

CATO
INSTITUTE
2011 Annual Report



Cato's expanded headquarters,
completed March 2012





TABLE OF CONTENTS

PAGE 4

**MESSAGE FROM THE PRESIDENT
AND THE CHAIRMAN**

PAGE 8

BATTLING THE BEHEMOTH

PAGE 14

**SHROUDING LEVIATHAN IN RED,
WHITE, AND BLUE**

PAGE 18

DISMANTLING THE RULE OF MAN

PAGE 22

LIBERATING THE FUTURE

PAGE 26

OUTREACH AND EDUCATION

PAGE 31

CATO BOOKS

PAGE 32

CATO STAFF

PAGE 34

FELLOWS AND ADJUNCT SCHOLARS

PAGE 36

FINANCES

PAGE 37

INSTITUTIONAL SUPPORT

PAGE 38

CATO CLUB 200

INSIDE BACK COVER

BOARD OF DIRECTORS

ON THE COVER: Golden Eagle donated by
the Kammerer Foundation in the spirit of its
founder R. Michael Kammerer Jr.

MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN

We begin our 2011 report on a sad note. David H. Padden, founder of the Heartland Institute and original Cato board member, passed away in September. A passionate advocate of liberty, Dave was known to us as the “conscience of Cato.” And we lost our colleague William A. Niskanen, who served since 1985 as our chairman and then distinguished senior fellow. When Bill left his position as acting chairman of President Reagan’s Council of Economic Advisers to join Cato in 1985, it was a real boost to our credibility in Washington. He had already established a record of principle and integrity; years later, on Bill’s 70th birthday, former secretary of the Treasury Lawrence Summers addressed him as “the most honest man in D.C.” Bill was a treasured colleague. We miss him and are resolved to continue being the honest and independent institute that he cherished.



E. Crane
EDWARD H. CRANE
PRESIDENT AND CEO

In the wake of Bill’s death came a major challenge to the Institute’s independence. Under an atypical but not unprecedented structure, four shareholders elect Cato’s board of directors. For more than three decades, the shareholders did not exercise that authority; Cato’s board, like most nonprofit boards, elected its own successors. Bill was one of the shareholders. When he died, shareholders Charles and David Koch asked a court to declare them the majority owners of the Institute, with the power to replace its directors and management. We believe their interpretation of our long-dormant shareholders agreement is wrong, and we expect to prevail in court. Hopefully, by the time you read this, we will have resolved the dispute in court or through a settlement. If the Cato Institute were “owned” by two brothers with widely publicized corporate and political interests, we would be perceived as a mouthpiece for special interests, and our 35-year reputation for principled advocacy would be compromised.

Despite these challenges, and others in the public policy field, we have maintained our commitment to independent, nonpartisan, libertarian analysis. Here are just a few notable achievements.

- Thanks to the generosity of Cato Sponsors, we have nearly reached the \$50 million goal of our Liberating the Future capital campaign. Our expanded building—with twice the office space and three new venues for events—is complete, providing an incomparable home for our staff and our work.
- The value of think tanks is to analyze long-term problems and lay the groundwork for fundamental change. That’s what the Cato Institute has done with regard to Social Security, beginning with our 1980 book *Social Security: The Inherent Contradiction* and continuing through 2011 writings by Jagadeesh Gokhale and Michael Tanner. We’ll

keep promoting pro-liberty solutions until the looming bankruptcy of the system is averted and Americans are free to make their own retirement choices.

- Our colleagues have opposed government-run health care from Hillarycare to Obamacare. Cato analysts Michael Cannon, Ilya Shapiro, Bob Levy, and Michael Tanner documented the economic, medical, and constitutional problems with the current bill, now before the Supreme Court. “As is often the case,” Avik Roy wrote in *Forbes*, “it was the libertarians at the Cato Institute and the *Wall Street Journal* who were right at the beginning, and right in the end.”

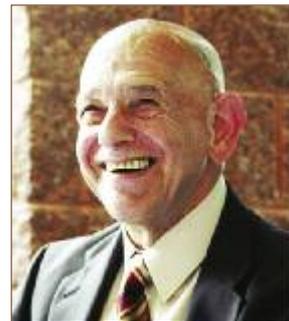
- Cato scholars Julian Sanchez, Jim Harper, and Tim Lee criticized proposals to curb online privacy that would compromise free speech and frustrate technological progress. When more than 7,000 websites went dark to protest those proposals, *Politico* headlined, “Libertarians, tech titans poke old-school GOPers,” highlighting our role in forestalling new regulations.

- Since Ted Galen Carpenter’s pioneering work in 1990, we have condemned the war on drugs in Colombia, Mexico, and other parts of Latin America. Our November 2011 conference, “Ending the Global War on Drugs,” featured former presidents of Mexico and Brazil. In April 2012, at a summit in Colombia, Latin American leaders pressed President Obama on the failures of the drug war and the costs it is imposing on their societies.

- In 2011 Cato launched Libertarianism.org, a website with access to books, classic and original videos, and essays on the history and theory of libertarianism. We held another successful session of Cato University, our summer seminar on basic ideas, and we made the contents available free online. We also published eight new books.

Cato’s independence and principled scholarship have been praised across the political spectrum. On the right, Tevi Troy of the Hudson Institute wrote that Cato “has been willing to criticize—or praise—either major party based on deviations from or adherence to libertarian, and not partisan, thinking.” And on the left, Ezra Klein stated in the *Washington Post*, “When I read Cato’s take on a policy question, I can trust that it is informed by more than partisan convenience. The same can’t be said for other think tanks in town.”

We’re especially proud of the words that libertarian columnist Steve Chapman wrote in the *Chicago Tribune*: “Cato has managed the difficult feat of becoming . . . a reputable source of information even for those who don’t share its views. It may be the most successful think tank in Washington.”



Robert A. Levy

ROBERT A. LEVY
CHAIRMAN



“CATO HAS MANAGED THE DIFFICULT FEAT OF BECOMING BOTH A FOUNT OF TRUE-BLUE LIBERTARIAN IDEAS AND A REPUTABLE SOURCE OF INFORMATION EVEN FOR THOSE WHO DON'T SHARE ITS VIEWS. IT MAY BE THE MOST SUCCESSFUL THINK TANK IN WASHINGTON.”

**STEVE CHAPMAN,
CHICAGO TRIBUNE,
MARCH 2, 2012**



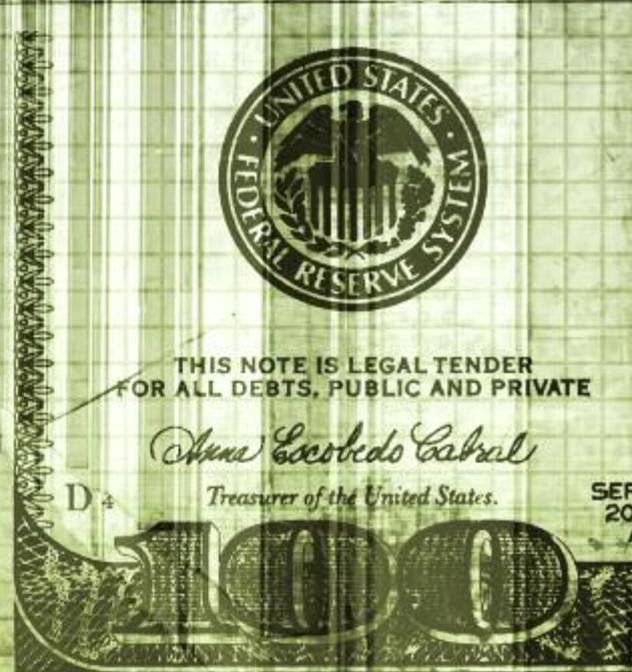
Over the course of the past year, the federal government has continued to surge in both size and scope to unprecedented levels. Despite theatrical battles over public spending, the political class has persisted in producing mountains of debt and rising tides of red ink. In the midst of a failed stimulus, a culture of bailouts, the rise of corporatism, and an expanded concentration of power in Washington, the government has become the source of a growing list of our country's problems and has, in turn, inspired a groundswell of discontent.

But as the public sector begins to crumble under its own weight, the Cato Institute has been strengthening its foundation. In the last year, Cato's scholars have focused on the issues that matter most—from the federal budget and government transparency to the legality of Obamacare and the president's military action in Libya—steering the national debate toward the ideas of individual liberty, free markets, and peace. Our organization has also expanded its footprint in the most literal sense. With a \$50 million capital campaign and a doubling of the size of its headquarters, Cato has used the current climate as an opportunity to build upon the animating principles of an open and civil society.

“Given freedom, the American people will flower,” the journalist George F. Will has said. “Given the Cato Institute, the American people will, in time, secure freedom.”

**“THE AMERICAN
REPUBLIC WILL
ENDURE UNTIL
THE DAY CONGRESS
DISCOVERS THAT
IT CAN BRIBE THE
PUBLIC WITH THE
PUBLIC’S MONEY.”**

ALEXIS DE TOCQUEVILLE





BATTLING THE BEHEMOTH

“**T**his is said to be a new age of fiscal austerity,” the *Wall Street Journal* declared in October, “yet the government had its best year ever, spending a cool \$3.6 trillion.” The news came on the heels of the latest census figures, which showed that Washington, D.C., has become the wealthiest metropolitan area in the country. Despite orchestrated attempts to rein in spending, Congress offered few signs of a genuine commitment to public sector prudence. Many observers began to question the underlying premise itself. “Government austerity is a myth,” the *Journal* concluded.

The Budget Control Act, signed into law by President Obama in August, included caps on discretionary spending and set up a supercommittee to find further savings. “However, the deficit for 2012 will still be \$1 trillion or more,” wrote Chris Edwards, Cato’s director of tax policy studies, “and the budget caps only attempt to slow the growth rate in discretionary spending.” The act, in other words, “only scratches the surface of needed reforms.”

In November, the Cato Institute brought together prominent scholars from around the country to offer their prescriptions for real reform. At the 29th Annual Monetary Conference—under the leadership of Cato vice president James A. Dorn—experts discussed the fundamental steps needed to rectify the current monetary regime and prevent another financial meltdown from happening on a global scale. In his closing address, John Allison, former chairman and CEO of BB&T, argued that the crisis, the ensuing recession, and the slow recovery “were caused primarily by government policies. But the real cause of the financial crisis,” Allison concluded, “was philosophical.”

The problem, in other words, stems from a misunderstanding of the proper role of government. At a Capitol Hill Briefing, Senior Fellow Dan Mitchell offered a path



TOP: In his keynote address at the 29th Annual Monetary Conference, **REP. RON PAUL**

(R-TX) argued for currency competition and a return to the gold standard. Held in November, the conference was directed by Vice President for Academic Affairs **JAMES A. DORN**. **MIDDLE:**

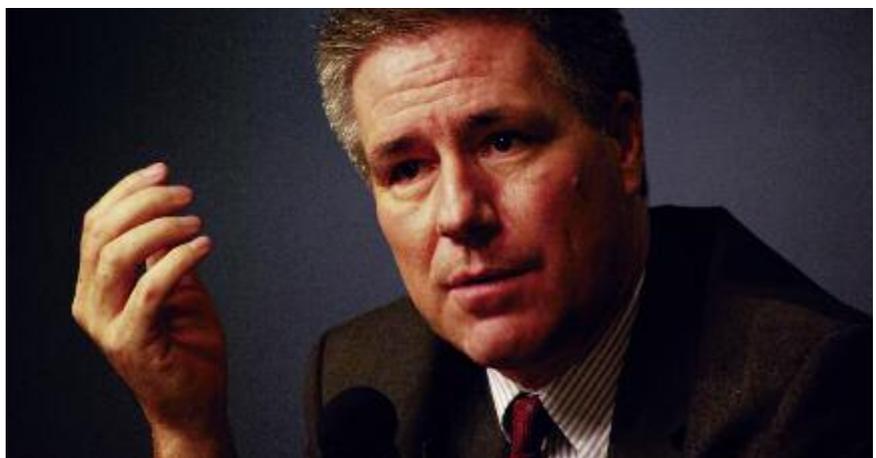
Senior Fellow **MICHAEL D. TANNER** exposed the bleak fiscal condition of the U.S. economy in major studies and dozens of op-eds. **BOTTOM:**

Senior Fellow **DANIEL J. MITCHELL** warned of the economic impact of government spending if current policy is left on autopilot. **FACING**

TOP: **MICHAEL F. CANNON**, director of health policy studies, gave a presentation on health insurance exchanges to Minnesota legislators in November. **FACING MIDDLE:**

TAD DEHAVEN, budget analyst at the Cato Institute, explored the role of fiscal policy in last year's battles within Congress. **FACING**

BOTTOM: In February, **ANDREW COULSON** (right), director of the Center for Educational Freedom, testified about the negative impact of federal involvement in America's classrooms before the House Committee on Education and the Workforce.





for restoring that limited function. The solution, he said, is to decrease spending, rather than raise revenue. Mitchell commented that “in the world of Washington, putting taxes on the table is simply akin to putting blood in the water with hungry sharks around.”

Along with Edwards, Budget Analyst Tad DeHaven continued to examine the federal government department by department at www.DownsizingGovernment.org—a project that gained significant traction in light of the new fiscal conservatives in Congress. The website details the failings of federal agencies, offering specifics on how to reform each department in order to leave a positive fiscal legacy to the next generation. Cuts, according to DeHaven, are less effective than eliminating agencies. “That’s because the federal budget is like the multiheaded Hydra of Greek mythology,” he told the *Orange County Register*. “The key to slaying the beast was to cut off the head and burn the stump.”

The current balance sheet, however, is only part of the problem. To understand the true magnitude of the fiscal catastrophe, it is necessary to look at the spending promises implicit in our future commitments.

In March, Senior Fellow Michael D. Tanner published “Bankrupt: Entitlements and the Federal Budget”—in which he paints a grim picture of America’s financial future. Taking into account the unfunded liabilities of programs such as Medicare, Medicaid, and Social Security, Tanner calculates that the true national debt could run as high as \$119.5 trillion. “If there is no change to current policies,” he writes, “by 2050 federal government spending will exceed 42 percent of GDP.” The looming fiscal train wreck—which “has been amply abetted by both parties”—is unprecedented.

This bipartisan binge is perhaps most evident in education. Over five decades, the federal government has spent a total of \$2 trillion on elementary and secondary education—with little to show for it. Andrew Coulson, director of Cato’s Center for Educational Freedom, testified before the House in February, noting that public schooling has suffered “a massive productivity collapse. It now costs three times as much to provide essentially the same



WILLIAM A. NISKANEN, MARCH 13, 1933–OCTOBER 26, 2011

Last year, **WILLIAM A. NISKANEN**, distinguished

senior economist and chairman emeritus of the Cato Institute, passed away at the age of 78. Niskanen was a man of unshakeable integrity. Before joining the Reagan administration, he was fired from his post as chief economist at Ford Motor Company for maintaining a principled stand against their calls for protectionism. An internationally renowned scholar, he did more than anyone to establish Cato as one of the leading free-market think tanks in the world. He will always be revered for his adherence to liberty, and he truly was, as former treasury secretary Lawrence H. Summers said, “the most honest man in D.C.” In the above photograph from February 5, 1985, Niskanen, then-acting chairman of the Council of Economic Advisers, presented President **RONALD REAGAN** with a T-shirt commemorating the annual “Economic Report of the President.”

At Cato University in July, **SEN. RAND PAUL (R-KY)** (left) sat down to dinner with Cato cofounder and president **EDWARD H. CRANE**. In his keynote address that night on Capitol Hill, Paul spoke about the culture of spending in Washington and offered reasons to be optimistic about the country’s future.





education as we provided in 1970,” he said.

Those hit hardest by this spending surge have been state and local governments—which spent 46 cents out of every tax dollar on primary and secondary education in 2011, according to Cato education policy analyst Adam Schaeffer. In fact, public K-12 education represents the largest spending item at this level. “When a budget doesn’t come close to adding up, the biggest expenditure usually has to give,” Schaeffer wrote in *Investor’s Business Daily*. Simply put, the country’s future is relying on funds we no longer have.

Given these problems, the momentum behind an open, accessible government has become widely recognized. In September, Jim Harper, Cato’s director of information policy studies, released a new evaluation assessing Congress’s transparency—shedding light on the issue with the help of a metaphor. “Water has to be in a specific form, liquid and reasonably pure, for it to be drinkable,” he writes. The same goes for government data. It must have a specific format for the public to “consume” it—but, as it stands, Congress’s performance is lacking.

“If the public understands the workings and failings of government better,” Harper says, ultimately “the demand for government solutions will fall and democracy will produce more libertarian outcomes.”



TOP: Throughout the year, **JIM HARPER**, Cato’s director of information policy studies, worked to adapt policy to the unique problems at the busy intersection of technology and civil liberties. **MIDDLE:** At the Cato-hosted State Health Policy Summit in Orlando, experts discussed state-based solutions to America’s health care troubles. **JASON HWANG** (second from right) offered proposals found in his coauthored book, *The Innovator’s Prescription: A Disruptive Solution for Health Care*. **BOTTOM:** As one of the nation’s top fiscal experts, Cato’s director of tax policy studies **CHRIS EDWARDS** (right) called attention again and again to the burdens created by runaway public sector employee compensation.



《加图决策者手册》与中国 “CATO HANDBOOK FOR POLICYMAKERS” AND CHINA



**“OF ALL THE ENEMIES
TO PUBLIC LIBERTY
WAR IS, PERHAPS, THE
MOST TO BE DREADED
BECAUSE IT COMPRISES
AND DEVELOPS THE
GERM OF EVERY OTHER.”**

JAMES MADISON



SHROUDING LEVIATHAN IN RED, WHITE, AND BLUE

On October 7, 2001, President George W. Bush announced the start of what would become the longest military conflict in U.S. history. Though it began as a counterterrorism mission, the war in Afghanistan soon devolved into an open-ended quest to rebuild that nation. After a decade of mounting losses, many are now questioning our underlying strategic assumptions in the region.

At a Cato Institute conference in June, “Turning the Page in Afghanistan,” several experts urged the United States to significantly alter this mission by scaling back its ambitions. The war, they said, is based on faulty premises. “Afghanistan’s interests are not America’s,” Foreign Policy Analyst Malou Innocent said, “and believing that they are one and the same will hinder the ability to shape a coherent regional strategy there.”

Yet, despite an increasingly disillusioned public, the military’s reach only seems to be growing. Compounding both wars in the Middle East, President Obama launched a third military conflict in Libya—a war that, as Christopher Preble, vice president for defense and foreign policy studies, told *Politico*, “perpetuates the unrealistic expectation that U.S. troops will be deployed on missions that have no plausible connection to national security interests.”

Taken as a whole, these wars reflect an impractical approach to defense. The United States, with 5 percent of the world’s population, now accounts for half its military spending. As Benjamin H. Friedman, research fellow, wrote in the *New York Times*, “We spend too much on defense because we choose too little. We confuse security needs with global ambition and military prowess with the power to reform the planet.” Simply put, spending more than we need to will not make us stronger.

In fact, our wars and conflicts seem to be weakening many of the nation’s bedrock institutions. In the panicked aftermath of September 11, Congress enacted the Patriot



TOP: Launching Cato’s 2011 “Economic Freedom of the States of India” report in New Delhi, Cato research fellow **SWAMINATHAN S. ANKLESARIA AIYAR** (left) presented the publication—along with coauthor **BIBEK DEBROY** (right) and **MONTEK SINGH AHLUWALIA**, one of India’s leading reformers.

MIDDLE: Former World Chess champion turned Russian reformer **GARRY KASPAROV** (left) chats with Senior Fellow **ANDREI ILLARIONOV** (middle) and **IAN VÁSQUEZ**, director of Cato’s Center for Global Liberty and Prosperity, during a visit to the Institute.



BOTTOM: Policy Analyst **MARIAN TUPY** (right) testified about Zimbabwe before the House Subcommittee on Africa and Global Health of the Foreign Affairs Committee in December.

FACING TOP: In May, **ZAINAB AL-SUWAJI**, executive director of the American Islamic Congress, offered observations from her recent visit to the Middle East in the wake of that region’s uprisings. **FACING BELOW:** At a conference in June, **DANIEL J. IKENSON**, director of Cato’s Herbert A. Stiefel Center for Trade Policy Studies, discussed how the U.S. antidumping law undermines competitiveness at home and abroad.





Act—a sprawling overhaul of American intelligence law. At a Capitol Hill Briefing in May, David Rittgers, legal policy analyst at the Cato Institute, analyzed the surveillance powers granted under the Patriot Act and emphasized the importance of preserving our constitutional rights. “Terrorism, contrary to what we’ve been told, is not an existential threat to our liberty,” he argued. “But our own counterterrorism efforts can be.”

This trend is now being mirrored on a much larger scale. The latest *Economic Freedom of the World: 2011 Annual Report*—copublished with the Fraser Institute and more than 70 think tanks around the globe—shows that freedom has fallen worldwide for the second year in a row. But one finding in particular bears repeating. “The world’s largest economy, the United States, has suffered one of the largest declines in economic freedom over the last 10 years, pushing it into tenth place”—a precipitous drop from its third-place position in 2000.

The outlook for freedom—both within our borders and beyond—only underscores the importance of promoting trade liberalization. In January, Daniel J. Ikenson coauthored “Beyond Exports: A Better Case for Free Trade.” While acknowledging the importance of economic growth, Ikenson offered a more sweeping defense of free trade—explaining that “to win the hearts and minds of a skeptical American public, trade advocates need to broaden their arguments.”

In hindsight, his appeals were prescient. As the year progressed, calls to coerce China to reevaluate its currency grew louder, sparking a potential retaliatory trade war. The Cato Institute responded by providing the arguments necessary to avoid excessive conflicts, both commercial and military.

“ IF YOU THINK HEALTH CARE IS EXPENSIVE NOW, WAIT UNTIL YOU SEE WHAT IT COSTS WHEN IT’S FREE.”

P. J. O’ROURKE



“Ending the Global War on Drugs” Conference



DISMANTLING THE RULE OF MAN

Since the passage of the Patient Protection and Affordable Care Act—generally referred to as Obamacare—Cato scholars have been providing the intellectual firepower necessary to challenge its attempt to nationalize 20 percent of the American economy. But the battle is about more than just health care. It revolves around the proper limits of federal control, as senior U.S. district judge Roger Vinson decided in January—an opinion that cited the scholarship of Cato senior fellow Randy E. Barnett. “It is difficult to imagine,” Judge Vinson wrote in striking down the law, “that a nation which began, at least in part, as the result of opposition to . . . a nominal tax on all tea sold in America would have set out to create a government with the power to force people to buy tea in the first place.”

In “The Case against President Obama’s Health Care Reform: A Primer for Nonlawyers,” Cato chairman Robert A. Levy outlined the legislation’s constitutional complexities. “Essentially, the insurance mandate is regulatory bootstrapping of the worst sort. Congress forces someone to engage in commerce, then proclaims that the activity may be regulated,” Levy writes. “If Congress can do that, it can prescribe all manner of human conduct.” The Cato Institute has filed 10 briefs—at every stage of the litigation—to help reverse the worst elements of this unprecedented overhaul.

Obamacare, of course, represented just one of the legal hurdles of 2011. The broad scope of legal and constitutional issues is reflected in the 10th annual edition of the *Cato Supreme Court Review*. This volume, according to Roger Pilon, vice president of Cato’s Center for Constitutional Studies, “examines the Court’s decisions in the light cast by the nation’s first principles: liberty and limited government.” Two important cases reflected the Center’s commitment to preserving the First Amendment in particular—by far the highest profile issue of the term.

In *Arizona Free Enterprise v. Bennett*, the Court identified a host of intriguing legal questions regarding that state’s “Clean Elections” Act—a public financing scheme which



TOP: MARK CALABRIA (right), director of financial regulation studies, spoke with his former boss, **SEN. RICHARD SHELBY (R-AL)**, former chairman and now ranking member of the Committee on Banking, Housing, and Urban Affairs. **MIDDLE: TIM LYNCH**, director of Cato's Project on Criminal Justice, continued to be a strong advocate for reforming criminal law and procedure in the United States. **BOTTOM:** At a Cato Institute Conference in April, **SEN. MIKE LEE (R-UT)** called for a balanced budget amendment to address the burden of federal spending in Washington. **FACING TOP: ROGER PILON**, vice president for legal affairs and director of the Center for Constitutional Studies, moderated a forum for Adjunct Scholar Richard Epstein's book, *Design for Liberty*. **FACING MIDDLE: SEN. JOE MANCHIN (D-WV)** visited the Cato Institute for a private breakfast in April. In Cato's 2010 "Fiscal Policy Report Card on America's Governors," Manchin received an A. **FACING BOTTOM:** Perhaps the leading First Amendment advocate of the past half-century, Senior Fellow **NAT HENTOFF** was previously a columnist at the *Village Voice* for 51 years.





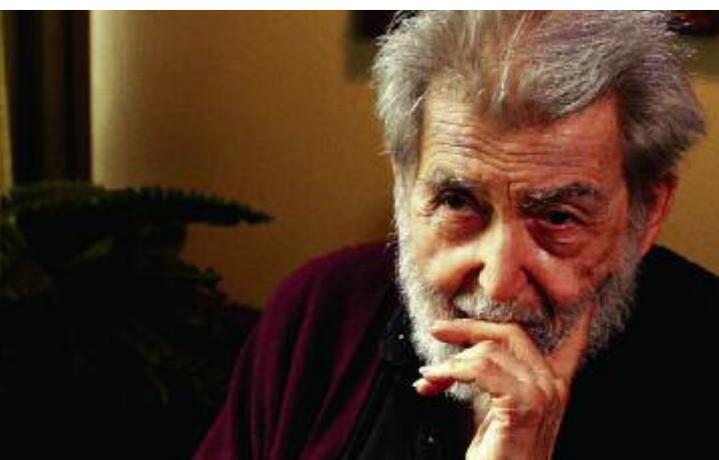
attempts to match the funds of different candidates in the name of “fairness.” Cato filed a brief with the Court, which held that the program substantially burdened free speech. “Allowing the government to abridge political speech . . . not only diminishes the quality of political debate, but ignores the fundamental principle upon which the First Amendment is premised,” Senior Fellow Ilya Shapiro wrote. In its decision striking down the law, the Court adopted Cato’s line of reasoning.

The Supreme Court issued another milestone decision in *Brown v. Entertainment Merchants Association*, striking down California’s prohibition on selling violent video games to minors. In their decision, the judges cited Cato’s amicus brief, which argued that concerns over “the seduction of the innocent” are not new. “They have been raised repeatedly in the past about other new entertainment forms,” the decision explained, “including dime novels, movies, radio, drama, comic books, television, and popular music.”

Luckily, the growing interest in preserving constitutional traditions is not limited to the courts. “Forget about BlackBerrys and American flag lapel pins. The hottest accessory on Capitol Hill is the pocket-sized copy of the Constitution,” *Roll Call* declared last summer—adding that Cato has now distributed more than five million copies of this “diminutive document” worldwide.

The importance of defending civil liberties around the globe has been underscored by one issue of growing momentum. In November Cato directors Ian Vásquez and Tim Lynch held a conference—“Ending the Global War on Drugs”—which included addresses by Mexico’s former foreign minister Jorge Castañeda and Brazil’s former president Fernando Henrique Cardoso, as well as video presentations from former secretary of state George P. Shultz and Mexico’s former president Vicente Fox. The event brought together international leaders and prominent scholars to survey the devastating impact of drug prohibition.

President Cardoso ended the day by calling for a “paradigm shift” in the current battle—and offered a way forward “from just repression to a more humane and comprehensive approach.”





**GEORGE M. YEAGER
CONFERENCE CENTER**

LIBERATING THE FUTURE

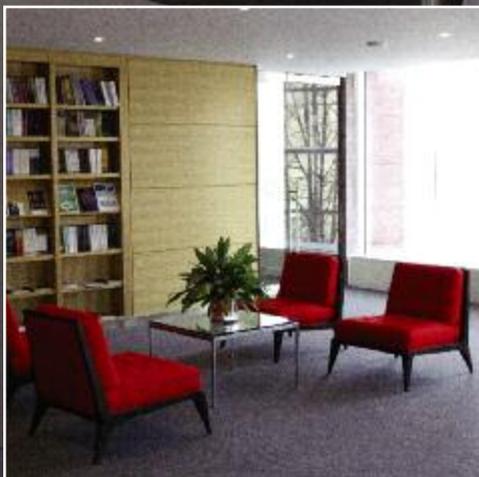
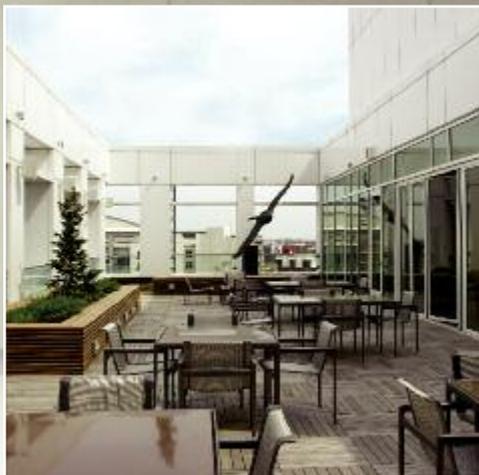
With another year gone by, the threats to our liberties are mounting across the policy spectrum. But against the current political, social, and economic backdrop, the Cato Institute has been expanding—taking great measures to reinforce our mission and meet the country’s challenges moving forward.

Cato is now nearing successful completion of our organization’s most ambitious capital campaign to date—an inspiring effort that has allowed us to double the size of our headquarters on Massachusetts Avenue. The building features a new, larger F. A. Hayek Auditorium, a research library housing the Roy A. Childs Jr. Collection, the George M. Yeager Conference Center, and a state-of-the-art multimedia facility.

More importantly, we’ve initiated plans to add more than two dozen policy scholars to our staff. With additional resources devoted to labor and employment law, financial services regulation, civil liberties, tax and spending policy, and privacy law, we will be able to focus our sights on each of these critical research areas—shifting the terms of the debate by capitalizing on our expanded platform.

As with all of our work, it is the generous support of our Sponsors that has made this program possible. A large component of the funding has come from naming new facilities and policy centers, a few opportunities for which still remain.

TOP: The **KEN & FRAYDA LEVY LIBERTY GARDEN** offers spectacular views from the new seventh floor. **MIDDLE:** A beautiful floating staircase adorns the Wintergarden on the building’s ground level. **BOTTOM:** A quiet seating area featuring the Institute’s latest publications is located on the second floor, directly outside of the new **MELVYN JAY KUSHNER LIBRARY**.



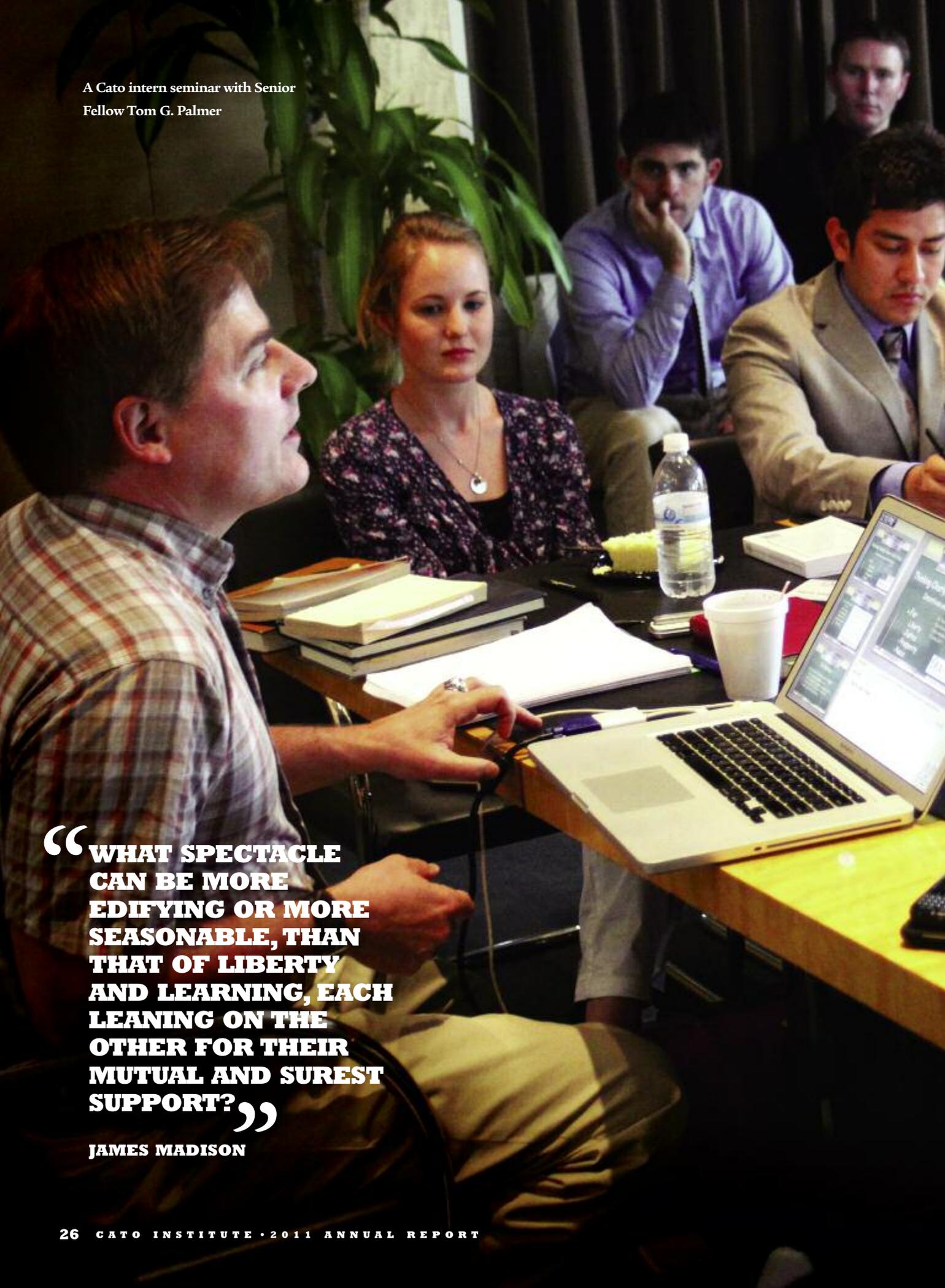


Expanded F. A. HAYEK AUDITORIUM



TOP: The **MELVYN JAY KUSHNER LIBRARY** houses a wealth of essential resources on economics, philosophy, and history, including the **ROY A. CHILDS JR.** Collection. **MIDDLE:** A state-of-the-art classroom, the **RICHARD & SUE ANN MASSON POLICY CENTER** is an ideal venue for intern seminars, student programs, scholar lectures, and visiting dignitaries. **BOTTOM:** The **JAMES M. KILTS CAFETERIA**, located on the third floor, provides the perfect setting for continuing substantive policy discussions over lunch.

A Cato intern seminar with Senior
Fellow Tom G. Palmer



“WHAT SPECTACLE
CAN BE MORE
EDIFYING OR MORE
SEASONABLE, THAN
THAT OF LIBERTY
AND LEARNING, EACH
LEANING ON THE
OTHER FOR THEIR
MUTUAL AND SUREST
SUPPORT?”

JAMES MADISON



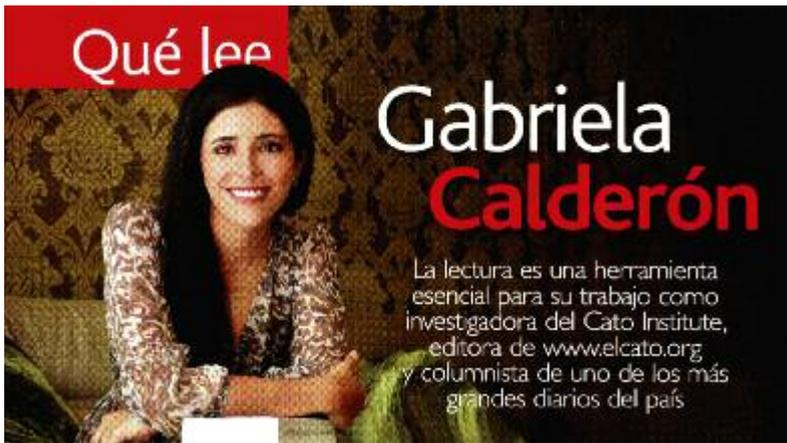
OUTREACH AND EDUCATION

In a year of tremendous political and policy turbulence, Cato continued to provide high-quality resources and unparalleled analysis through the widest range of methods possible. The exceptional communication skills of Cato's policy staff and the intellectual strength of its policy work were combined with Cato's commitment to uniting content with technology. From blogs, Web features, op-eds, and TV appearances, to conferences, research reports, podcasts, videos, and books, Cato expanded and enhanced its ability to connect with its growing global audience.

LEVERAGING TECHNOLOGY TO STRENGTHEN PUBLIC UNDERSTANDING

The year 2011 was one of continued growth in Cato's online presence and in the strategic use of Web and multimedia technology. In bandwidth alone—a measure of how much multimedia material on Cato's website is downloaded or accessed—the numbers nearly doubled over the past year. More people than ever, with the volume consistently increasing, are turning to Cato's growing number of online resources for perspectives, ideas, and analysis. For 2011 this includes

- Millions of annual users and tens of thousands of daily visitors to Cato.org.
- More than double the number of visits to Cato's special Web project DownsizingGovernment.org.
- Nearly triple the number of views of Cato's live online programs and events.
- Over 11,000 subscribers to Cato's highly popular podcast series, which is also widely accessed on iTunes.
- Millions of visits to Cato's highly popular blog, Cato@Liberty, and innovative online exchanges of ideas every month on Cato Unbound.
- Using social media and smart phones for maintaining personal connections with Cato. Over 100,000 individuals



ABOVE: Last summer *Caras* magazine in Ecuador featured an interview with **GABRIELA CALDERÓN**, where she discussed her main intellectual influences as the editor of *elcato.org*. “There is all the difference in the world between treating people equally and attempting to make them equal,” Calderón told the magazine, echoing the words of F. A. Hayek. **BELOW:** Over 150 students, faculty, and supporters attended last year’s Cato University, held in one of the country’s original colonial cities: Annapolis, Maryland. Historian **ROBERT MCDONALD** (at podium) of the United States Military Academy at West Point spoke about Frederick Douglass and the abolitionist movement over dinner on Wednesday night.

are now in Cato’s Facebook community, nearly 120,000 follow Cato on Twitter, over 16,000 subscribe to Cato’s channel on YouTube, and more than 10,000 access Cato.org through our iPhone and Android apps.

MEDIA HIGHLIGHTS: TAKING A STAND ON THE FRONT LINES

In 2011 Cato’s policy experts were cited in 3,754 news articles, authored 519 op-eds, appeared on 853 television interviews, and participated in 1,437 radio interviews. In particular, the perspectives of Cato’s scholars on economic issues were highly sought throughout the year. Cato scholars were cited in 1,012 news articles on economic policy, including 28 citations on the Associated Press wire, 22 in the *New York Times*, and 20 in the *Washington Post*. Cato scholars were also cited in syndicated columns on the economy by George F. Will and Robert Samuelson. Michael Tanner appeared on CSPAN’s *Washington Journal* discussing the president’s just-issued budget proposal and Chris Edwards was featured on CBS’s *Sunday Morning* discussing

the U.S. tax system.

PROVIDING INNOVATIVE AND AUTHORITATIVE RESEARCH

■ **Policy Studies.** Nearly 40 studies were published in 2011 on subjects ranging from Social Security, the drug war, the subprime lending debacle, and privatizing transit, to medical malpractice, immigration reform, and the Gulf oil spill. Furthermore, two key White Papers on the new health care law were published—“The Case against President Obama’s Health Care Reform: A Primer for Non-lawyers” and “The New Health Care Law’s Effect on State Medicaid Spending.” In addition to the distribution of thousands of printed copies, the online response to Cato’s research studies, as well as to *Cato Policy Report* and *Cato’s Letter*, has been consistently growing, with a combined total of over 1 million copies downloaded in 2011.

■ **Cato Journal and Regulation.** Cato’s two flagship subscription publications, mailed to thousands of subscribers



ABOVE: Executive Vice President **DAVID BOAZ** (left) embraced H. L. Mencken Research Fellow **PENN JILLETTE** in the Cato Institute's Wintergarden in August. Jillette was in town promoting his new book, *God, No!: Signs You May Already Be an Atheist and Other Magical Tales*. **BELOW:** Senior Fellow **DOUG BANDOW** (left) met with **GEN.**



JOHN R. ALLEN, the senior U.S. commander in Afghanistan, during a NATO-organized briefing in Kabul. Bandow was part of a delegation that went to Afghanistan to discuss allied policy in the region.

annually, continued to rise in online access. Downloads of *Cato Journal* articles from Cato.org increased by over 50 percent this past year to nearly 820,000, while downloads of articles from *Regulation* grew by 45 percent to 575,000.

PROVIDING FORUMS FOR THE PUBLIC AND POLICYMAKERS

Cato's public programs drew nearly 10,000 attendees in 2011, as well as nearly 3,000 participating in E-Seminars—a monthly series of live online events inaugurated in 2011 for Cato Sponsors. Further, Cato's programs continue to earn a vast national and global audience through live streaming on Cato's website, YouTube channel, and online video archive. Outreach in 2011 included

- Book and Policy Forums on an exceptionally compelling range of topics, with expert speakers—including Patrick Byrne, CEO, Overstock.com, and chairman, The Foundation for Educational Choice, on school funding; George Soros, founder and chairman, Open Society Foundations,

on F. A. Hayek; Andrew Bacevich, Boston University, on the military-industrial complex at 50; David K. Shipler, winner of the Pulitzer Prize, and Susan N. Herman, president of the American Civil Liberties Union, on liberty in America; Hon. C. Boyden Gray, former White House counsel, on the constitutionality of Dodd-Frank; and Sen. Ron Wyden (D-OR) on technology and privacy.

- Cato's Hill Briefings, which combine the insights of Cato policy experts with outside speakers. In 2011 outside speakers included Rep. Chris Gibson (R-NY), Rep. Virginia Foxx (R-NC), Rep. Darrell Issa (R-CA), Rep. Tom McClintock (R-CA), and Rep. Scott Garrett (R-NJ) addressing topics from military spending and restoring limited constitutional government, to transportation, the Patriot Act, and the war in Libya.

- City Seminars with over 1,500 participants in New York City, Chicago, and Florida (Naples, Palm Beach, and Miami) attending events presented by Gov. Rick Scott (R-

LIBERTY. It's a simple idea, but it's also the linchpin of a complex system of values and practices: justice, prosperity, responsibility, toleration, cooperation, and peace. Many people believe that liberty is the core political value of modern civilization itself, the one that gives substance and form to all the other values of social life. **THEY'RE CALLED LIBERTARIANS.**

[60 Second Introduction](#)
[What is Libertarianism?](#)

FEATURED MEDIA

Milton Friedman on Tides of Political Thought in Modern History



July 22, 1999

In this 1999 video from an International Society for Individual Liberty conference in Costa Rica, economist and Nobel laureate Milton Friedman delivers a live lecture to the audience through a teleconferencing system.





FROM THE BLOG

16 FEB Aaron Ross Powell
NEW VIDEO FEATURING MILTON FRIEDMAN ON 300 YEARS OF POLITICAL THOUGHT

15 FEB Jason Kuznicki
PRIVATE LIVES AND PUBLIC EDUCATION

15 FEB Aaron Ross Powell
WHY WE GET MAD AT (SOME KINDS OF) RICH PEOPLE

In November the Cato Institute launched [Libertarianism.org](#), a new website focused on the theory and history of the libertarian tradition. The site, edited by **AARON ROSS POWELL**, features a collection of resources—including new and classic videos, essays on great classical liberals and libertarians, electronic versions of out-of-print books, recommended reading lists, and much more. By examining the philosophy of freedom at a deeper level, [Libertarianism.org](#) seeks to shed light on the animating principles of an open and civil society.

FL); author and Cato research fellow P. J. O'Rourke; Lewis Lehrman, senior partner, L. E. Lehrman & Company, and chairman, The Lehrman Institute; and Scott Rasmussen, founder and president, Rasmussen Reports.

- Cato University, held in Annapolis, Maryland, where nearly 200 participants were immersed in a week of discussions, lectures and special events on the economic, political, historical, and philosophical foundations of liberty.

- Conferences, including Cato's Annual Monetary Conference; Constitution Day; "The Economic Impact of Government Spending;" "The Military-Industrial Complex at 50;" and "Ending the Global War on Drugs."

REACHING THE NEXT GENERATION

Over the past year, Cato has significantly intensified its efforts to attract and energize young classical liberal talent. Cato's Internship Program draws over 3,000 applicants: the 73 interns selected in 2011 received the intellectual ammunition and communications skills needed to take an active role in a free society. In addition, student events drew over 600 participants and 2,000 online viewers, with nearly 9,000 online visitors accessing the event archives. In partnership with the Institute for Humane Studies, Cato hosted a week-long seminar for students, with over 20 lecture and discussion sessions.

CATO BOOKS

CLIMATE COUP

edited by *Patrick Michaels*

Compelling documentation of the pervasive influence global warming alarmism has on almost every aspect of our society.

SCHOOLS FOR MISRULE

by *Walter Olson*

(COPUBLISHED WITH ENCOUNTER BOOKS)

How our nation's law schools have become a hatchery of bad ideas, many of which confer power and status on the schools' graduates and faculty.

CATO SUPREME COURT REVIEW 2010-2011

edited by *Ilya Shapiro*

Analysis from leading legal scholars of key cases from the Court's most recent terms and a preview of the year ahead.

ECONOMIC FREEDOM OF THE WORLD: 2011 ANNUAL REPORT

edited by *James Gwartney, Joshua Hall, and Robert Lawson*

(COPUBLISHED WITH THE FRASER INSTITUTE)

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

CATO PAPERS ON PUBLIC POLICY

edited by *Jeffrey A. Miron*

A collection of innovative articles by national experts on contemporary economic and public policy issues.

THE FALSE PROMISE OF GREEN ENERGY

edited by *Andrew P. Morriss, William T. Bogart, Roger E. Meiners, and Andrew Dorchak*

Realistically evaluates the claims by green energy and green jobs

proponents that we can improve the economy and the environment, almost risk free, by spending billions of dollars on what are ultimately false promises.

REHABILITATING LOCHNER

by *David Bernstein*

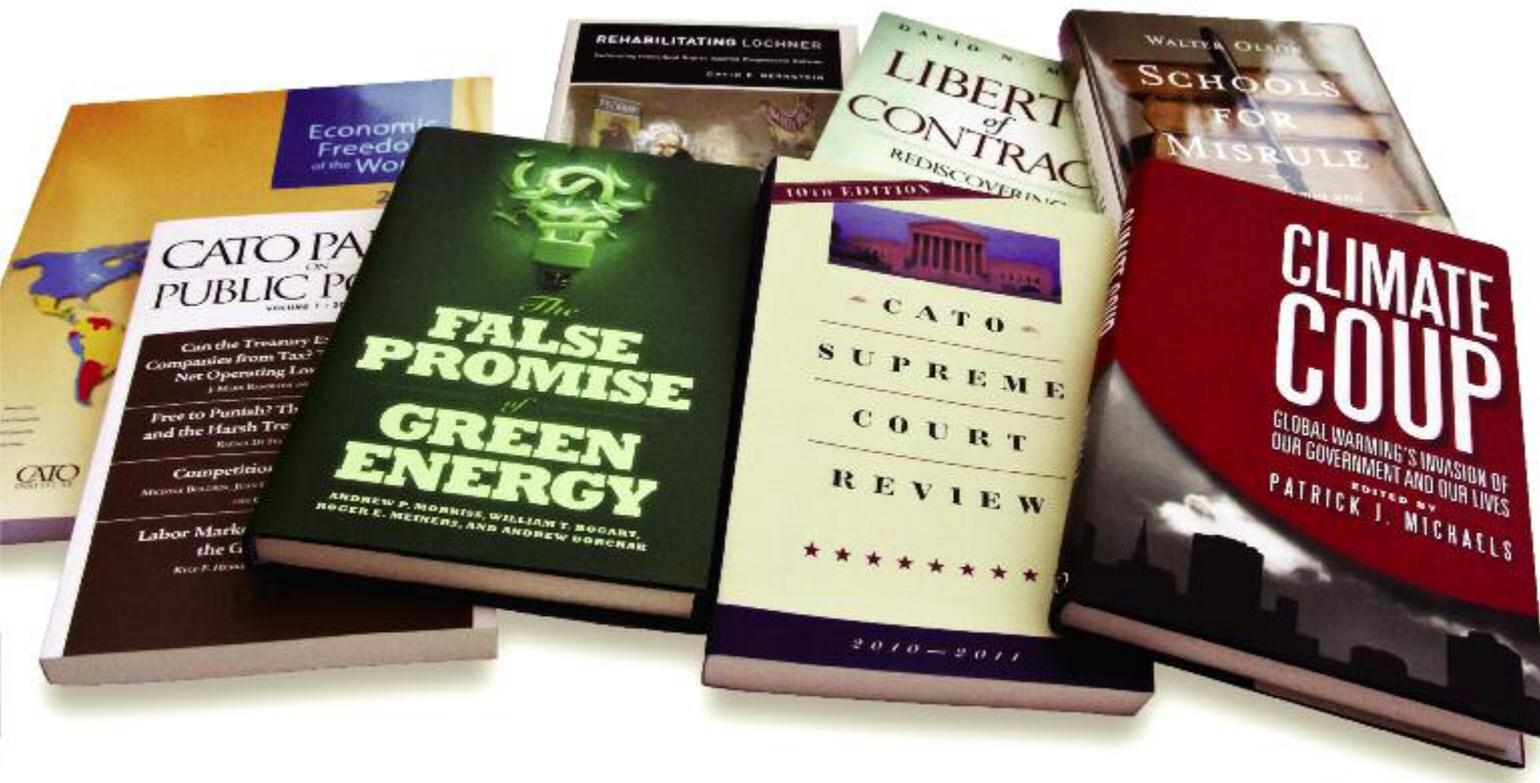
(COPUBLISHED WITH THE UNIVERSITY OF CHICAGO)

A reevaluation of the 1905 Supreme Court decision, which became the leading case contending that certain new economic regulations were unconstitutional.

LIBERTY OF CONTRACT

by *David Mayer*

The history of the fundamental human right of economic liberty, demonstrating how this right has been continuously diminished by court decisions and by our country's growing regulatory and welfare state.



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The unaudited financial information below indicates that Cato’s operating revenues increased modestly in fiscal 2012. Since the inception of its capital campaign the Institute has raised \$46 million of its \$50 million goal. Construction of our expanded headquarters was completed on schedule in March 2012. The cost of construction is reflected on our balance sheet under “building expansion.” Cato’s fiscal year runs from April 1 to March 31.

FISCAL YEAR 2012 OPERATING REVENUE

INDIVIDUALS.....	\$17,648,000
FOUNDATIONS.....	\$1,442,000
CORPORATIONS.....	\$412,000
PROGRAM REVENUE.....	\$926,000
OTHER INCOME.....	\$665,000
TOTAL.....	\$21,093,000

FISCAL YEAR 2012 CAPITAL CAMPAIGN REVENUE

CAPITAL CAMPAIGN.....	\$12,234,000
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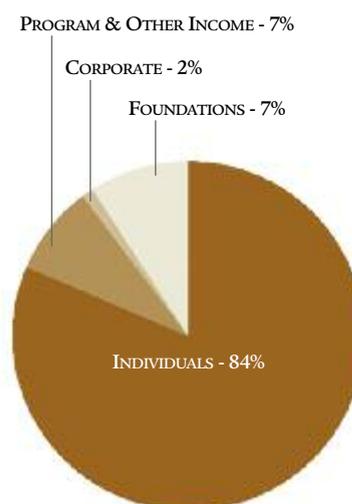
FISCAL YEAR 2012 OPERATING EXPENSES

PROGRAM.....	\$17,723,000
MANAGEMENT & GENERAL.....	\$2,348,000
DEVELOPMENT.....	\$1,801,000
TOTAL.....	\$21,872,000

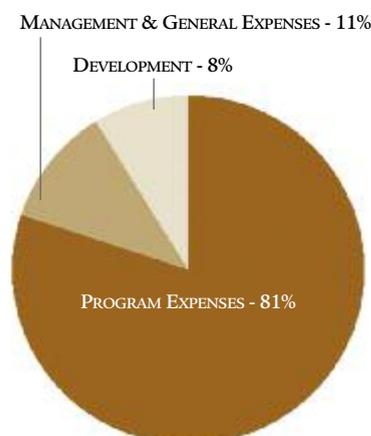
ASSETS AND LIABILITIES

CASH AND EQUIVALENTS.....	\$17,151,000
NET FIXED ASSETS.....	\$6,603,000
BUILDING EXPANSION.....	\$31,434,000
OTHER ASSETS.....	\$12,381,000
LIABILITIES.....	(\$4,632,000)
NET ASSETS.....	\$62,937,000

FISCAL YEAR 2012 OPERATING REVENUE



FISCAL YEAR 2012 OPERATING EXPENSES



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