIMOTHY FUERST, *Bowling Green State University*

ROGER KOPPL, *Fairleigh Dickinson University*

KISHORE KULKARNI, *Metropolitan*

State College of Denver

DEEPAK LAL, *UCLA*

GEORGE LANGELETI, *South Dakota State University*

JAMES LARRIVIERE, *Spring Hill College*

ROBERT LAWSON, *Auburn University*

JOHN LEVENDIS, *Loyola University New Orleans*

DAVID LEVINE, *Washington University in St. Louis*

PETER LEWIN, *Univ. of Texas at Dallas*

DEAN LILLARD, *Cornell University*

ZHENG LIU, *Emory University*

ALAN LOCKARD, *Binghamton University*

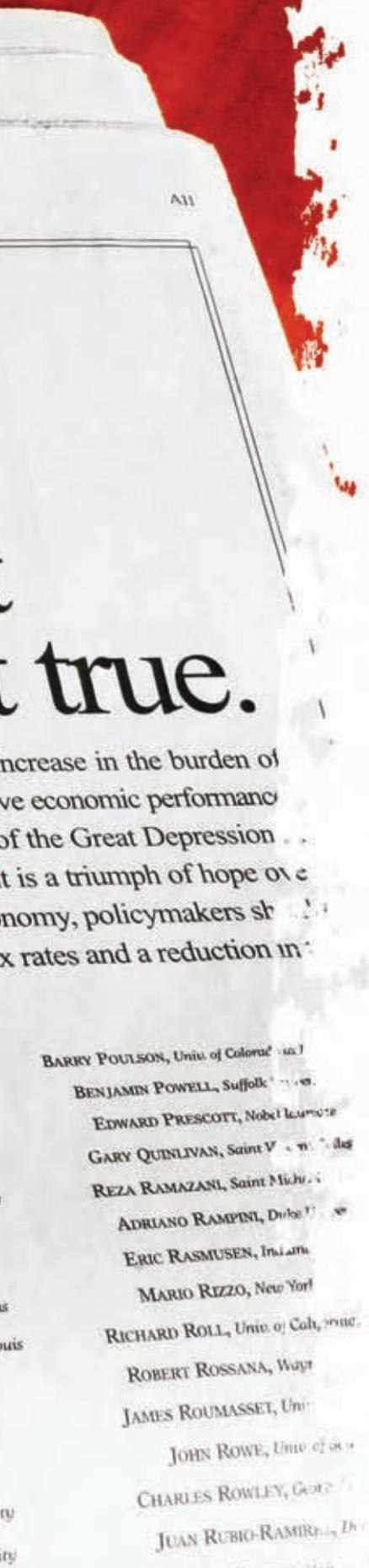
LOUIS LOMAX, *San Jose State University*

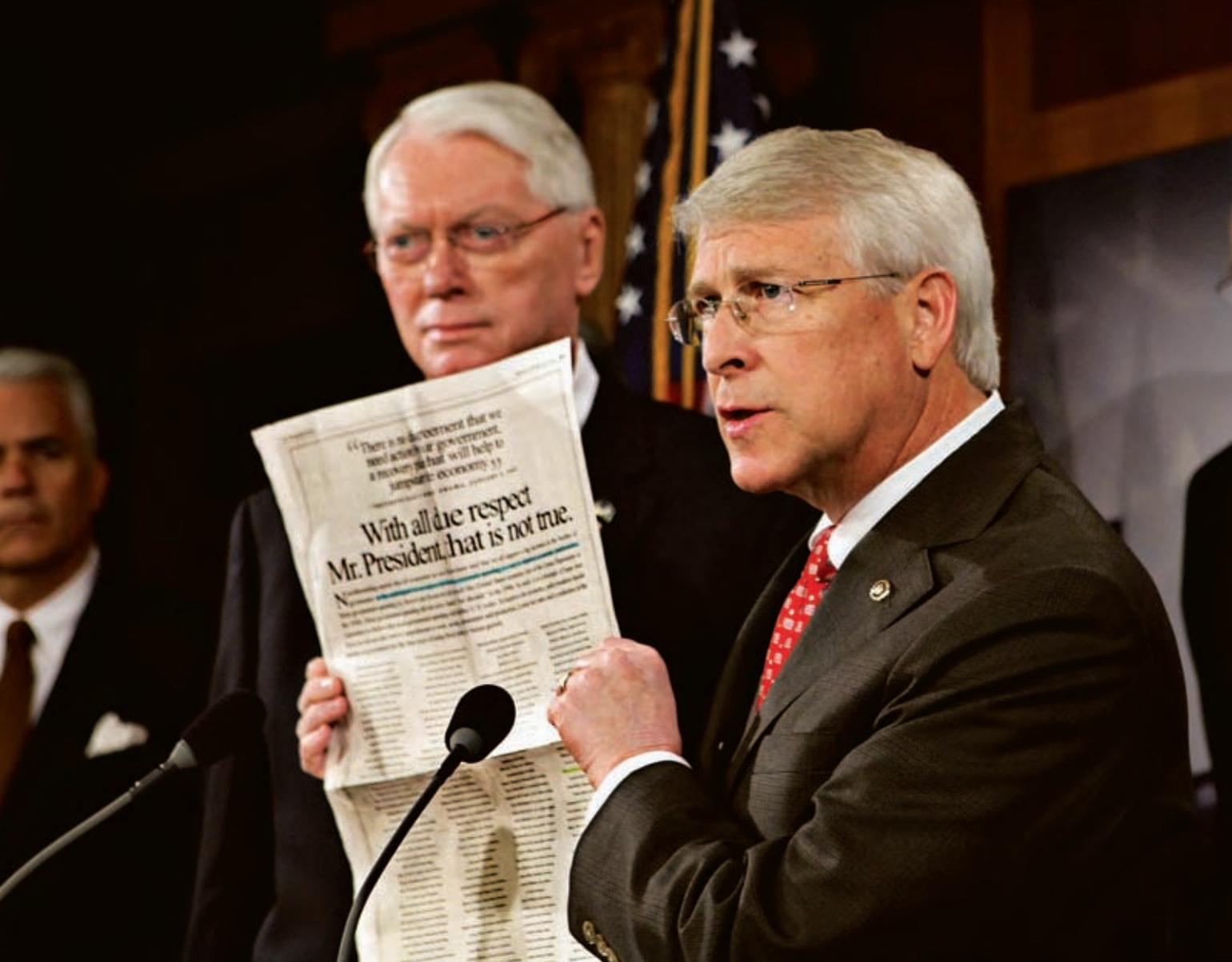
The year 2008 was a troubling one for the U.S. economy and economic freedom. As the economy slid into recession, the federal government spent gargantuan sums and expanded its control over large segments of the economy.

But at every step, Cato scholars were there to counter the flawed reasoning behind the government's takeover. They argued that government is the problem, not the solution: Fannie Mae and Freddie Mac effectively coerced banks into making loans to unqualified borrowers, and the Federal Reserve kept interest rates too low for too long.

As Lawrence H. White, F. A. Hayek Professor of Economic History at the University of Missouri and adjunct scholar at the Cato Institute, pointed out in a November 2008 Cato Briefing Paper, "these poorly chosen policies distorted interest rates and asset prices, diverted loanable funds into the wrong investments, and twisted normally robust financial institutions into unsustainable positions." Indeed, as far back as 1997, Cato urged liquidation of Freddie and Fannie when it published "Freddie Mac and Fannie Mae: Corporate Welfare King and Queen," by Vern McKinley. Cato senior fellow Gerald P. O'Driscoll, former vice president at the Federal Reserve Bank of Dallas, commented in a November 2008 *Wall Street Journal* op-ed that "people were being paid to borrow and they responded by borrowing irresponsibly." Perhaps Arnold Kling summed it up best when he commented, in a 2008 Cato Briefing Paper, that the current crisis "may have been the most avoidable financial crisis in history."

As the crisis deepened, it is hardly surprising that the





Want to learn more about Cato's efforts to combat massive government bailouts, corporatism, and the ongoing attempt at nationalization of the banking industry? Cato's work in this area is catalogued at www.cato.org/special/financial_crisis.

proponents of big government offered up yet more government as the cure—in the form of stimulus spending. Chris Edwards, Cato's director of tax policy studies, criticized the sheer magnitude of the stimulus package during a December 21 CSPAN appearance, commenting that America “may never have another balanced budget.” In one month alone, Cato scholars published articles or were quoted in 22 major newspapers opposing the stimulus and appeared on 31 national television programs and 49 radio programs.

Cato's efforts to oppose the stimulus came to a head in the form of an ad declaring “With all due respect, Mr. President, that is not true.” The ad's banner refers to a quote from President Obama claiming that all economists agree on the need for a stimulus package. As it turned out, more than 300 economists, including Nobel laureates Edward Prescott, Vernon Smith, and James Buchanan, were willing to be listed as opponents. Placed by the Cato Institute with generous special funding from Cato Sponsors, the ad was published first in the *New York Times* and soon after in the *Washington Post*, *Wall Street Journal*, *Los Angeles Times*, *New York Post*, *Chicago Tribune*, *Philadelphia Enquirer*,



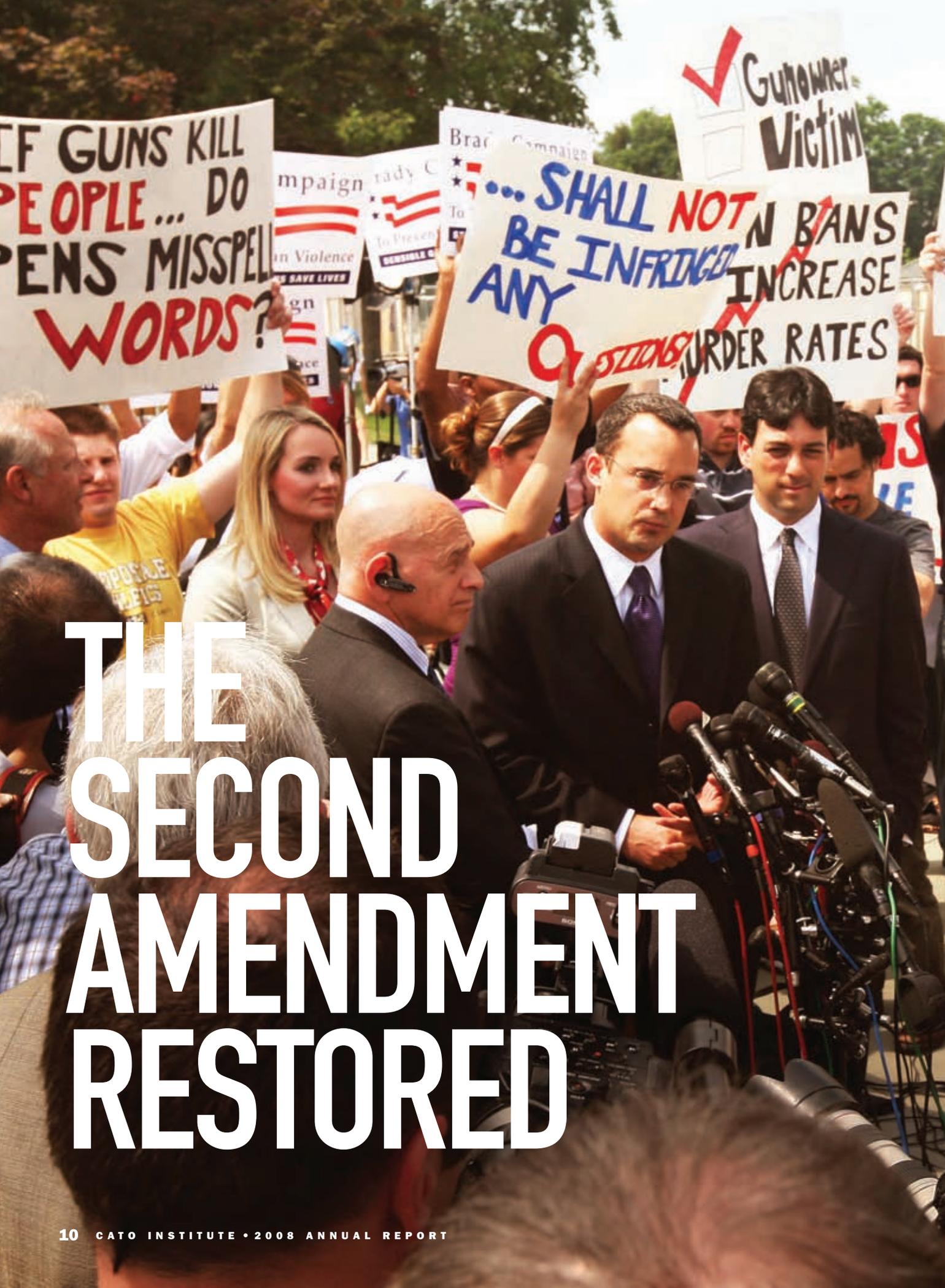
Left: The Cato Institute collected the signatures of more than 300 professional economists who opposed the economic stimulus bill, then ran a full-page ad in newspapers across the nation, pointing out their opposition. **SEN. ROGER WICKER (R-MS)** used a copy of the ad to explain why he opposed the bill as well. He stands with **SENS. JOHN ENSIGN (R-NV), JIM BUNNING (R-KY),** and **ROBERT BENNETT (R-UT)**. Right, from top: Cato senior fellow and former chief executive of the Federal Reserve Bank of St. Louis **WILLIAM POOLE** (left) and Federal Reserve Board of Governors vice chairman **DONALD KOHN** (right) were among the participants at the Cato Institute's 26th annual Monetary Conference, "Lessons from the Subprime Crisis." At a Cato Book Forum, Director of Tax Policy Studies **CHRIS EDWARDS** discussed Alvin Rabushka's book *Taxation in Colonial America*, a definitive account of the taxes—and tax revolts—that drove American independence. Senior Fellow **DAN MITCHELL** spoke at the Capitol Hill Briefing "Economic Stimulus: Facts and Fiction," where he criticized the idea that increased federal spending could fix the economic crisis.

Washington Times, *National Review*, *New Republic*, and college newspapers across the country.

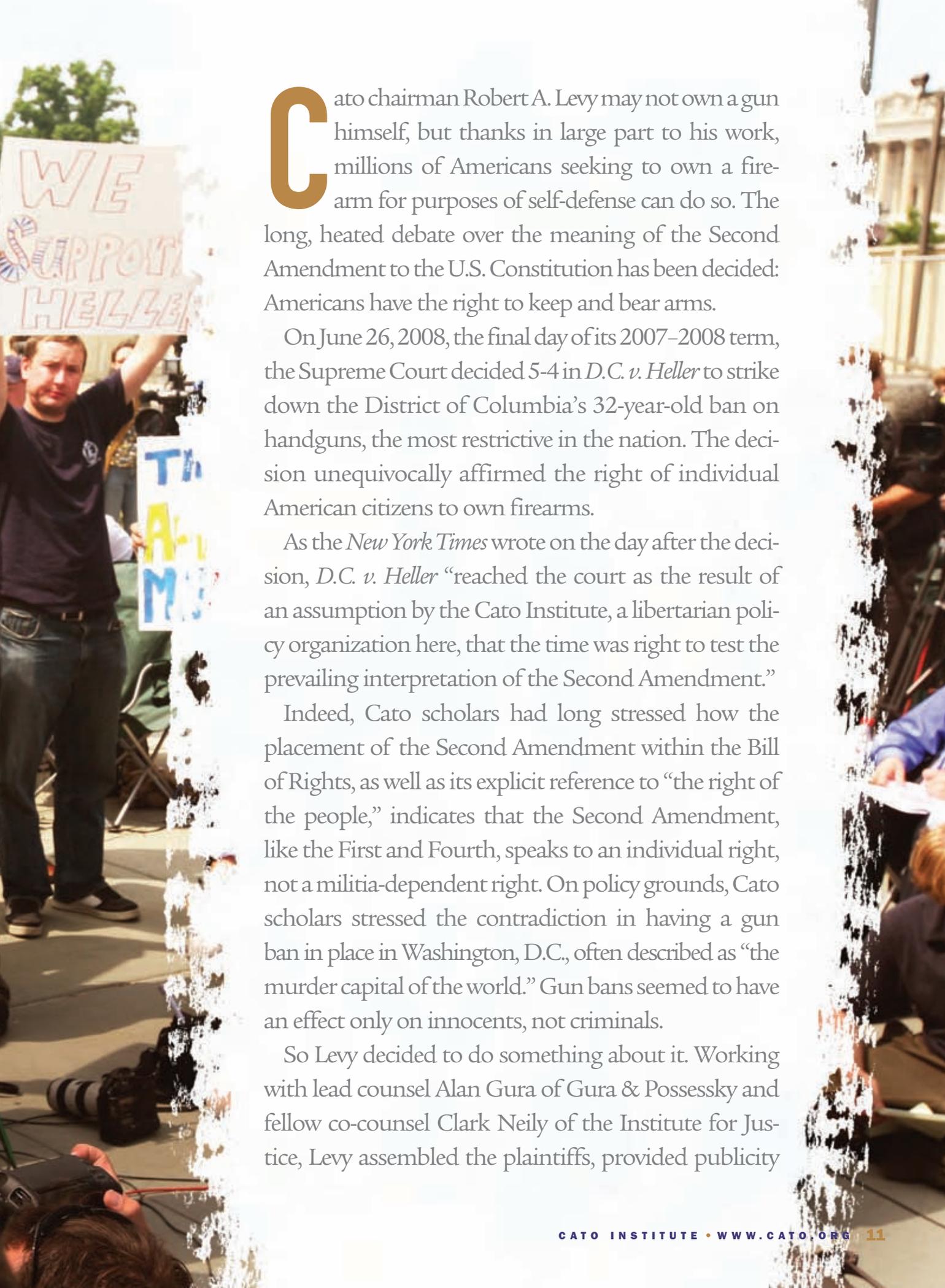
On the same day the ad was making a splash, the *Wall Street Journal* featured an op-ed by Cato senior fellow Alan Reynolds, pointing out that the stimulus represented a long-term transfer of resources from the private sector to the public sector.

Although the economic stimulus promised massive and likely permanent run-ups in government spending, it wasn't enough for some. One of the most troubling calls was to socialize large swathes of the economy under the banner of counteracting climate change. The Cato Institute responded with yet another full page ad declaring once again "With all due respect, Mr. President, that is not true." The ad countered President Obama's claim that "few challenges facing America and the world today are more urgent than combating climate change. The science is beyond dispute and the facts are clear." The ad was signed by more than 100 climatologists who begged to differ and was published in the *New York Times*, *Washington Times*, *Chicago Tribune*, and *Los Angeles Times*.

These are surely troubling times for advocates of freedom. But as William Niskanen, Cato's chairman emeritus, put it in a *Forbes* commentary, we "can stand and fight" rather than give in to despair.



THE SECOND AMENDMENT RESTORED



Cato chairman Robert A. Levy may not own a gun himself, but thanks in large part to his work, millions of Americans seeking to own a firearm for purposes of self-defense can do so. The long, heated debate over the meaning of the Second Amendment to the U.S. Constitution has been decided: Americans have the right to keep and bear arms.

On June 26, 2008, the final day of its 2007–2008 term, the Supreme Court decided 5–4 in *D.C. v. Heller* to strike down the District of Columbia’s 32-year-old ban on handguns, the most restrictive in the nation. The decision unequivocally affirmed the right of individual American citizens to own firearms.

As the *New York Times* wrote on the day after the decision, *D.C. v. Heller* “reached the court as the result of an assumption by the Cato Institute, a libertarian policy organization here, that the time was right to test the prevailing interpretation of the Second Amendment.”

Indeed, Cato scholars had long stressed how the placement of the Second Amendment within the Bill of Rights, as well as its explicit reference to “the right of the people,” indicates that the Second Amendment, like the First and Fourth, speaks to an individual right, not a militia-dependent right. On policy grounds, Cato scholars stressed the contradiction in having a gun ban in place in Washington, D.C., often described as “the murder capital of the world.” Gun bans seemed to have an effect only on innocents, not criminals.

So Levy decided to do something about it. Working with lead counsel Alan Gura of Gura & Possessky and fellow co-counsel Clark Neily of the Institute for Justice, Levy assembled the plaintiffs, provided publicity



Above: **TRACEY AMBEAU HANSON** was a plaintiff in the landmark *DC v. Heller* Supreme Court decision, which affirmed that the Second Amendment protects an individual's right to keep and bear arms. Hanson attended a Cato Book Forum with, from left, her husband **ANDREW HANSON**, lead counsel **ALAN GURA**, and author **BRIAN DOHERTY**. Doherty's book *Gun Control on Trial: Inside the Supreme Court Battle over the Second Amendment* tells the story of the case, one of the most important victories for individual liberty in recent years. Right: Cato Institute chairman **ROBERT A. LEVY** was co-counsel for the plaintiffs in *Heller*. On June 26, 2008, the date of the ruling, he gave a press conference with Gura, on his right, on the steps of the U.S. Supreme Court.



for the case through various news outlets, and financed it as it moved from the lower courts to the nation's highest. He chose to challenge D.C.'s gun ban, as it was the most restrictive in the nation, and, crucially, subject only to federal law. He recruited law-abiding District of Columbia residents to be plaintiffs, including Dick Heller, an armed security guard by day barred by law from protecting his own family at night. And it was Levy who decided, against the active opposition of groups such as the National Rifle Association, to challenge the D.C. gun ban at the district, appellate, and finally, Supreme Court level.

It took many years for the case to reach the Supreme Court. Levy's suit was initially dismissed by a lower court in March 2004, but the case was appealed. Then, in a widely unexpected verdict three years later, the D.C. Circuit Court of Appeals ruled that D.C.'s gun ban was unconstitutional. Senior Judge Laurence H. Silberman concluded the majority opinion with a resounding defense of the individual rights view of the Second Amendment. D.C. mayor Adrian Fenty called the decision "outrageous" and vowed to do everything in his power to overturn it. After various legal maneuverings, the District finally appealed to the Supreme Court.



In *D.C. v. Heller*, the Supreme Court was presented with the opportunity to rule on the meaning of the “the right to keep and bear arms” on a mostly clean slate. They hit a home run: Writing for the majority, Justice Antonin Scalia said the militia language was merely a “prefatory statement of purpose,” while the “operative clause” was the “right to keep and bear arms.” In other words, the Second Amendment protected a preexisting right to bear arms, a right which could be used in militia service or for self-defense outside of such service. The Second Amendment had been restored.

It’s difficult to overstate just how significant the decision was. The Supreme Court had not conclusively interpreted the Second Amendment since its ratification in 1791. It had only attempted to do so once, in 1939, offering a murky ruling in *U.S. v. Miller* that led to fierce and often ideological battles among legal scholars and effectively allowed local legislators to ignore the Second Amendment in crafting gun regulations. In short, an entire amendment of the Bill of Rights was being trampled—thanks to being essentially ignored by the Supreme Court—and Levy, Gura, and Neily were able to overcome that.

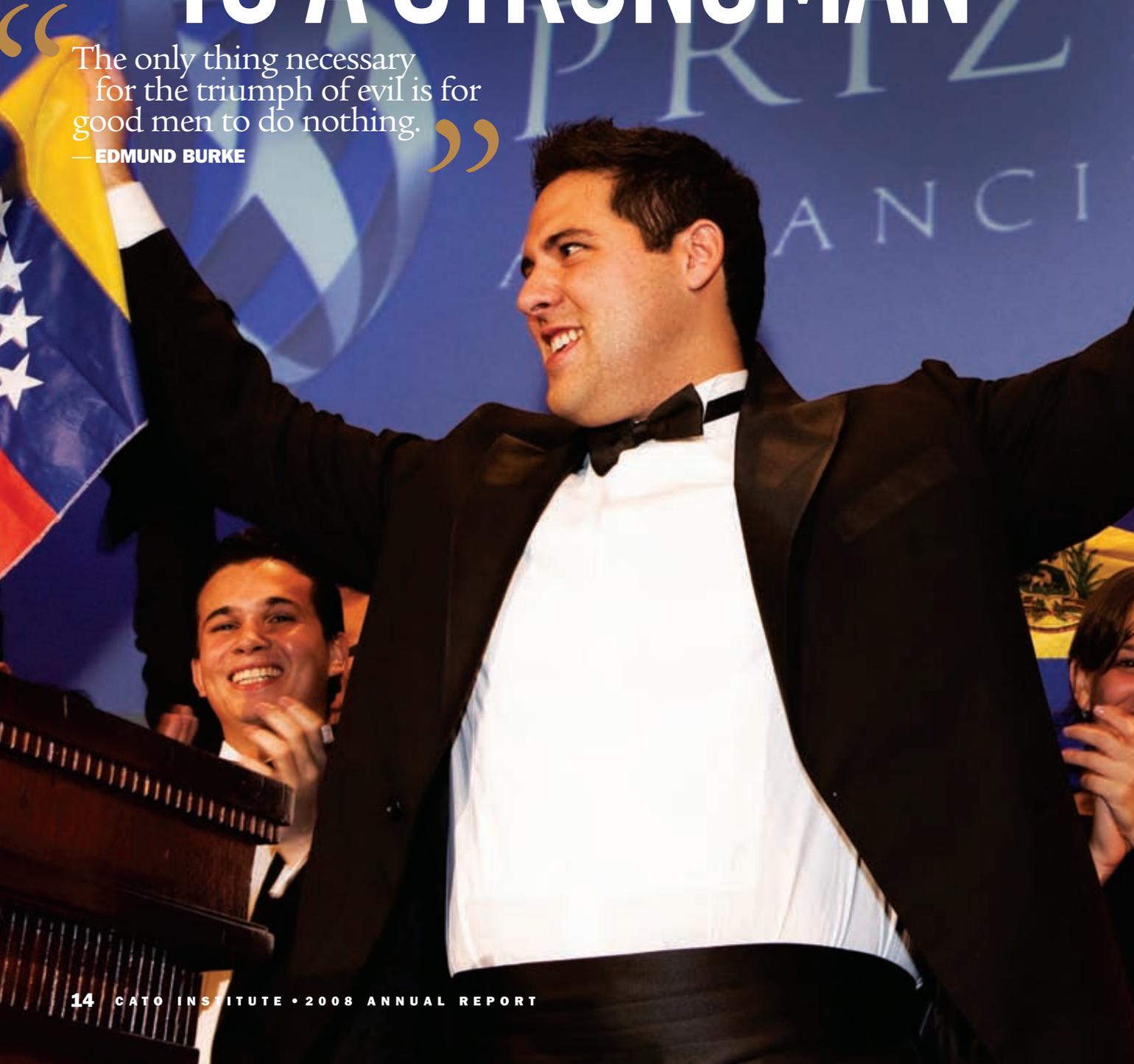
D.C. v. Heller is a great example of how dedicated defenders of the Constitution can achieve real and lasting victories on behalf of liberty and limited government.

The Milton Friedman Prize Goes to a Hero

THE YOUNG MAN WHO STOOD UP TO A STRONGMAN

“The only thing necessary
for the triumph of evil is for
good men to do nothing.”

—EDMUND BURKE





The 2008 Milton Friedman Prize for Advancing Liberty was awarded to Yon Goicoechea, leader of the student movement in Venezuela that challenged Hugo Chávez's attempt to seize broad dictatorial powers. Under Goicoechea's leadership, the student movement organized mass opposition to the erosion of human and civil rights in Venezuela. Goicoechea's vision of optimism, tolerance, and modernity has breathed new life into efforts to defend basic freedoms in Venezuela and around the world.

Goicoechea emerged as a national figure in 2007, when the Venezuelan government refused to renew the broadcasting license of RCTV, the nation's largest private television station. In a dramatic appearance before Venezuela's National Assembly in June 2007, Goicoechea argued that shutting down the lone voice of opposition in Venezuela not only violated a basic human freedom but would further strengthen Chávez's grip over the country. Then Goicoechea put words into action: throughout 2007, he organized more than 40 student movement protests, massive marches which averaged 80,000 participants.

In August 2007 Chávez proposed a constitutional referendum that would further his power by ending presidential term limits, limiting central bank autonomy, and strengthening the state's ability to interfere with the property rights of its citizens. The referendum would only further cement the power of a man who already had far too much of it.

Goicoechea and the Venezuelan student movement again stepped into action, engaging in massive protests in Caracas and the countryside and monitoring



polling stations to ensure that all votes were counted. The proposed constitutional referendum was defeated by 51 percent of Venezuelan voters on December 2, 2007. Sadly, Chavez proved persistent: in 2009, he re-introduced the defeated referendum and, this time, he won his bid to end term limits.

Visit www.cato.org/special/friedman for more about the origins and future of the Milton Friedman Prize for Advancing Liberty.

The Milton Friedman Prize for Advancing Liberty was established in 2002 and is awarded every two years. The cash award of \$500,000 is given to an individual who has made a significant contribution to advance human freedom. The 2008 Friedman Prize was presented to Yon Goicoechea at a gala dinner at the Waldorf-Astoria in New York City on May 15. More than 600 Cato Sponsors and friends were in attendance, including Rose Friedman, former congressman Harold Ford Jr., David H. Koch of Koch Industries, Peruvian writer and former presidential candidate Mario Vargas Llosa, ABC News anchor John Stossel, and *Wall Street Journal* editorial board member Mary O'Grady.

At the awards ceremony, Frederick W. Smith, Cato board member and CEO of FedEx, gave a keynote speech reminiscent of the late, great economist Julian Simon, the former Cato senior fellow who stressed that human ingenuity is our scarcest and most valuable resource. Global warming, the rallying cry of those who seek to institute greater government control over the economy, will become a thing of the past thanks



Top left: Cato Institute president **ED CRANE**, seated with *Wall Street Journal* editor **MARY O'GRADY**, who covers Latin American affairs. O'Grady was a member of the international selection committee for the 2008 Milton Friedman Prize for Advancing Liberty. *Top right:* **YON GOICOECHEA** received the prize for his work in opposing Hugo Chavez's authoritarianism in Venezuela. He holds a Venezuelan flag while a group of his student supporters hold T-shirts bearing the symbol of their protest. *Bottom,* from left: Attendees at the awards ceremony included ABC News correspondent **JOHN STOSSEL**; Milton Friedman's widow, **ROSE D. FRIEDMAN**, seated with Goicoechea; and FedEx founder and president **FRED SMITH**, who delivered the keynote address. The award ceremony was held in the ballroom of the Waldorf-Astoria in New York City.



to humanity's entrepreneurial and technological capacity, he predicted.

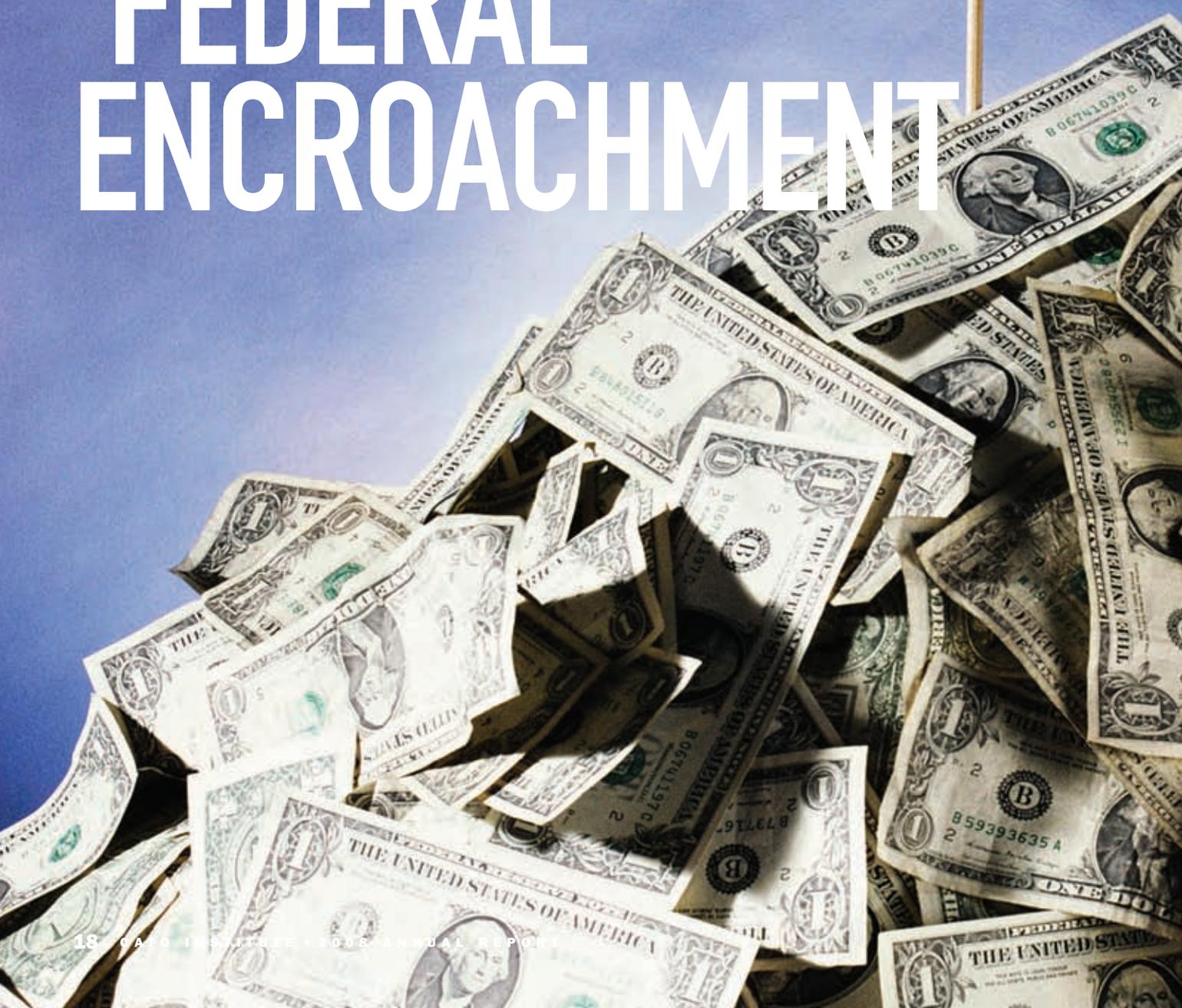
In accepting the award, Goicoechea pointed to a new way forward for Venezuela and Latin America, one that bucks an unfortunate trend in that region: "We cannot be defined by dictators any more," he said. Thanks to the work of young people like Yon, such a future is a possibility for Venezuela.

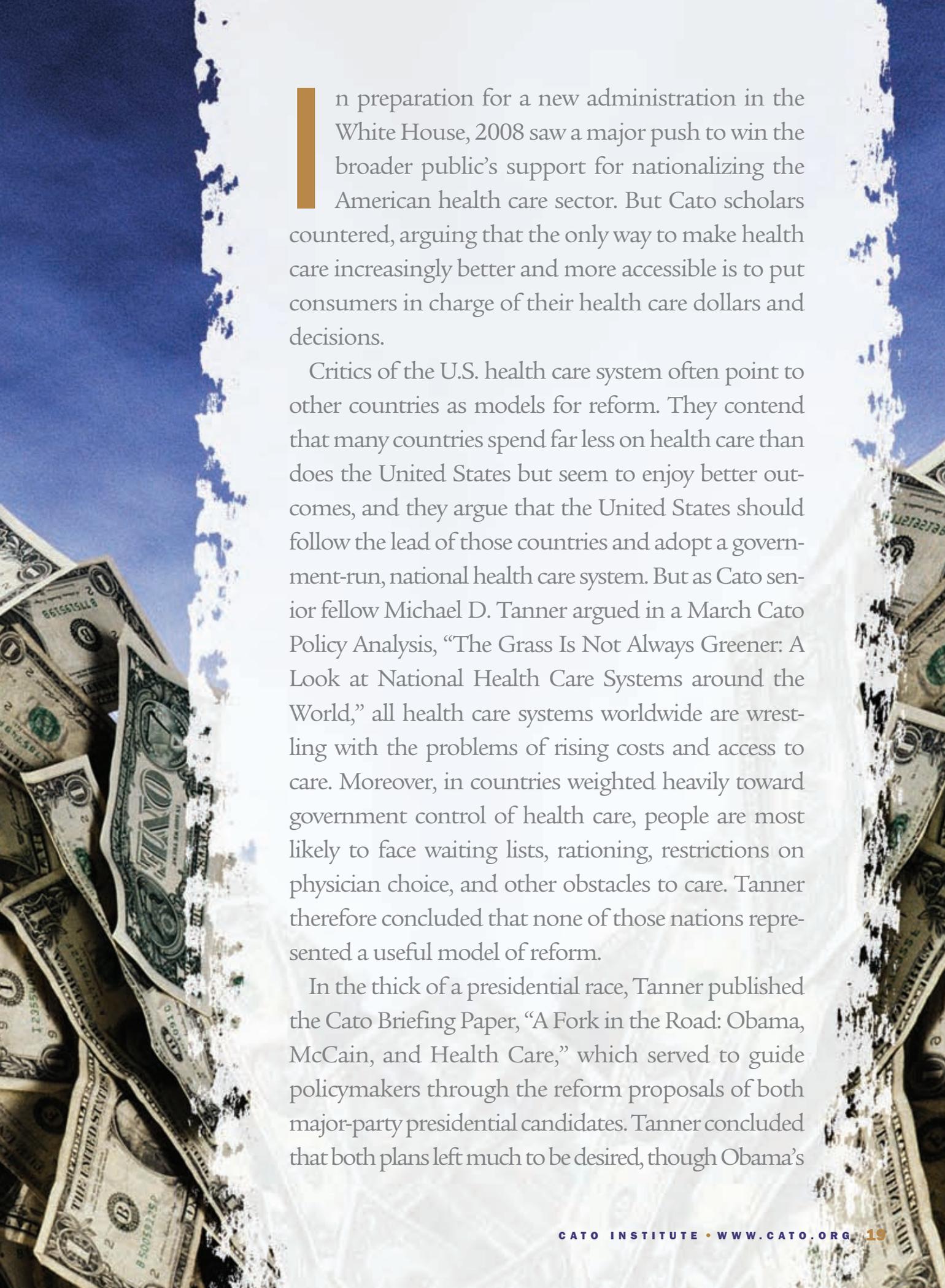
The diversity of Milton Friedman Prize recipients reflects the many ways in which liberty must be defended and advanced. Scholars, writers, activists, organizers, and elected officials can play a role in the struggle for freedom. The first Milton Friedman Prize went to Peter Bauer in 2002 in recognition of his lifelong scholarship on development economics and the sources of wealth. The second Prize went to Hernando de Soto, an author of two books on economics but more importantly a tireless crusader and activist on behalf of poor people and their need for property rights. The third Prize, in 2006, went to Mart Laar, the youngest prime minister in the history of Estonia, who led his country out of the Soviet Union and into the European mainstream. He slashed taxes and transfer payments, privatized state agencies, liberalized international trade, and created one of the fastest-growing economies in the world. And in 2008 the Prize went to a young man who is not—not yet, at least—a scholar, an author, or an elected official. He's just a law student who stood up when others wouldn't.

“If you think health care is expensive now, wait until you see what it costs when it’s free.”

— P. J. O’ROURKE

FIGHTING FEDERAL ENCROACHMENT





In preparation for a new administration in the White House, 2008 saw a major push to win the broader public's support for nationalizing the American health care sector. But Cato scholars countered, arguing that the only way to make health care increasingly better and more accessible is to put consumers in charge of their health care dollars and decisions.

Critics of the U.S. health care system often point to other countries as models for reform. They contend that many countries spend far less on health care than does the United States but seem to enjoy better outcomes, and they argue that the United States should follow the lead of those countries and adopt a government-run, national health care system. But as Cato senior fellow Michael D. Tanner argued in a March Cato Policy Analysis, "The Grass Is Not Always Greener: A Look at National Health Care Systems around the World," all health care systems worldwide are wrestling with the problems of rising costs and access to care. Moreover, in countries weighted heavily toward government control of health care, people are most likely to face waiting lists, rationing, restrictions on physician choice, and other obstacles to care. Tanner therefore concluded that none of those nations represented a useful model of reform.

In the thick of a presidential race, Tanner published the Cato Briefing Paper, "A Fork in the Road: Obama, McCain, and Health Care," which served to guide policymakers through the reform proposals of both major-party presidential candidates. Tanner concluded that both plans left much to be desired, though Obama's

From the left: Longtime friend of the Cato Institute **GEORGE WILL** discussed his book *One Man's America: The Pleasures and Provocations of Our Singular Nation* at a Cato Book Forum on July 24. On February 21, **JOHN SAMPLES**, director of the Cato Institute's Center for Representative Government, spoke at the 20th anniversary meeting of the New York City Campaign Finance Board. Speaking on a panel with former Democratic presidential candidate John Kerry (not pictured), Samples provided an important dissenting voice and argued that campaign finance regulation stifles free speech. *Top:* Director of Health Policy Studies **MICHAEL F. CANNON** moderated a December 5 Cato Policy Forum which addressed the question "Does America's Health Care Sector Produce More Health?" *Bottom:* On February 13, **NEAL MCCLUSKEY**, associate director of the Cato Institute's Center for Educational Freedom, testified before the U.S. House of Representatives Committee on Education and Labor. He criticized the federal government for acting in an area where it has no constitutional authority. He also noted that increased federal spending has not improved education, although it has increased waste and mismanagement.



plan for a single-payer system was particularly flawed.

Health savings accounts, also known as HSAs, allow people greater sovereignty over their health care spending decisions and are an easy way to achieve a more market-friendly, and thus, more efficient, health care sector. Cato's director of health policy studies Michael Cannon pointed that out in the peer-reviewed journal *Forum for Health Economics and Policy* in March. In "Large Health Savings Accounts: A Step toward Tax Neutrality for Health Care," he argued that large health savings accounts would make health insurance more secure and responsive by restoring control of health care dollars to individuals and, in doing so, dramatically reducing government influence over health-insurance markets. Cannon pointed out that large HSAs are more politically feasible than other proposals to reform the tax treatment of health insurance, such as tax credits, because large HSAs would give covered families immediate control over the \$9,000 of their earnings that their employer currently controls.

Economist Shirley Svorny went even further in a September Cato Policy Analysis. In "Medical Licensing: An Obstacle to Affordable, Quality Care," she argued that medical licensing fails to protect consumers from incompetent physicians but does raise substantial barriers to entry, making health care more expensive and less accessible. Svorny called for states to eliminate professional licensing and leave education and credentialing to the private sector and the courts.

Health care interventionists seeking to remold the system after that of Europe would do well to take a look at America's education sector first. Public education



remains one of the only services in America that has grown considerably more expensive over time, while providing a product that by all measures has utterly stagnated in quality. Bureaucrats, not parents, make the key decisions, and attempts to reform the system are exceptionally difficult to institute. The problem with making something “free” is that incentives to innovate, to cut costs, and to serve the consumer all but disappear.

Of course, public education is not free at all. Indeed, it’s more expensive than taxpayers even realize. Here in the nation’s capital, K-12 education costs a staggering \$24,600 per pupil per year, as Andrew Coulson, director of the Center for Educational Freedom, pointed out in an April *Washington Post* op-ed. That figure was about \$15,000 per pupil per year higher than the one bandied about by the teacher’s unions, and more importantly, about \$10,000 higher than the average cost of D.C. private schools. Coulson backed up the calculation with additional data on Cato@Liberty, Cato’s flagship blog.

One promising proposal to reform American education begins at the state level. Public Education Tax Credits reduce the state and local taxes owed by anyone who pays for the private schooling of an eligible child. After publishing model education tax credit legislation in December 2007, authored by Center policy analyst Adam B. Schaeffer, the Center followed up in 2008 with a generalized tool that can be used to compute the legislation’s fiscal impact on any state. Together, these publications have bolstered interest in education tax credit programs around the country.



Left: Senior Fellow **JERRY TAYLOR** held a Cato Policy Forum on December 2 that debated land use in the Amazon. Taylor has also been one of the leading critics of land use and energy policies at home, criticizing windfall profit taxes and subsidies for ethanol and other alternative energy sources. *Right, clockwise from top:* **MARK A. CALABRIA** joined Cato as director of financial regulation studies in early 2009. Senior Fellow **MICHAEL TANNER** spoke at a Capitol Hill Briefing titled “Obama’s Blueprint for Growing the Welfare State,” where he condemned the vast spending increases contained in President Obama’s proposed budget. Senior Fellow in Environmental Studies **PATRICK J. MICHAELS** testified before the House Energy and Commerce Committee on February 12, 2009, where he criticized policies based on unreliable climate models.



Although President Obama has claimed that the science of climate change is “beyond dispute,” many scientists strongly disagree. The Cato Institute launched “Climate Change Reality” (www.cato.org/special/climatechange) to ensure that a fair reading of climate science and its implications has a home on the internet. The page features news, commentary, and multimedia by Cato environmental policy experts Patrick J. Michaels, Jerry Taylor, and Peter Van Doren, as well as other leading experts. It also features Cato’s latest titles pertaining to climate change and its policy implications, including *Climate of Extremes* (2009) by Patrick Michaels and Robert Balling Jr. and *The Improving State of the World* (2007) by Indur Goklany.

Cato scholars are on the frontlines in pointing out the policy flaws of proposed onerous new carbon taxes and cap-and-trade systems. For example, senior fellow Patrick J. Michaels noted that although there has been a small amount of warming due to man-made emissions, climate change legislation won’t have any impact on future rates of warming and represents a vast misallocation of resources. In his media appearances, Cato senior fellow Jerry Taylor frequently took aim at those who made the case for “revenue-neutral” carbon taxes. Taylor contends that even if one accepts some assumptions about climate change, it would be extremely difficult to craft cap-and-trade legislation that would produce more benefits than costs. Taylor also touts the workings of free markets when he notes that it is businessmen—not bureaucrats—who deserve most of the credit for the environmental gains over the past century and who represent the best hope for a greener tomorrow.



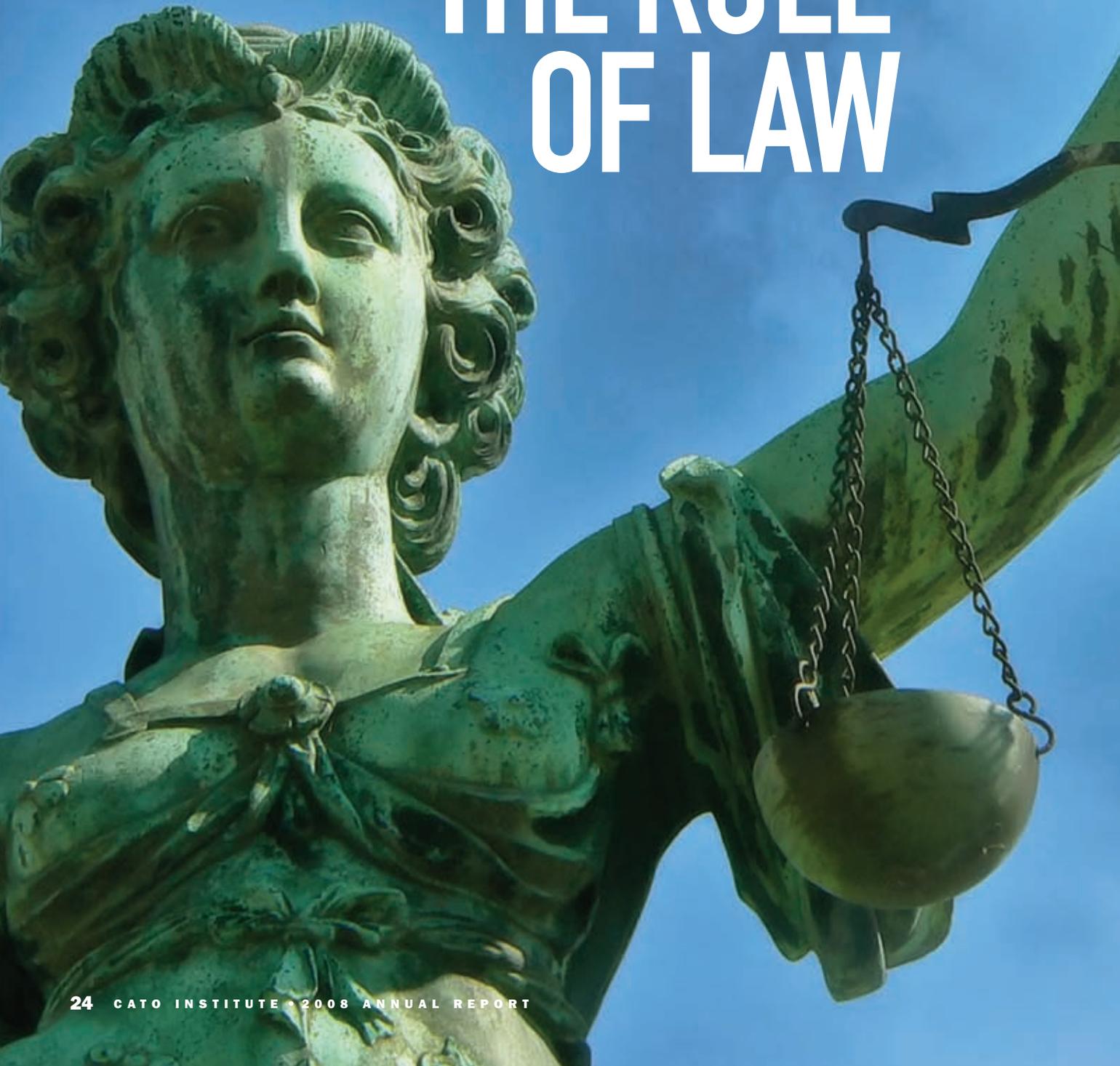
In *Global Tax Revolution*, Cato scholars Chris Edwards and Dan Mitchell tackle the issue of what constitutes good tax policy. Their book explores international tax competition: with rising mobility and fluid capital flows, individuals and businesses are gaining freedom to work and invest in nations with lower tax rates. Edwards and Mitchell argue that the U.S. economy can be revitalized by embracing competition and overhauling the federal tax code. While some policy analysts are comfortable with the notion of raising taxes to fund our mega-deficits and runaway spending, *Global Tax Revolution* makes the case that major tax reforms are needed to ensure rising standards of living for Americans in the years ahead. In light of our rapidly burgeoning deficits, the book could hardly be more timely.

John Samples, director of the Center for Representative Government, emerged as the leading critic of the National Popular Vote plan in 2008. Introduced in more than 40 states, and adopted by 4, it proposed an interstate compact to bring about direct election of the president of the United States. The proposal eliminated states as electoral districts in presidential elections by creating a national electoral district for the presidential election, thereby advancing a national political identity for the United States. In appearances at Northwestern University Law School, Yale Law School, C-SPAN, and the *Jim Bohannon Show*, Samples argued that the National Popular Vote brings about this change without amending the Constitution, thereby undermining the legitimacy of presidential elections. He further argued that it also weakens federalism by eliminating the role of the states in presidential contests.

“ The secret of happiness is freedom.
The secret of freedom is courage. ”

—THUCYDIDES

DEFENDING THE RULE OF LAW





The Founders created a Constitution of enumerated powers designed to leave most decisions in the hands of individuals and their local representatives. The federal government was limited to those few powers necessary to protect the basic rights of the people and unite the new nation.

These core principles are all too often ignored today. Cheye Calvo's story is a case in point: Cheye didn't know it at the time, but the large box sitting on his porch on that fateful day in July was filled to the brim with marijuana. Calvo, the mayor of Berwyn Heights, Maryland, had become the victim of a sophisticated mail-based drug smuggling operation. Soon after that he became the victim of a no-knock paramilitary style SWAT raid, one that saw his front door blown open, his wife and mother-in-law handcuffed, and his two Labrador retrievers shot dead. Calvo came to the Cato Institute in September to tell his story and to argue that no-knock raids are an inappropriate tactic for drug investigations.

Our criminal codes are so voluminous that they bewilder not only the average citizen, but even the average lawyer. Our courthouses are so busy that there is no longer time for trials. And America now has the highest per capita prison population in the world. Are these trends desirable, satisfactory—or disturbing? *In the Name of Justice*, edited by Timothy Lynch, director of Cato's Project on Criminal Justice, consults with America's leading legal experts to answer this rhetorical question. Notable contributors include Anthony M. Kennedy, associate justice of the U.S. Supreme Court; Alex Kozinski and Richard A. Posner, both judges who

Left: Cato vice president **GENE HEALY** spoke at the second annual International Students for Liberty conference on April 29, 2009. The talk drew on his book, *The Cult of the Presidency: America's Dangerous Devotion to Executive Power*, which Healy promoted with a national book tour. Right, clockwise, from top: Every September 17, on the anniversary of the signing of the Constitution in 1787, the Cato Institute holds its Constitution Day conference. Constitution Day has become an institution at Cato, and a key forum for scholars who hope for a return to sound constitutional principles. Pictured from left to right: **JUDGE DOUGLAS H. GINSBURG**, who delivered the first Simon Lecture, with **JULIANA PILON** of the Institute for World Politics; **ROGER PILON**, vice president for legal affairs; and appellate attorney, **ERIK JAFFE**, who has written for the *Cato Supreme Court Review*. **SUSETTE KELO** came to Cato to discuss her new book, *Little Pink House: A True Story of Defiance and Courage*, three years after the infamous *Kelo v. City of New London* decision, in which the U.S. Supreme Court ruled that Kelo's small home in New London, Connecticut, could be taken by the government and given over to a private developer. At a May 7 Cato Policy Forum, **SEN. JOHN TESTER (D-MT)** stated, "I'm proud of the fact that Montana has been a leader in the REAL ID rebellion."



sit on the U.S. Circuit Court of Appeals; as well as Alan Dershowitz and James Q. Wilson.

In many ways, the Internet is the new, wild frontier. But self-styled "net neutrality" proponents are seeking to regulate the Internet, efforts that risk stamping out what has become a focal point for innovation and new ideas. In the Cato Policy Analysis "The Durable Internet: Preserving Network Neutrality without Regulation," Timothy B. Lee, adjunct scholar at the Cato Institute, spells it out for them: government regulation has long-term, unintended consequences. Federal regulation has already frustrated competition in network industries like railroads, airlines, and trucking. Public utility regulation of the Internet would be no different.

Plans to create a de facto national identification card using driver's licenses are a growing threat to the liberty, autonomy, and privacy of American citizens. Cato's director of information policy studies Jim Harper has worked tirelessly to stop such plans in their tracks. In May 2008, the statutory deadline for implementation of the REAL ID Act passed without a single state coming into compliance with the law. A May 7, 2008, Cato Policy Forum featuring Sen. Jon Tester (D-MT) and Gov. Mark Sanford (R-SC) commemorated the victory.

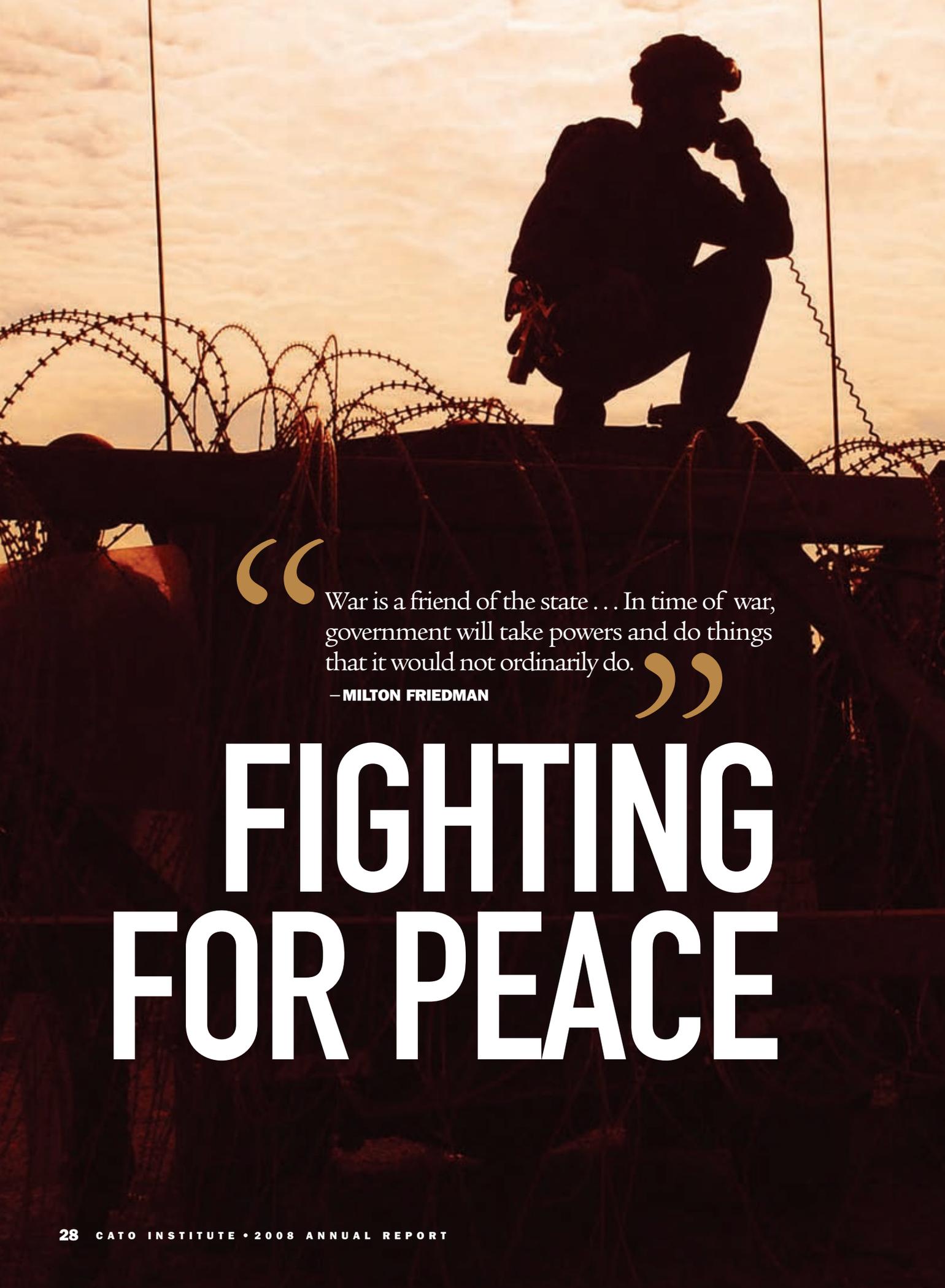
A related proposal that was a subject of fierce debate during the first half of the year was electronic employment eligibility verification (EEV), under which all newly hired employees in the country would be vetted through databases at the Social Security Administration and the Department of Homeland Security to verify their work eligibility under the immigration laws.

Jim Harper outlined the many defects of EEV in a March Cato Policy Analysis,



“Electronic Employment Eligibility Verification: Franz Kafka’s Solution to Illegal Immigration.” In a national EEV system, database errors, data-entry errors, and increasing identity fraud would send thousands of law-abiding American citizens to federal government offices pleading for the right to work. If such a system were somehow made fully workable, mission creep all but guarantees that it would be used to give the federal government direct regulatory control over many aspects of Americans’ lives. Importantly, the administration of a system like this would require a national ID system like REAL ID. Fortunately, this story has a fairly happy ending: E-Verify was extended as a voluntary pilot program, but that is a far cry from the nationwide employer mandate that was expected to pass just a year ago.

In June, Cato published *The Cult of the Presidency: America’s Dangerous Devotion to Executive Power*, by Cato vice president Gene Healy. Amid a presidential race featuring remarkably vacuous campaign promises, it couldn’t have come at a more appropriate time. In the book, Healy argued that the powers of the modern president are far broader than the Constitution allows. Under our Constitution the president is tasked with enforcing the law, checking Congress when it violates the Constitution, defending the country when attacked—and little more. Yet, sadly, many Americans now see the modern president as “a soul nourisher, a hope giver, a living American talisman against hurricanes, terrorism, economic downturns, and spiritual malaise . . . America’s shrink, a social worker, our very own national talk show host. He’s also the Supreme Warlord of the Earth.” George F. Will described Healy’s work as “brilliant” and “the year’s most pertinent and sobering public affairs book.”



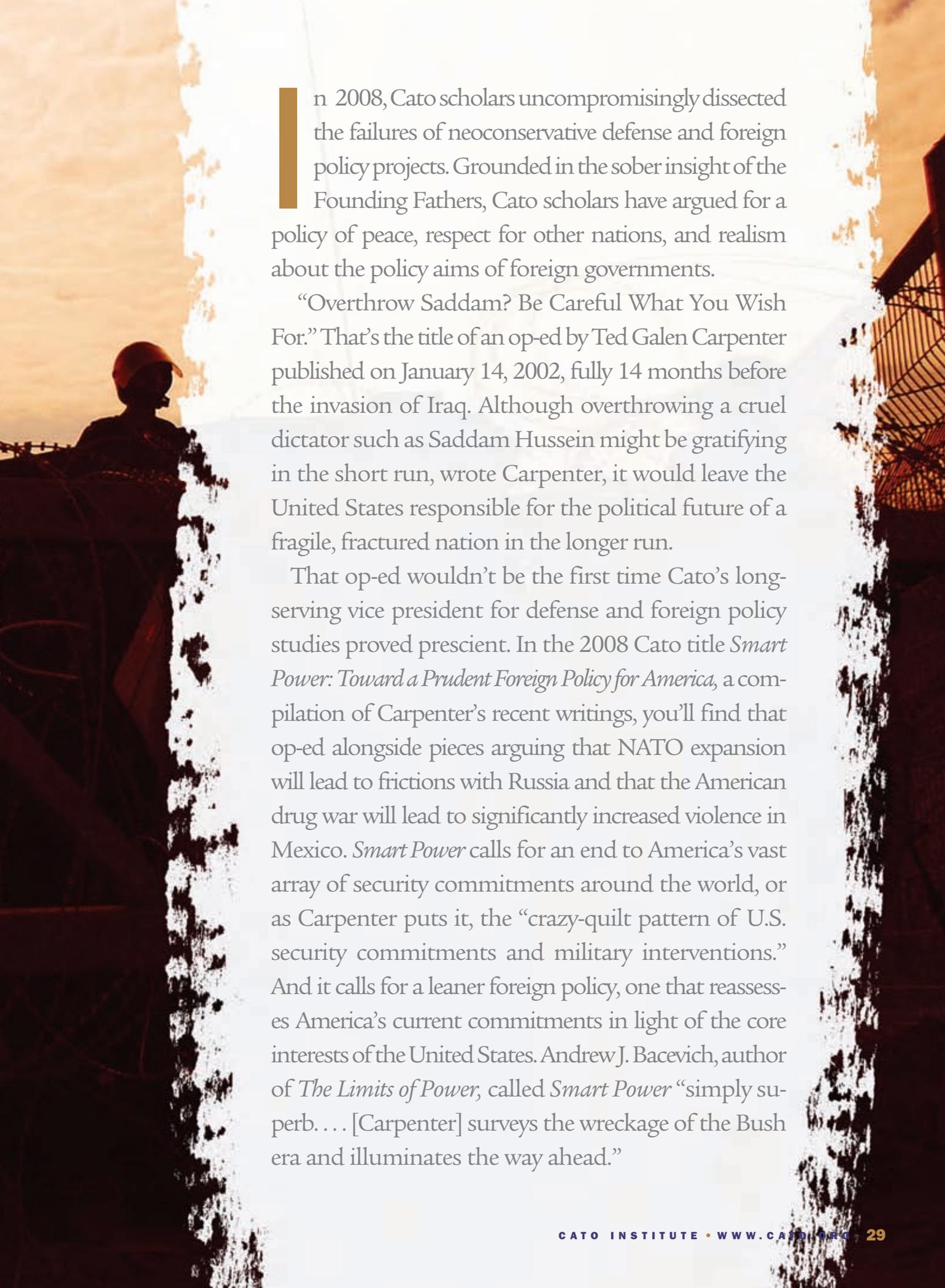
“

War is a friend of the state . . . In time of war, government will take powers and do things that it would not ordinarily do.

”

—MILTON FRIEDMAN

FIGHTING FOR PEACE



In 2008, Cato scholars uncompromisingly dissected the failures of neoconservative defense and foreign policy projects. Grounded in the sober insight of the Founding Fathers, Cato scholars have argued for a policy of peace, respect for other nations, and realism about the policy aims of foreign governments.

“Overthrow Saddam? Be Careful What You Wish For.” That’s the title of an op-ed by Ted Galen Carpenter published on January 14, 2002, fully 14 months before the invasion of Iraq. Although overthrowing a cruel dictator such as Saddam Hussein might be gratifying in the short run, wrote Carpenter, it would leave the United States responsible for the political future of a fragile, fractured nation in the longer run.

That op-ed wouldn’t be the first time Cato’s long-serving vice president for defense and foreign policy studies proved prescient. In the 2008 Cato title *Smart Power: Toward a Prudent Foreign Policy for America*, a compilation of Carpenter’s recent writings, you’ll find that op-ed alongside pieces arguing that NATO expansion will lead to frictions with Russia and that the American drug war will lead to significantly increased violence in Mexico. *Smart Power* calls for an end to America’s vast array of security commitments around the world, or as Carpenter puts it, the “crazy-quilt pattern of U.S. security commitments and military interventions.” And it calls for a leaner foreign policy, one that reassesses America’s current commitments in light of the core interests of the United States. Andrew J. Bacevich, author of *The Limits of Power*, called *Smart Power* “simply superb. . . . [Carpenter] surveys the wreckage of the Bush era and illuminates the way ahead.”

Left: Vice President for Defense and Foreign Policy Studies **TED GALEN CARPENTER** spoke at a Capitol Hill Briefing on May 30. Entitled “China’s Rise: Is Conflict Unavoidable?” it addressed how to engage China peacefully while attaining American security objectives. Center: Director of Foreign Policy Studies **CHRIS PREBLE** addressed Carpenter’s new book, *Smart Power: Toward a Prudent Foreign Policy for America*, at a Cato Book Forum on June 17. Right, above: Associate Director of Foreign Policy Studies **JUSTIN LOGAN** joined Carpenter at the briefing. Right, below: Research Fellow **BENJAMIN H. FRIEDMAN** spoke at a Capitol Hill Briefing on June 16. The topic was “Learning the Right Lessons from Iraq.”



In a February Cato Policy Analysis, “Learning the Right Lessons from Iraq,” Cato foreign policy scholars Benjamin H. Friedman and Christopher Preble, and MIT professor Harvey M. Sapolsky take aim at those who argue that success could have been achieved in Iraq with more troops or a different president in charge. The real lesson of Iraq is that although the military gives us the power to conquer foreign countries, it does not give us the power to run them. Because there are few good reasons to take on missions meant to resuscitate failed governments, the most important lesson from the war in Iraq should be a newfound appreciation of the limits of our power. The study was disseminated widely and was republished in a popular textbook *The Use of Force: Military Power and International Politics, 7th edition*.

Among those who failed to learn the lessons of Iraq are those calling for a “surge” in Afghanistan. In an April *Christian Science Monitor* piece, “Don’t ‘Pull an Iraq’ in Afghanistan,” Benjamin H. Friedman, research fellow in defense and homeland security studies, argued that preventing the creation of terrorist havens in Afghanistan does not require the establishment of a peaceful, centralized state there. Moreover, accomplishing such a feat is beyond the capabilities of the United States. Absent this goal, the push for a surge of U.S. or NATO forces in Afghanistan makes little sense.

In a December article in the *National Interest*, Ted Galen Carpenter pointed to another complication: drugs. Afghanistan is the world’s leading supplier of heroin, with opium sales accounting for about 35 percent of Afghanistan’s GDP. U.S.-led efforts to stamp out that trade destroy the livelihoods of the already abjectly poor and encourage people to join forces with a resurgent Taliban. Carpenter recommends that U.S. officials keep their priorities straight and focus on rooting out terrorism, a point he made again at a Capitol Hill Briefing, “Global Terror’s Central Front: Pakistan and Afghanistan.” Foreign policy analyst Malou Innocent addressed the frightening phenomenon of the “Talibanization” of Pakistan.

In the Cato Policy Analysis “Cracks in the Foundation: NATO’s New Troubles,” Stanley Kober, research fellow in foreign policy studies, says the longstanding North

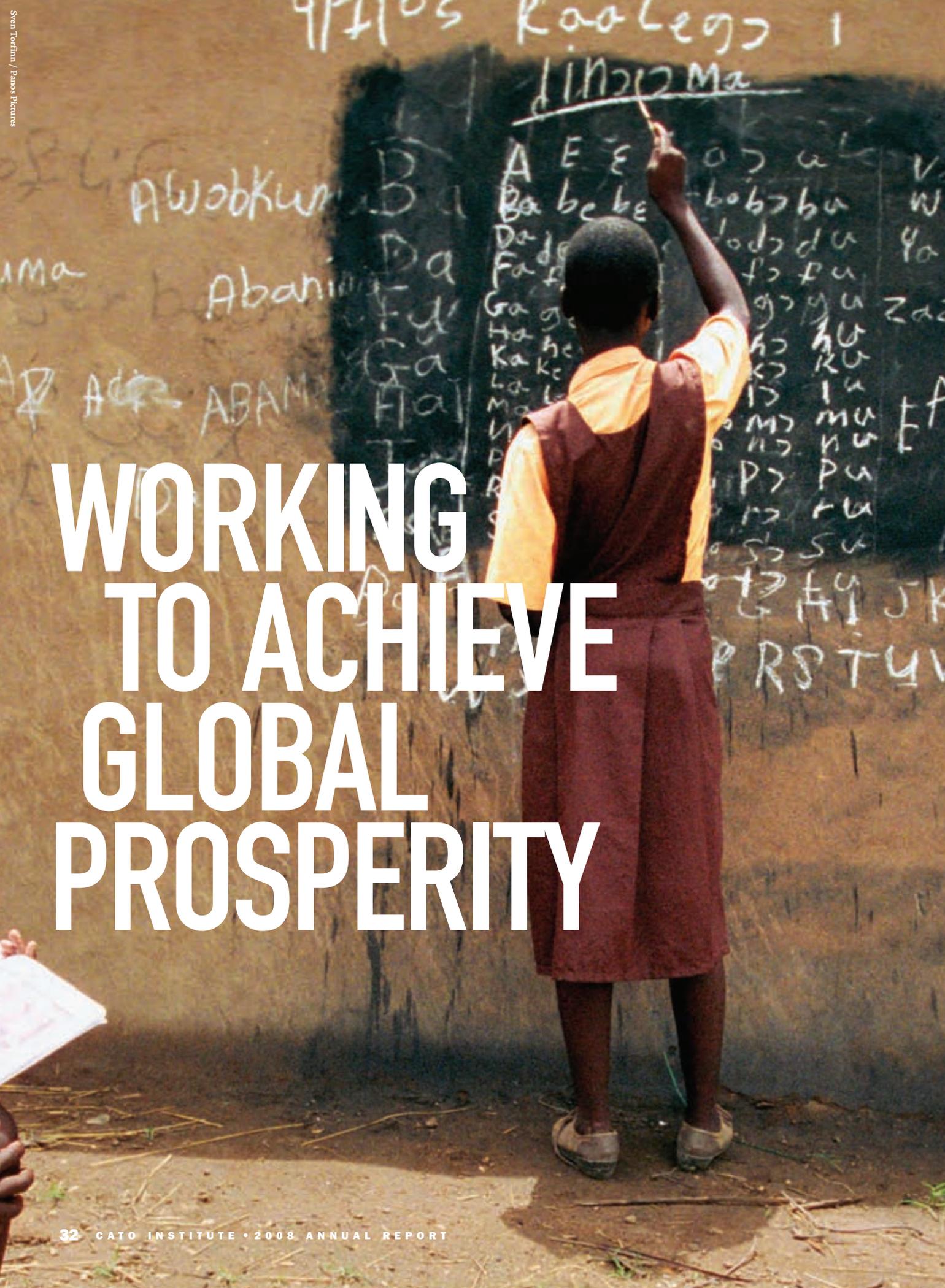


Atlantic Treaty Organization is beginning to fracture. Its members, sharing the triumphalism that underpinned U.S. foreign policy after the Cold War, took on burdens that have proved more difficult than expected, and, increasingly, they are failing to meet the challenges confronting them. In Afghanistan, NATO forces are relentlessly under siege by the Taliban, and popular support among member nations for staying there is badly flagging. Kober pointed out a number of other problems as well: NATO expansion, which has strained the alliance's capabilities; the proposed deployment of antiballistic missiles in Poland and the Czech Republic; and a potential flash-point in Kosovo, where the Albanian majority's insistence on independence could divide alliance members.

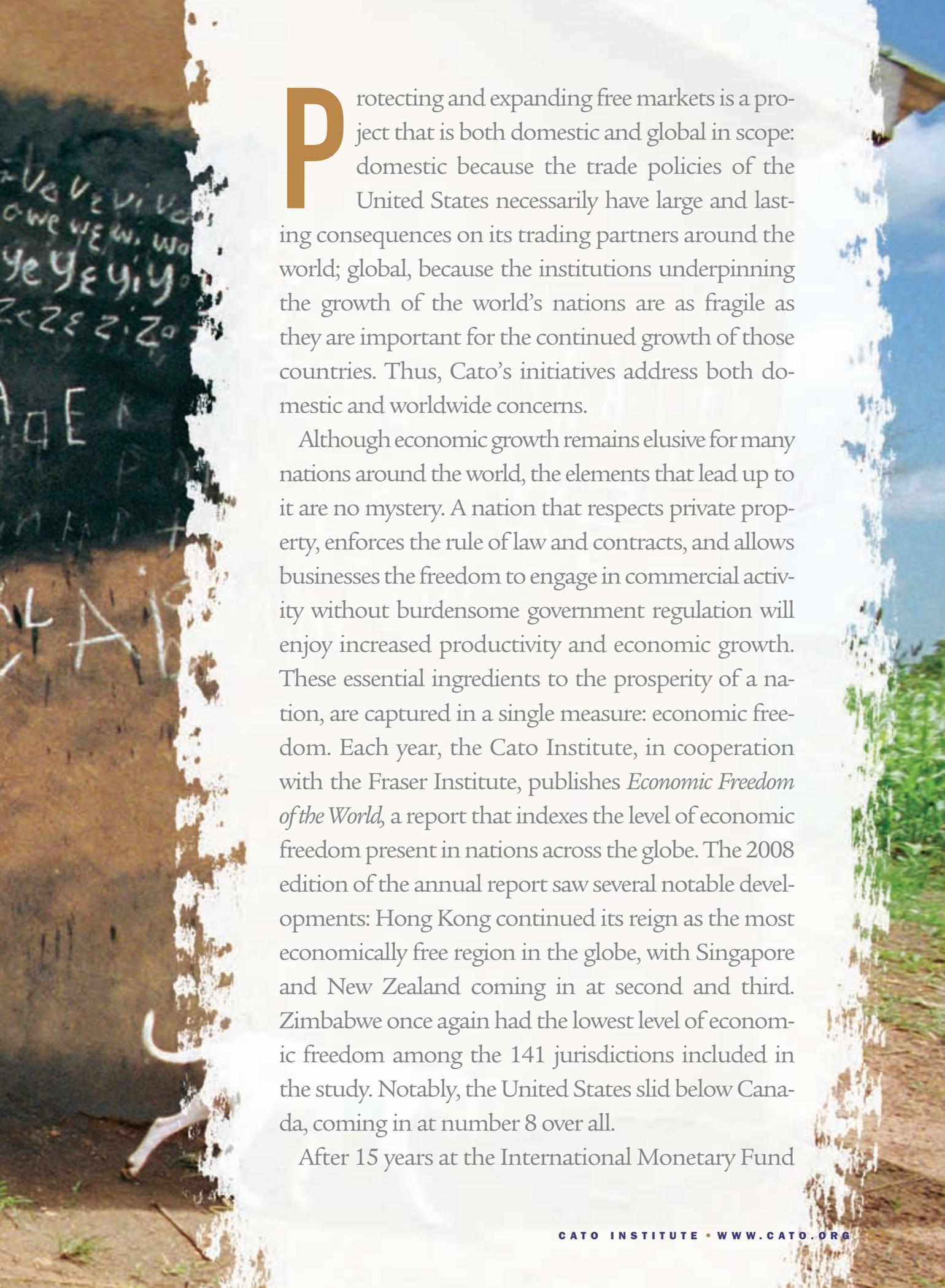


Policy Analyst **MALOU INNOCENT** interviewed the governor of Pakistan's Sindh province, Ishrat-ul-Ebad Khan during her research for a forthcoming book.

In the May/June edition of *Cato Policy Report*, Justin Logan, associate director of foreign policy studies, argued that Soviet Communism represented a far more dangerous threat than Islamic terrorism. The system that withstood the challenge of Communism can similarly survive the threat from Islamic terrorists. Logan also took aim at those voices who decry government intervention in the domestic economy but support U.S. foreign policy intervention abroad. In addition, Logan authored an October Cato Policy Analysis comparing the foreign policy positions of presidential candidates John McCain and Barack Obama. Logan argued that a McCain presidency would amplify and repeat the errors of the Bush administration, whereas Barack Obama's foreign policy advisers and policy ideas make it clear that he is no noninterventionist, either.



WORKING TO ACHIEVE GLOBAL PROSPERITY



Protecting and expanding free markets is a project that is both domestic and global in scope: domestic because the trade policies of the United States necessarily have large and lasting consequences on its trading partners around the world; global, because the institutions underpinning the growth of the world's nations are as fragile as they are important for the continued growth of those countries. Thus, Cato's initiatives address both domestic and worldwide concerns.

Although economic growth remains elusive for many nations around the world, the elements that lead up to it are no mystery. A nation that respects private property, enforces the rule of law and contracts, and allows businesses the freedom to engage in commercial activity without burdensome government regulation will enjoy increased productivity and economic growth. These essential ingredients to the prosperity of a nation, are captured in a single measure: economic freedom. Each year, the Cato Institute, in cooperation with the Fraser Institute, publishes *Economic Freedom of the World*, a report that indexes the level of economic freedom present in nations across the globe. The 2008 edition of the annual report saw several notable developments: Hong Kong continued its reign as the most economically free region in the globe, with Singapore and New Zealand coming in at second and third. Zimbabwe once again had the lowest level of economic freedom among the 141 jurisdictions included in the study. Notably, the United States slid below Canada, coming in at number 8 over all.

After 15 years at the International Monetary Fund



and current work at the World Bank, Jean-Pierre Chauffour takes international aid agencies and human rights organizations to task in his new book, *The Power of Freedom: Uniting Human Rights and Development*, published by the Cato Institute in 2008. He notes that international development and human rights organizations work at cross purposes, often advocating policies that violate basic rights, including economic freedoms and personal choice. Chauffour advocates reconciling the two traditions by empowering people with economic, civil, and political liberties.

At a Cato Policy Forum in March, development economist William Easterly surveyed decades of evidence on the effectiveness of international aid to developing countries. He reported that such efforts have failed because they attempt to impose solutions from above to complex economic and social problems, ignoring the fact that progress and freedom are processes that emerge from the bottom up.

Cato engaged in the debate on populism versus modernity now raging in Latin America through its well-trafficked Spanish-language website, elcato.org, frequent appearances in the Latin American media, and Cato events in 10 countries in the region. In April, a major conference in Peru cosponsored by the Chamber of Commerce of Lima highlighted Peru as an emerging success story and set out an agenda for further reforms. Speakers included Cato distinguished senior fellow José Piñera, Mary O'Grady of the *Wall Street Journal*, former finance minister Luis Carranza, and Central Bank president Julio Velarde.

A Cato study by Zimbabwean member of Parliament David Coltart documented his country's descent into political repression and economic collapse. In a separate study, Cato senior fellow Steve Hanke showed how Zimbabwe could end hyperinflation by



Far left, above: On April 11, Trade Policy Analyst **SALLIE JAMES** argued for the passage of the Colombia Free Trade Agreement at a Capitol Hill Briefing. *Far left, below:* **SEN. JUDD GREGG (R-NH)**, left, met with **DAN GRISWOLD**, director of Cato's Center for Trade Policy Studies, at an April 17 Capitol Hill Briefing. They discussed how best to accommodate highly skilled workers who wish to work legally in the United States. *Left:* **SEN. RICHARD LUGAR (R-IN)** spoke at a Capitol Hill Briefing on February 8, also organized by Griswold. *Center:* **ANDREI ILLARIONOV**, a senior fellow at the Center for Global Liberty and Prosperity discusses the former Soviet republic of Georgia's transformation into a modern market economy at a May 13 Policy Forum. *Far right, above:* **JAMES A. DORN** traveled to China this year for research on economic liberalization; he was joined there by **WU JINGLIAN**, one of China's leading economists and an advocate of market-oriented policies. *Far right, below:* South African member of Parliament **TONY LEON** spent three months at the Cato Institute as a visiting fellow. He spoke at an October 21 Policy Forum on "The State of Freedom in Africa."

dollarizing—a policy the country ultimately adopted. In the absence of official data, his hyperinflation index for Zimbabwe became the leading source on the issue.

In a column in the *South China Morning Post*, James A. Dorn, Cato's vice president for academic affairs, has forcefully defended China's remarkable progress and the institutions that allowed for it. Over the last 25 years, China has featured a breakneck 10 percent per year average economic growth rate, with fully 400 million people having been lifted out of poverty. Just as importantly, China has gone from a Soviet-style command-and-control system to a market-oriented economy that is fully integrated into the global economy.

In the Winter 2008 edition of *Cato Journal*, edited by Dorn, Deepak Lal, renowned development economist and a senior fellow at the Cato Institute, argued that India would be the next economic giant to emerge. He points to sweeping pro-market reforms in the 1990s setting the stage for rapid expansion in the agricultural and service sectors of the economy. He said that for growth to continue at 8 or 9 percent per year the manufacturing sector would need to be liberated from state-run industrial policy.

Daniel T. Griswold, director of the Center for Trade Policy Studies has continued to push for sensible immigration reform, noting that, since the federal government began counting in 1820, more than 73 million immigrants have legally entered the United States to settle and begin new lives. Today, immigrants continue to fill niches in our labor market, at the high and low end of the skill spectrum, while softening the demographic effect of declining birthrates.

In April the Center for Trade Policy Studies hosted a Capitol Hill Briefing, featuring Sen. Judd Gregg (R-NH), on raising the caps on H1-B visas in the context of high-skilled



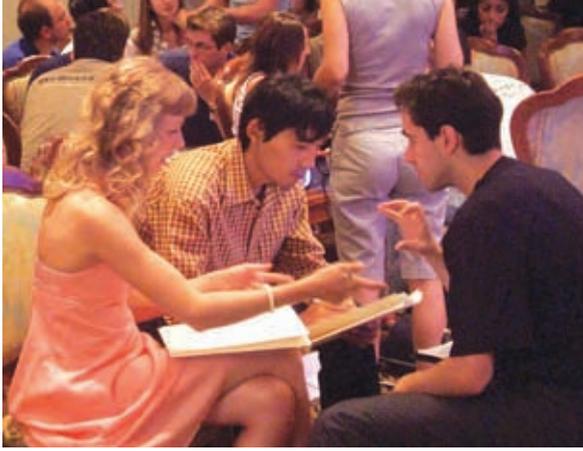
immigration. In June it hosted a Cato Book Forum featuring *Wall Street Journal* editorial board member Jason Riley, who spoke on his book *Let Them In: The Case for Open Borders*. *U.S. News* senior writer Michael Barone provided commentary.

In September, the Cato Institute published *New Frontiers in Free Trade: Globalization's Future and Asia's Rising Role*, by London School of Economics scholar Razeen Sally. With the World Trade Organization process becoming ever more bureaucratic, the book argues that all nations around the world ought to pursue free trade unilaterally. Sally offers Asia as an example, where the world's fastest-growing economies have embraced freer trade and global integration unilaterally.

The Center for the Promotion of Human Rights, directed by Tom Palmer, continued its work around the world. The Center once again orchestrated a series of essay contests designed to introduce young people to the ideas of liberty. The best essay writers received monetary prizes and were granted scholarships to seminars, held in locations such as Ghana, Malaysia, China, Belgium, Germany, and Ukraine.

Because so many people lack access to ideas about free markets, limited government, and individual liberty, the Center operated web platforms in 13 languages and enhanced its production of online libraries, podcasts, and video seminars. In many cases, material produced for one platform can be easily translated and transported to other platforms.

The Center continued to translate classics into local languages and to produce inexpensive local English editions. For example, Tiandaocn.org released Chinese editions of Johan Norberg's *In Defense of Global Capitalism*, Eamonn Butler's *Adam Smith: A Primer* and Karen Vaughn's *Austrian Economics in America*. Other notable works were translated into Arabic, Russian, and Swahili.



Left, above: On July 28, Zimbabwean opposition leader **REJOICE NGWENYA** spoke at a Capitol Hill Briefing titled “Escaping Poverty in Sub-Saharan Africa.” *Left, below:* **IAN VÁSQUEZ**, director of the Cato Institute’s Center for Global Liberty and Prosperity, spoke at a March 18 Policy Forum titled “Hayekian Insights on Economic Development.” *Center:* Senior Fellow **TOM PALMER** met with Lebanese Minister of Justice **CHARLES RIZK** on February 28. *Right, above:* Students at the Cato.ru seminar discuss “Property and Freedom” at Alushta, Ukraine. *Right, below:* Students of the Akademi Merdeka (Freedom Academy) in Malaysia mark the launch of WauBebas.org (Kite of Freedom), a program co-sponsored by the Cato Institute and the Malaysia Think Tank.



In 2008, the Center’s Africa-focused platforms, AfricanLiberty.org and UnMondeLibre.org, emulated the success that Minbaralhurriyya.org (“Forum of Liberty” in Arabic) had achieved in the Arab world. AfricanLiberty.org placed 51 articles in 61 separate media outlets from Nigeria to South Africa. Similarly, UnMondeLibre.org placed 118 articles in 81 media outlets. Most of the articles were written by African classical liberal writers.

The Center’s efforts were hardly confined to Africa and the Arab world. Cato.ru published 8 different articles in Russia’s most prominent publications. Azadliqciragi.org (“Lamp of Liberty” in Azeri) began its media program by placing 2 articles in the Azerbaijani press. Ordemlivre.org (“Free Order” in Portuguese) began its program by placing 10 different articles in 13 Portuguese media outlets. The year 2008 saw the beginnings of an Indonesian program: two op-eds were published in the local press and efforts continued in China: Tiandaocn.org (“Natural Law” in Chinese) placed many articles on Chinese internet sites, as well as in the Chinese business press.

In January 2009 the Center for the Promotion of Human Rights became a part of the Atlas Economic Research Foundation. Atlas, founded by the late Sir Antony Fisher, works with hundreds of market-oriented think tanks globally. In arranging the combination, the thought was that Atlas’ massive global reach would give a synergistic boost to the Center’s operations—in other words, a “perfect fit.” Cato and Atlas have long been good friends: indeed, the chairman of Atlas is Cato Club 200 member Dan Grossman, who was instrumental in bringing about this transition. Nor will Tom Palmer lose his involvement with Cato: he remains a senior fellow and will continue to run Cato University.

“The Cato Institute
is the nerve center
of libertarianism.”
—SLATE

CATO INSTITUTE

10

OUTREACH AND EDUCATION

At the heart of the Cato Institute's effectiveness and growth is its ability to reach, connect with, and inform the world. In a year of massive political, policy, and economic turbulence, proficiency in responding to the dangerous challenges confronting our founding principles has never been more critical. Fortunately, in 2008 Cato was able to install its own television studio, enabling Cato scholars to appear live on cable, network, local, and international news outlets. From newsrooms, YouTube, books, and op-ed pages, to talk radio, conferences, research reports, and special website features, Cato has responded swiftly, effectively, and innovatively. The following pages highlight Cato's commitment to outreach in 2008, with results that reflect the tremendous dedication and energy of Cato scholars, staff, and supporters.

2 0 0 8 M E D I A O V E R V I E W

Major television appearances:	555
Major radio interviews:	453
Major op-ed placements:	587
Citations in print articles:	2,282



NEW MEDIA

In 2008 Cato strategically expanded its outreach through new media outlets and technologies, rapidly increasing its presence and the reach of its research to a broad range of new audiences, young and old. The focus of this outreach includes a continually expanding list of blogs related to politics and public policy; social networking sites such as Facebook; and Twitter, a micro-blogging site that is one of the fastest growing ways to reach national journalists, think-tank scholars, politicians, and everyday citizens. And in 2008 Cato created its own YouTube channel bringing Cato videos and research to a diverse range of new audiences.

NEWSPAPERS

With nearly 600 major op-eds appearing in 2008, Cato's perspective on major issues reached millions of readers worldwide. Key op-eds included

- Alan Reynolds on the economic downturn,

Financial Times, January 2

- Daniel T. Griswold on foreign trade, *Wall Street Journal*, March 1
- Andrew J. Coulson on the cost of public schools, *Washington Post*, April 6
- Patrick J. Michaels on the sorry state of global warming data, *Wall Street Journal*, April 18
- John Samples on campaign finance reform, *New York Post*, June 25,
- William Poole on the bailout and survival of Fannie Mae and Freddie Mac, *New York Times*, July 27
- Robert Levy and David B. Kopel on the future of D.C. gun laws, *The Wall Street Journal*, August 8.
- Indur M. Goklany and Jerry Taylor on affordable gas prices, *Los Angeles Times*, August 11

TELEVISION AND RADIO HIGHLIGHTS INCLUDE

- Robert Levy on the Supreme Court's *Heller* deci-



Left, above: Ugandan journalist **ANDREW MWENDA** recorded a podcast interview with Multimedia Producer **CALEB BROWN**, the voice of *CatoAudio* and Cato's daily podcast. *Left, below:* Civil liberties advocate **NAT HENTOFF** joined the Cato Institute as a senior fellow in February 2009. Hentoff wrote for the *Village Voice* for more than 50 years and is one of the nation's foremost champions of the freedom of the press. *Center:* Harvard economist **JEFFREY A. MIRON** has argued that ending the Drug War would save U.S. taxpayers \$77 billion per year. He became a Cato Institute senior fellow on April 20, 2009. *Right:* On February 23, 2009, Cato welcomed columnist **TUCKER CARLSON** as a senior fellow. "When I moved to Washington," he said, "I discovered that my impression of Cato had been right: The people I met there were some of the smartest, bravest and most interesting in the city. While others are blinded by expedience or group think, Cato stands on principle, always. I'm honored to be affiliated with it."

sion on the D.C. gun ban, on *ABC World News Tonight*, *CBS News Sunday Morning*, NPR affiliates, WTOP, BBC radio, CBS radio, CNN radio, and Fox News radio

- Roger Pilon on ABC's *20/20* discussing age discrimination and the workplace
- David Boaz on the auto company bailouts on NPR's *Weekend Edition* and on presidential politics on *Good Morning America* and *20/20*
- Marian Tupy on Voice of America, BBC, and CBC discussing Zimbabwe
- Chris Preble on Fox News discussing Musharraf and Pakistan
- Dan Ikenson on the auto company bailouts on *PBS Nightly Business Report*, Bloomberg, CNN, *CBS Evening Weekend News*, Fox News Channel Daytime, and *Fox and Friends*, ABC's *Good Morning America*, *NBC Nightly News*, *CBS Evening News*, and NPR Southern California
- Chris Edwards on the economic crisis on *PBS*

Nightly Business Report

- Dan Griswold on the economy on *Fox News Special Report with Brit Hume*, *NPR Marketplace*, and CNBC
- Jerry Taylor on oil, gas prices, and alternative energy on Fox News Channel, Fox Business Channel, Bloomberg, Wisconsin Public Radio and WABC radio
- Dan Mitchell speaking against the economic bail-out on CNN, CNN International, BBC, Fox Business Channel, CNBC, *20/20* and CNN's *Low Dobbys Tonight*
- Chris Edwards on the economic crisis on *PBS Nightly Business Report*

CATO ONLINE

Throughout 2008, Cato incorporated a sweeping array of content upgrades and multimedia enhancements to its website. This diligence and innovation played a major role in Cato's website

Below: Political analyst **MICHAEL BARONE** spoke at a Book Forum on June 18. He discussed the book *Let Them In: The Case for Open Borders*, by Jason L. Riley. Right: On February 19, Cato's executive vice president, **DAVID BOAZ**, published *The Politics of Freedom: Taking on the Left, the Right, and Threats to Our Liberties*, in 2008. Far right, above: **REP. PAUL RYAN (R-WI)** holds a copy of *Global Tax Revolution* by Cato scholars Chris Edwards and Daniel J. Mitchell. The book documents the worldwide campaign for lower taxes, and how competition for successful businesses and individuals brought governments to lower tax rates across much of the world. Far right, below: South Carolina governor **MARK SANFORD** spoke against the REAL ID Act at a Policy Forum on May 7. No state was able—or willing—to meet the act's requirements before its deadline.



seeing a nearly 25 percent increase in web visitors for the year, and in Cato being honored with a WebAward by the Web Marketing Association for outstanding achievement in website development.

CATO ON CAMPUS

With the launch of Cato on Campus (www.catooncampus.org) as both an independent site and a portal to Cato's main site (www.cato.org), Cato is now connected with thousands of college and university students worldwide, providing writings and research from the best contemporary and historical minds on individual liberty, limited government, economics, free markets, history, law, philosophy, and political science.

PODCASTS

The popularity of Cato Daily Podcasts continues to soar. There were nearly 2.5 million downloads of podcasts in 2008 by more than 5,000 listeners.

And there were 2,000 daily subscribers to Cato's events podcasts. Daily Podcasts, available at Cato.org and iTunes, provide succinct interviews and commentaries on an extensive range of topics—presented by Cato policy staff, distinguished guests, and experts from around the world.

VIDEOCASTS AND WEEKLY VIDEO SERIES

Originally created to provide filmed highlights from key Cato-sponsored events, Cato's videocasts expanded their reach in 2008 to include originally produced weekly videos filmed specifically for the Cato Institute website and as a video podcast, with nearly 1,000 weekly subscribers—and climbing. Because of their popularity and content, many of Cato's videocasts are now widely viewed on YouTube, where Cato now has its own channel, youtube.com/catoinstitutevideo.



ONLINE BLOG AND MONTHLY FORUM

The Cato Institute's official blog, *Cato@Liberty* provides an informal setting for individuals to present personal views and commentary on the news of the day. Cato's monthly online forum of ideas, *Cato Unbound*, astutely centers its exchanges on a specific topic, addressed by a roster of notable guests. Recent editions have included discussions on terrorism, the financial crisis, global warming, education, and gun rights.

CATO FORUMS

With more than 6,000 attendees in 2008, Cato's highly popular public forums featured leading authors, columnists, scholars, and political leaders. They have been filmed by Voice of America, Bloomberg TV, and CBS News, and are regularly broadcast on C-SPAN and other news networks. Nearly every event is simulcast live on Cato's web-

site for a global viewing audience and then made permanently available there. Speakers at forums in 2008 included columnist George Will; former U.S. senator Chuck Hagel; Mark Sanford, governor of South Carolina; Said T. Jawad, Afghanistan's ambassador to the United States; Jon Tester, U.S. senator from Montana; and Robert B. Laughlin, Nobel laureate in Physics.

CITY SEMINARS

Cato's City Seminars in 2008 were held in New York and Chicago, drawing nearly 600 participants. The events featured presentations by Jeffrey A. Miron, senior lecturer in economics at Harvard University; broadcast journalist Tucker Carlson; Charles Murray; and Chip Mellor, president and general counsel, Institute for Justice.

CATO UNIVERSITY

With more than 150 participants, Cato University



2008, “Freedom’s Campaign in the 21st Century,” provided attendees with a highly compelling series of lectures, workshops, and special sessions on the prospects for and threats to freedom in the United States and around the globe.

CONFERENCES

Cato’s 26th Annual Monetary Conference, Lessons from the Subprime Crisis, drew a record, standing-room only crowd of nearly 350, and included keynote addresses by Donald L. Kohn, vice chairman of the Federal Reserve System’s board of governors, and Jeffrey M. Lacker, chief executive of the Federal Reserve Bank of Richmond. Randy Barnett, professor at Georgetown University Law Center, delivered

the B. Kenneth Simon Lecture, “Is the Constitution Libertarian?” at the 7th Annual Constitution Day Symposium.

HILL BRIEFINGS

One of Cato’s most effective ways of directly communicating with and educating members of Congress and key congressional staffers is its highly regarded Hill Briefings series. These special events bring Cato scholars and decision-makers face to face on policy matters having a direct impact on individual liberties, free markets, constitutional issues, and more. In addition to presentations by many of Cato’s policy experts, notable speakers at Hill Briefings in 2008 included Sens. Richard Lugar (R-IN) and Judd Gregg (R-NH); Simeon Djankov, chief



Left, above: Senior Fellow **GERALD P. O'DRISCOLL JR.**, at the podium, addressed the 26th Annual Monetary Conference on the topic "Moral Hazard and the Limits of Monetary Policy." He was joined by members of a panel on that subject including, from left, **MICKEY D. LEVY**, chief economist of the Bank of America; **WOLFGANG MÜNCHAU**, associate editor of the *Financial Times*; and **ANDREW SAMWICK**, a professor of economics at Dartmouth College. Left, below: **DANIEL J. IKENSON**, associate director of the Center for Trade Policy Studies, gave a Capitol Hill Briefing on July 11 titled "Securing Economic Growth through Trade Facilitation." Ikenson has also been among those Cato scholars most active in opposing the irresponsible bailout legislation. Center: Manager of External Relations **NICOLE KUROKAWA** and Manager of Student Relations **JOEY COON** attended the Students for Liberty conference at Columbia University in February. They presented information about Cato's internship program, which incorporates a seminar series taught by Cato scholars, as well as research and networking opportunities. Above: **JUSTIN YIFU LIN**, chief economist and senior vice president at the World Bank, meets with Cato's chairman emeritus **WILLIAM NISKANEN** before a luncheon with Cato analysts. Lin is a longtime contributor to *Cato Journal*, beginning with a 1989 article on institutional change.

economist for finance and private sector at the World Bank, and Regina Herzlinger from the Harvard Business School.

INTERNSHIP PROGRAM

Cato's 66 interns, representing colleges and universities around the world, are chosen from a pool of well over 1,000 applicants. Interns conduct research; report on congressional hearings; participate in a rigorous series of lectures, discussions, and readings; and assist with forums and events.

CATO PUBLICATIONS

Cato's major publications include *Regulation* magazine, *Cato Journal*, *Cato Policy Report*, and *Cato's Letter*. In 2008, these publications provided

major coverage of the financial freeze on Wall Street, the economics of climate change, corruptive litigation settlements, the real impact of Wal-Mart, and dozens of other important policy issues affecting Americans.

CATO POLICY STUDIES

Cato's outstanding policy studies include Policy Analysis, Briefing Papers, Development Policy Analysis, *TechKnowledge*, Trade Briefing Papers, *Tax and Budget Bulletin*, and *Free Trade Bulletin*. These studies offer authoritative interpretation of a wide range of critical issues. Forming the heart of Cato's important work, each publication is thoroughly researched, rigorously verified, and immediately made available online and in print. During 2008, 59 policy studies were issued.

CATO BOOKS

THE POLITICS OF FREEDOM: TAKING ON THE LEFT, THE RIGHT, AND THREATS TO OUR LIBERTIES by David Boaz
“David Boaz has been my guide to the history, economics, and politics of freedom for years.” — JOHN STOSSEL

THE CULT OF THE PRESIDENCY: AMERICA’S DANGEROUS DEVOTION TO EXECUTIVE POWER by Gene Healy
“Rhetorical excesses are inherent in the modern presidency. This is so for reasons brilliantly explored in the year’s most pertinent and sobering public affairs book, *The Cult of the Presidency*.”
— GEORGE F. WILL, *NEWSWEEK*

GUN CONTROL ON TRIAL: INSIDE THE SUPREME COURT BATTLE OVER THE SECOND AMENDMENT by Brian Doherty
“The book is a great primer for the unfamiliar . . . a remarkable accomplishment—well worth reading, and worth keeping as a reference.”
— *NATIONAL REVIEW*

GLOBAL TAX REVOLUTION: THE RISE OF TAX COMPETITION AND THE BATTLE TO DEFEND IT by Chris Edwards and Daniel J. Mitchell
“Superb, well-written, eye-opening survey of the exciting worldwide movement to cut individual and business taxes. This masterpiece may not wake up myopic Washington, but it will arouse the American people to demand action!”
—STEVE FORBES

CLIMATE OF EXTREMES: GLOBAL WARMING SCIENCE THEY DON’T WANT YOU TO KNOW by Patrick J. Michaels and Robert C. Balling Jr.
“Michaels and Balling have performed an enormous service with this book. This is a ‘must read’ for anyone seriously interested in the climate change debate.”
—NIGEL LAWSON, FORMER UK SECRETARY OF STATE FOR ENERGY

CATO HANDBOOK FOR POLICYMAKERS edited by David Boaz
“A soup-to-nuts agenda to reduce spending, kill programs, terminate whole agencies and dramatically restrict the power of the federal government.”
—*WASHINGTON POST*

IN THE NAME OF JUSTICE edited by Timothy Lynch
In originally crafted essays, leading judges and scholars offer contemporary responses to the classic law article, *The Aims of the Criminal Law*, and offer perspectives on what should be considered when proposing new criminal laws and on what reforms will be most effective.



THE POWER OF FREEDOM: UNITING HUMAN RIGHTS AND DEVELOPMENT by Jean-Pierre Chauffour

“Chauffour is admirably determined to be brutally honest about which ideas really do further the cause of poverty reduction and which do not.”

—WILLIAM EASTERLY, PROFESSOR OF ECONOMICS, NEW YORK UNIVERSITY

CRISIS OF ABUNDANCE: RETHINKING HOW WE PAY FOR HEALTHCARE by Arnold Kling

“This is one of the most important books written on health care.”

— TYLER COWEN, ECONOMIST AND *NEW YORK TIMES* COLUMNIST

CATO SUPREME COURT REVIEW: 2007–2008

edited by Ilya Shapiro

Now in its seventh year, this acclaimed annual publication, which comes out every September, brings together leading national scholars to analyze the Supreme Court’s most important decisions from the term just ended and preview the year ahead.

ECONOMIC FREEDOM OF THE WORLD: 2008 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.” — *THE ECONOMIST*

NEW FRONTIERS IN FREE TRADE: GLOBALIZATION’S FUTURE AND ASIA’S RISING ROLE by Razeen Sally

“Sally’s restatement of the case for unilateral liberalization is powerful and could not be timelier. This short book is the best and most important volume on trade in years.”

— CLIVE CROOK, COLUMNIST, *FINANCIAL TIMES*

SMART POWER: TOWARD A PRUDENT FOREIGN POLICY FOR AMERICA by Ted Galen Carpenter

“In an age of imperial folly and militarized illusions, Carpenter has been a voice of reason and good sense. In this impressive collection of essays, he surveys the wreckage of the Bush era and illuminates the way ahead.”

— ANDREW J. BACEVICH

REFLECTIONS OF A POLITICAL ECONOMIST: SELECTED ARTICLES ON GOVERNMENT POLICIES AND POLITICAL PROCESSES by William A. Niskanen

“Whether Niskanen’s subject is narrowly economic or broader policy issues, he writes with clarity, insight, and persuasiveness.”

— RANDALL HOLCOMBE, PROFESSOR OF ECONOMICS, FLORIDA STATE UNIVERSITY

THE ENCYCLOPEDIA OF LIBERTARIANISM

edited by Ronald Hamowy

Years in the making, and containing over 300 originally written articles by more than 100 scholars, the *Encyclopedia* has swiftly become the standard guide to libertarian people and ideas.

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FISCAL YEAR 2009 REVENUE

INDIVIDUALS.....	\$16,817,000
FOUNDATIONS.....	\$2,126,000
CORPORATIONS.....	\$187,000
PROGRAM REVENUE.....	\$973,000
OTHER INCOME.....	\$493,000
TOTAL.....	\$20,596,000

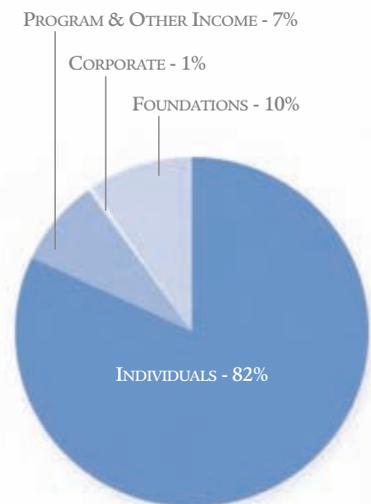
FISCAL YEAR 2009 EXPENSES

PROGRAM.....	\$18,858,000
MANAGEMENT & GENERAL.....	\$3,337,000
DEVELOPMENT.....	\$1,733,000
TOTAL.....	\$23,928,000

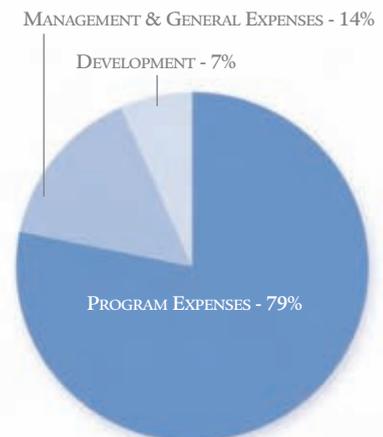
ASSETS AND LIABILITIES

CASH AND EQUIVALENTS.....	\$18,885,000
NET FIXED ASSETS.....	\$6,035,000
OTHER ASSETS.....	\$2,313,000
LIABILITIES.....	(\$1,591,000)
TOTAL.....	\$25,642,000

FISCAL YEAR 2009 REVENUE



FISCAL YEAR 2009 EXPENSES



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