

40 YEARS  
OF  
ADVANCING  
LIBERTY



CATO INSTITUTE  
**2017**  
ANNUAL REPORT

**Forty years ago, when the Cato Institute first opened its doors, the world was a very different place.**

**F**ew people had heard of libertarianism, communism controlled half the world, and ideas like legalizing gay marriage or marijuana were considered fringe or unthinkable. In the years since, libertarianism has become a household word, free markets have lifted billions of people out of poverty, and millions more people in America and across the globe enjoy a level of personal freedom and wealth that their ancestors never could have imagined. What has remained unchanged is Cato's mission: to spread the principles of individual liberty, limited government, free markets, and peace.

To celebrate these 40 years of progress, Cato welcomed Sponsors, friends of the Institute, and intellectual leaders in the liberty movement from around the world to its Washington, D.C. headquarters on the first weekend of May 2017 for a weekend-long celebration of liberty. On Saturday night, 700 people attended the Institute's 40 Years of Advancing Liberty party, filling five of the Institute's eight floors.

Throughout the weekend, participants both reflected on the past and planned strategically for the future. The event featured a wide variety of panels and speakers, including Pulitzer Prize winners George F. Will and Dave Barry, Sen. Rand Paul (R-KY), political satirist P. J. O'Rourke, Office of Management and Budget director Mick Mulvaney, author Charles Murray, and many others. Many speakers emphasized the unique role that Cato has played in laying the intellectual groundwork for the advancement of libertarian ideas. At the beginning of his speech, Will dubbed Cato the "crown jewel" of the free-market intellectual movement that began organizing in the 1960s. Mulvaney highlighted Cato's frequent influence on legislation, saying, "There are ways that you all influence policy in this country that you don't even realize."

From the Institute's first days as a small band of libertarians based out of San Francisco, to its early days in Washington, D.C., renting a small one-bedroom apartment on Capitol Hill, to breaking ground on 1000 Massachusetts Avenue, Cato has grown into an influential think tank whose research and commentary engage millions of people. Armed with the experience of the past 40 years, Cato will remain a vital voice in Washington as we prepare to face the challenges of the next 40, from the rising tide of populism around the world to government's endless intrusions into Americans' private lives and pocketbooks.

“Connoisseurs of football want to go to Lambeau Field in Green Bay; connoisseurs of college basketball want to go to the Palestra in Philadelphia; connoisseurs of baseball want to go to the corner of Clark and Addison in Chicago to Wrigley Field; and **connoisseurs of liberty** want to go to the corner of Massachusetts and 10th in Washington, D.C.”

—**GEORGE F. WILL**

40 YEARS  
OF  
ADVANCING  
LIBERTY

**CATO 40**

CATO'S 40TH ANNIVERSARY  
MAY 5-7, 2017  
CATO INSTITUTE  
1000 MASSACHUSETTS AVE., N.W.  
WASHINGTON, D.C.



“The Cato Institute is a **libertarian research foundation** which asks questions conventional politicians can’t.”

—**BILL MOYERS**  
CBS News, 1984



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MESSAGE FROM THE  
**PRESIDENT  
& CHAIRMAN**



**PETER GOETTLER**  
PRESIDENT

**ROBERT A. LEVY**  
CHAIRMAN

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s we celebrate Cato's 40th anniversary, we both reflect on the Institute's accomplishments and legacy and look forward to a future of advancing liberty beyond what we can imagine. It's a time to consider the values and principles that have defined the Institute as it has grown into a widely respected policy organization whose research is cited around the world, and it's a time to look forward to achieving more innovation and impact in the decades to come.

In 40 years, Cato has grown substantially in both size and influence and has played a major role in the mainstreaming of libertarianism. We at Cato are highly regarded across the political spectrum for our independence and integrity, and we remain committed to maintaining those standards of rigorous, nonpartisan analysis. Thanks to the generosity of our Sponsors and their unique commitment to liberty, our experts can produce research of the highest caliber and get it into the hands of key academics, thought leaders, and the media. With assistance from new technologies, we can distribute a diverse portfolio of engaging content to an ever larger and broader audience.

Like all Cato Sponsors, we want to leave a better world for the next generation—to ensure that our children and grandchildren can inherit a society of increasing individual liberty, limited government, free markets, and peace. It is particularly gratifying to look back at the Institute's record of nurturing the best libertarian talent: those who were once young Cato interns are now scholars, business leaders, and entrepreneurs helping to make the world a freer place. We will continue to develop the next generation of leaders: this past year, more than 7,000 young people participated in our programs. Applications to our summer internships increased nearly 80 percent—from 760 in 2016 to 1,360 in 2017. Our acceptance rate is even more restrictive than rates at the nation's most elite universities.

The core of the Cato Institute will always be ideas—and unlike other institutions in Washington, our ideas don't change depending on which party is in power, or which views are most fashionable at the time. We are proud to look back to our founding and point to our unwavering support for liberty in every aspect of life, at every time, for everyone. This is what makes Cato a unique and important institution, and it's what makes us grateful to those who share our principles and give generously to advance them. The decades ahead will present new challenges as we confront threats to our values—from the rise of populism, to new hostilities to free speech, to those who would curb the power of markets that have lifted billions out of poverty. But when we look back at how much has changed for the better in the last four decades—the spread of equal rights across the globe, massive increases in wealth and well-being, increasing personal and religious liberty—we remain excited for a continued blossoming of liberty in the days ahead, and for Cato's prominent role in making it happen.



# PIONEERING FINANCIAL FREEDOM

“Meanwhile, the privatization faithful converged on what one might consider **the libertarian St. Peter’s Basilica**. On Social Security privatization, Cato is the **center of the universe.**”

—**MICHAEL HILTZIK**  
*Los Angeles Times*, 2005

In the winter of 2017, Congress passed the largest tax overhaul in decades. Although the legislation is far from perfect, at its center are several key reforms that the Cato Institute has advocated for many years, particularly cuts to corporate taxes to keep America globally competitive. Chris Edwards and Veronique de Rugy’s 2002 policy analysis “International Tax Competition: A 21st-Century Restraint on Government” was an early warning to Congress to cut the corporate tax rate in order to respond to global tax competition—an argument that has since

become a commonplace idea, but was not at the time. Cato’s groundbreaking 2008 book *Global Tax Revolution* also advocated corporate tax cuts, and at the time of its publication, Paul Ryan, then ranking member of the House Budget Committee, declared that “if you haven’t read this book, you should. America is behind the curve when it comes to the way we tax our businesses and companies, and we’re losing jobs because of it.” Edwards worked with members of Congress throughout the negotiations on the bill, and Cato’s in-depth policy forums on tax reform were shown repeatedly on C-SPAN during the buildup to the vote.





Under the direction of Jim Dorn, Cato hosted its 35th Annual Monetary Conference in November. The annual event gathers the nation's top monetary scholars, policymakers, and journalists to discuss the future of free market monetary policy. Loretta J. Mester, the president and CEO of the Federal Reserve Bank of Cleveland, delivered the keynote address, remarking that the longevity of Cato's conference "underscores the important contributions that the series has made over the years to the public discourse on monetary economics and policy." Rep. Andy Barr (R-KY), chairman of the House Subcommittee on Monetary Policy and Trade, declared that "over the last 35 years, Cato's monetary conference has more than earned its status as *the* place where serious thinkers and doers can test and market ideas for a stronger economic foundation."

The Center for Monetary and Financial Alternatives continued its pioneering research efforts with many new studies and books, including *Money: Free and Unfree* by George Selgin and *Monetary Alternatives: Rethinking Government Fiat Money*, edited by Jim Dorn. The Center also said a bittersweet farewell to its director of financial regulation studies, Mark Calabria, who was tapped by Vice President Pence to be his chief economist.



“Cato is in the **vanguard** of market thinking.”  
—**ATLANTIC MONTHLY**  
1985

**OPPOSITE, TOP:** Loretta J. Mester of the Federal Reserve Bank of Cleveland delivers her keynote address at Cato's 35th Annual Monetary Conference. **OPPOSITE, BOTTOM:** (left to right), William D. Lastrapes of the University of Georgia, George S. Tavas of the Bank of Greece, Cato's Jim Dorn, Charles W. Calomiris of Columbia Business School, Martin Feldstein of Harvard University, Stanford's John B. Taylor, and Loretta J. Mester listen to a presentation. **TOP:** Kelly S. King, chairman and CEO of BB&T, speaks at Banking Unbound, Cato's Summit on Financial Regulation held in Charlotte, NC, in June. **CENTER:** In 2008, Paul Ryan, then ranking member of the House Budget Committee, praised Chris Edwards and Dan Mitchell's Cato book *Global Tax Revolution*. Ten years later, Congress has adopted some of the book's key recommendations. **BOTTOM:** At a Cato Policy Forum, author Susan Wharton Gates discusses her book *Days of Slaughter: Inside the Fall of Freddie Mac and Why It Could Happen Again* with former BB&T CEO John Allison and Landon Parsons of Moelis & Company.





# DEFENDING THE CONSTITUTION

“...a venerable libertarian research center **unafraid to cross party lines...** Over the years, Cato has successfully injected **libertarian views** into Washington policy and political debates, and given them **mainstream respectability.**”

—**NEW YORK TIMES**  
March 6, 2012, Page 1

Cato continued its successful amicus brief program, achieving a 9–4 showing at the Supreme Court for the 2016–2017 term and being cited by both the Supreme Court and the Third Circuit. The blog Empirical SCOTUS named Cato’s Ilya Shapiro among its “winningest amicus attorneys” for the term.

The Institute’s humorous amicus brief for *Matal v. Tam* drew much attention. The case centered around an Asian-American rock band that wanted to trademark its name, The

Slants. It was denied the trademark based on the “disparagement clause” in the federal trademark statute, the Lanham Act, which banned the trademarking of terms the government deems too offensive. Joined on the brief by satirist P. J. O’Rourke, former ACLU president Nadine Strossen, and Flying Dog Brewery (whose Belgian-style IPA “Raging Bitch” had also been denied a trademark), Cato skewered the proposition that the government should have the power to decide what constitutes a slur, and it defended the right of persecuted minorities to reclaim terms that have historically been used to marginalize them.



**TOP:** Cato vice president for legal affairs **Roger Pilon** speaks at Cato's 16th Annual Constitution Day Symposium. **CENTER:** Cato vice president for criminal justice **Clark Neily** discusses civil forfeiture at Cato University on the Hill.

**BOTTOM:** Author **Vicki E. Alger** holds up a copy of the Cato Pocket Constitution during a Policy Forum on dissolving the U.S. Department of Education. **OPPOSITE, RIGHT:**

At a Cato Book Forum, **Ilan Wurman** (left) discusses his book *A Debt Against the Living: An Introduction to Originalism* with Cato's **Ilya Shapiro**.



## Center for Constitutional Studies in Action 2017 Court Filings

SUPREME COURT: **57**

SUPREME COURT MERITS: **16**

SUPREME COURT CERT-STAGE: **41**

CIRCUIT COURTS: **15**



Shapiro and the brief were profiled in the *National Law Journal*, with Shapiro explaining, “I’ve been trying to develop a style that is more readable. . . . It’s a way to effectively move the climate of ideas, in a serious way.” All jokes aside, the Supreme Court ultimately sided with Cato, unanimously striking down the disparagement clause as unconstitutional.

The Center was also busy spreading libertarian legal ideas abroad. In late October, members of Italy’s Pietro Nenni Foundation invited Shapiro and Roger Pilon to advise them on setting up an event in Rome similar to Cato’s annual Constitution Day symposium. Pilon was then invited to deliver an hour-long address on American constitutionalism, under the “high patronage” of Italian President Sergio Mattarella. Pilon also had lengthy discussions on constitutional matters with Justice Giulio Prosperetti, a member of Italy’s Constitutional Court, and Counselor Giancarlo Montedoro, legal advisor to President Mattarella.

Meanwhile, the Project on Criminal Justice welcomed Clark Neily as its new vice president in June. Before joining Cato, Neily spent 17 years at the Institute for Justice as a senior attorney. Neily is an adjunct professor at the University of Texas School of Law, where he teaches cutting-edge constitutional litigation, and is the author of *Terms of Engagement: How Our Courts Should Enforce the Constitution’s Promise of Limited Government*. Neily also conceived the idea of challenging the District of Columbia’s restrictive gun control laws with the goal of getting a Supreme Court decision affirming that the Second Amendment protects an individual right to keep and bear arms. He worked alongside then-Cato senior fellow (now Cato board chair) Robert Levy and co-counsel Alan Gura between 2002 and 2008 to develop the *District of Columbia v. Heller* case. They ultimately carried the case to the Supreme Court, which upheld the individual right to possess firearms for the first time in history. At Cato, Neily has begun developing a new strategic blueprint that identifies four of the most fundamental problems with America’s criminal justice system—unconstitutional overcriminalization, self-defeating policing, the practical elimination of criminal jury trials through coercive plea bargaining, and near-zero accountability for law enforcement—along with a plan for proactively challenging those problems.

In October, the Project on Criminal Justice hosted its third annual conference on criminal justice reform, Criminal Justice at a Crossroads. Speakers hailed from courtrooms, universities, law enforcement agencies, and think tanks across the country, and included Steven S. Alm, the retired judge from Hawaii who pioneered the widely praised Hawaii’s Opportunity Probation with Enforcement program; Kevin Sharp, a former federal judge who resigned his lifetime appointment over the injustice of enforcing harsh mandatory minimum sentences; former acting commissioner of U.S. Customs and Border Protection Jayson Ahern, and many others. Cato’s publications on criminal justice also caught the eye of academia, with Jonathan Blanks being invited to participate in the prestigious InJustice Today blog from Harvard Law School’s Fair Punishment Project.





**FREE**  
TO LEARN,  
**FREE**  
TO SPEAK

“ Suddenly **Cato’s dedication** to attacking the way Washington does business is in vogue. ”  
—**WALL STREET JOURNAL**  
1991

**I**n 2016, Cato mourned the loss of our colleague Andrew Coulson, the former director of the Center for Educational Freedom and author of *Market Education: The Unknown History*. Coulson was a passionate advocate of freedom in education, and he had worked for years on bringing to life a three-part documentary that would explore why American education has improved so little over the last century and how innovation and entrepreneurship are revolutionizing education in other parts of the world. Although Coulson tragically passed away before he could see the

documentary air, Bob Chitester of Free To Choose Media fought to see the project through at PBS after Coulson’s death.

Finally, in the spring and summer of 2017, *School Inc.* began airing on public television, appearing in 71 percent of all public television markets in the United States. The documentary follows Coulson as he travels around the world exploring places where education is working—from Chile’s flourishing private school networks to Korea’s underground tutors who are so successful that they’ve become millionaires.





The documentary was influential enough to draw the ire of the National Education Association—the largest union in the United States—which at its national convention adopted an “official position of objection” to PBS’s airing of *School Inc.* Diane Ravitch, the former assistant secretary of education and well-known critic of school choice, also published several attacks on *School Inc.* that were covered in the *Washington Post*. PBS nevertheless defended its decision to air the documentary, citing its “high editorial standards” and its commitment to “offer programs that reflect diverse viewpoints and promote civic dialogue.”

The critics’ quest to silence Coulson’s findings on education reflected a worldwide problem in 2017: the sustained assault on free speech and association that came from both ends of the political spectrum. As the left sought bans on “hate speech” and proposed “trigger warnings” for anything that might be deemed offensive, many on the right campaigned against “fake news” while the president railed against the press and threatened to strengthen libel laws. The Cato Institute, however, remained dedicated to defending free speech for all.

Cato research fellow Emily Ekins’s 2017 report *The State of Free Speech and Tolerance in America* brought record-breaking web traffic to Cato’s website in October, eclipsing January’s previous record. Ekins’s extensive and timely report was alternately encouraging and concerning: the majority of Americans oppose hate speech laws, and 67 percent of Americans say that free speech ensures that the truth will win out, but at the same time, many Americans also hold troubling views along partisan lines. Fifty-three percent of Republicans support stripping citizenship from people who burn the American flag, for example, while 51 percent of Democrats support a law that requires Americans to use transgender people’s preferred gender pronouns. Ekins’s report was cited widely, including by the *New York Times*, the *Washington Post*, and *The Atlantic*.

Meanwhile, the Danish government announced that it had invited Cato’s Flemming Rose to be 1 of 10 people to form a Free Speech Commission. The Commission will provide an assessment of the legal foundation, history, and general status of free speech in Denmark and will provide information for a national debate over free speech and its limitations.



**OPPOSITE:** The Hayek Auditorium is packed for a panel discussion on whether President Trump will threaten free speech, featuring **Francis H. Buckley**, Cato’s **John Samples** and **Flemming Rose**, and First Amendment lawyer **Robert Corn-Revere**. **TOP:** Cato’s **Flemming Rose** and **John Samples** (left) participate in a panel on the future of free speech. **CENTER:** **Kmele Foster** of Freethink speaks on a panel at Cato’s conference, *The Future of the First Amendment*, along with scholar **Jeffrey Herbst** (left). **BOTTOM:** Cato’s **Emily Ekins** discusses the findings of the 2017 Cato Free Speech and Tolerance Survey.



**CHARTING  
THE WAY  
FORWARD**

# Regulation

THE CATO REVIEW OF BUSINESS AND GOVERNMENT

CATO  
INSTITUTE

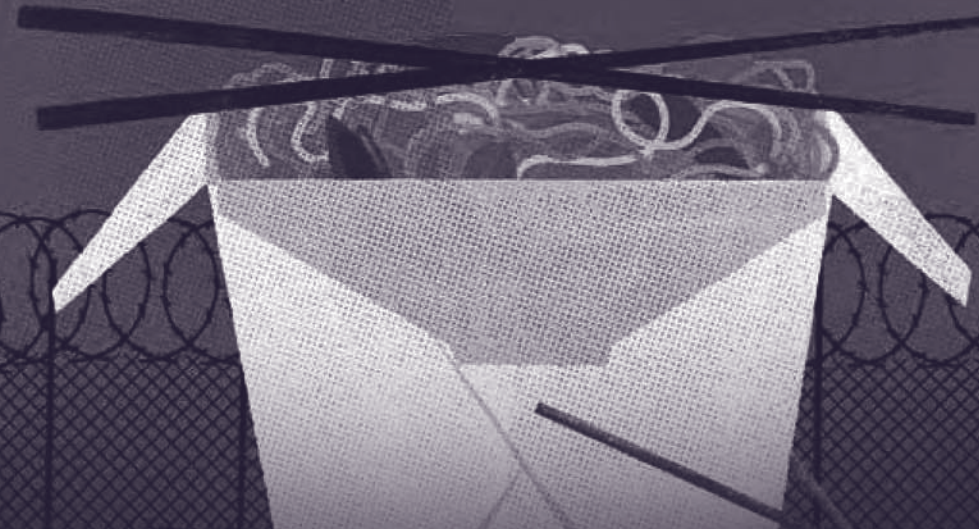
Will the CRAVE  
'Zombie' Regulations?

The Benefit of Compensating  
the Wrongly Convicted

SUMMER 2017 / Vol. 40, No. 2 / \$6.95

## THE 'WAR' ON CHINESE RESTAURANTS

A century-ago immigration fight echoes today



“ In Washington the libertarian Cato Institute is suddenly **the hottest think tank in town**, its long-running commitments to **privatization, budget cutting and the restriction of federal power** reflected in the Republican ‘Contract with America.’ ”

—**ROLLING STONE**  
1995

Cato prides itself on not merely analyzing what's wrong with policy, but on getting that analysis into the hands of influencers, offering them concrete policy solutions, and effecting real change. For many years, one of Cato's most powerful tools for disseminating detailed but pithy analysis to busy policy experts and the media has been *Regulation* magazine, its quarterly journal where the nation's top economists, law professors, and other policy experts offer easy-to-understand explanations and insights on

current topics in regulatory policy. The year 2017 marked the 40th anniversary of *Regulation*, which was initially published by the American Enterprise Institute and then moved to the Cato Institute in 1990 under the editorship of Bill Niskanen.

Cato's Peter Van Doren has edited the magazine since 1999 with the goal of making it a summary of important articles in economic journals, along the lines of *Scientific American* or *Reader's Digest*—something that college-educated readers with an interest in regulatory reform, but without advanced training in economics, can easily access.





Its regular readers include newspaper columnists; staff economists for Congress and government agencies, who use its articles to advise their noneconomic bosses on pressing economic issues; corporate executives; and college professors, who frequently use *Regulation* articles in their undergraduate classes.

In a special 40th anniversary edition of *Regulation*, Van Doren and managing editor Thomas Firey reflected on some of the major victories that have been achieved in regulatory policy over the past four decades, thanks in part to the scholarship that has appeared in the magazine's pages. In the mid-20th century, economists and legal scholars became increasingly skeptical of "market failure" justifications for regulations. At the same time, computer technology and the increased availability of social science data allowed them to test their suspicions and prove that regulations were hurting, rather than helping, the economy. Their work ultimately inspired a push toward deregulation and doing away with the traditional price and entry regulations that *Regulation* was initially founded to critique, such as railroad and airline regulations. And even more hearteningly, these regulations are not in danger of returning anytime soon. "There is no movement to reinstitute the Civil Aeronautics Board or repeal branch banking," wrote Van Doren and Firey. "Even in the darkest days of last decade's financial crisis, calls for restoring the repealed sections of the Glass-Steagall Act gained little traction." While other types of harmful regulation certainly remain, *Regulation's* legacy proves that smart scholarship can make a real difference in the policy world.

*Regulation* has also won recognition for its artistic merit. The Washington Publishers 2017 Book Design and Effectiveness Awards awarded *Regulation* its first-place prize in the Journal Cover category. Cato publications also took both first and second place in the Technical Text: Non-profit Publisher category—*Freedom in the 50 States* won first place, and *The Human Freedom Index*, copublished by the Cato Institute, the Fraser Institute, and the Liberales Institut, won second place. Arnold Kling's *The Three Languages of Politics*, published by Libertarianism.org, won second place in the Typographic Jacket or Cover: Non-Profit Publisher category.

Another of Cato's most effective publications for influencing policy change is the *Cato Handbook for Policymakers*, with the eighth edition being published in 2017. The new edition contains 80 chapters of policy advice, from foreign policy, trade, and immigration to regulatory and fiscal reform, health care, school choice, and drug policy. It provides lawmakers and their staffs a comprehensive but accessible guide to exactly how to fix U.S. policy, offering both practical short-term solutions and bigger-picture arguments for a libertarian future.



**OPPOSITE: Rep. Justin Amash (R-MI)** (at lectern) praises the *Cato Handbook for Policymakers*, saying, "Any time something comes up in Washington where I have a question about what might libertarian policy-makers want to consider, I look to Cato Institute scholars." **LEFT:** Cato's executive vice president **David Boaz** speaks at the Capitol Hill launch of the 2017 edition of the *Cato Handbook for Policymakers*.

## Online and Media HIGHLIGHTS

- VISITS TO ALL WEBSITES: **14.9 MILLION**
- THE CATO DAILY PODCAST DOWNLOADS: **3.1 MILLION**
- TV AND RADIO APPEARANCES: **2,536**
- OP-EDS: **1,786**
- BLOG POSTS: **1,086**
- MOST DOWNLOADED PDF: *Human Freedom Index 2016*: **221,678 DOWNLOADS**
- MOST VISITED WEBPAGE: *Terrorism and Immigration: A Risk Analysis*: **267,309 VISITS**
- MOST VIEWED PODCAST ON

- LIBERTARIANISM.ORG: Free Thoughts: "Who Elected Donald Trump?": **171,016 DOWNLOADS**
- MOST VIEWED CATO DAILY PODCAST: *The Soul of the First Amendment*: **128,054 DOWNLOADS**
- MOST VIEWED LIVE EVENT: *Stingrays: A New Frontier in Police Surveillance*: **9,934 ONLINE VIEWERS**

## 2017 EVENTS

- BOOK FORUMS: **16**
- POLICY FORUMS: **37**
- CAPITOL HILL BRIEFINGS: **27**
- STUDENT LECTURES: **77**
- CITY SEMINARS: **7**
- CONFERENCES: **13**



# MAKING LIBERTY GLOBAL



ver its 40 years, Cato has extended its libertarian research and advocacy around the globe. After launching a new website design in 2017, ElCato.org, Cato's Spanish-language website, enjoyed record-breaking views in October. Between May and September, the reach of its Facebook posts increased 221 percent, and post impressions increased by 117 percent. Over the same period, ElCato.org Twitter followers increased by 23 percent, and retweets increased by 52 percent. A video that ElCato.org

produced highlighting the atrocities committed by Che Guevara went viral, with well over a million views.

ElCato.org's editor, Gabriela Calderón de Burgos, made waves in Ecuador. Her regular column at *El Universo*, one of the largest newspapers in the country, received formal responses from the Ecuadorian attorney general (procurador del estado) and from the deputy director at the National Institute of Normalization, the nation's most important regulatory agency. The latter devoted four pages in *El Universo* to indignantly objecting



“The libertarian think tank has emerged as **one of the feistiest voices in Washington.** [Its] biggest coup may have been turning the privatization of Social Security into **a legitimate issue** for political discourse.”

—**REGARDIE'S  
POWER**  
2000





to her column, after she quipped that the Institute is really the “tramitología INENficiente,” a play on its acronym INEN that translates to “inefficient red tape.”

Cato also continued its important work in measuring freedom worldwide, with new editions of *The Human Freedom Index*, copublished by the Cato Institute, the Fraser Institute, and the Liberales Institut, and the *Economic Freedom of the World: 2017 Annual Report*, copublished by the Fraser Institute and the Cato Institute. The latter featured an important innovation this year: for the first time ever, the report adjusts for inequality in economic freedom in countries that do not afford equal rights to men and women. As a result, some countries, such as Qatar, Saudi Arabia, Bahrain, and the United Arab Emirates, saw their ranking drop by more than 20 places. The United States ranked 11th in this year’s *Economic Freedom* report—up a bit from last year’s 13th (when adjusted for gender disparity), but still far below its 2000 ranking, when it stood in 4th place. On the new *Human Freedom Index*, the United States ranked even lower, at 17th.

One of the most urgent global issues in 2017, as well as one of the most heated American policy topics, was immigration, as the Trump administration vowed to crack down on both legal and illegal immigration even as the Middle East’s refugee crisis worsened. In January, the Trump administration issued an executive order banning all immigration from several majority-Muslim nations. Cato’s David Bier wrote an op-ed for the *New York Times* arguing that the ban was illegal, since Congress explicitly outlawed discrimination against immigrants based on national origin decades ago. Bier’s analysis was cited on the front page of the *Washington Post* and in the *Wall Street Journal*, and it went on to fuel much of the initial commentary around the ban. “The gentleman with the most impact over the weekend was . . . David Bier at the Cato Institute’s Center for Global Liberty and Prosperity,” said Tom Keene of *Bloomberg Surveillance*. When various groups sued the White House over the executive order, a federal appeals court used Bier’s argument to reject the ban as illegal, and two appeals courts cited Cato’s amicus briefs challenging the program. Interest in Cato’s immigration work in January brought record-breaking traffic to the Cato site, although that record was then surpassed in October, thanks largely to the Free Speech and Tolerance Survey.

Several other Cato blog posts and studies on immigration were widely read and cited this year, including Alex Nowrasteh’s groundbreaking 2016 immigration and terrorism risk assessment, the first report to evaluate the risk of terrorism by immigrant visa type, which continued to be cited regularly in Congress and in the media; Cato visiting fellow Ike Brannon’s post on the enormous economic and fiscal impact of repealing DACA; Bier’s post explaining the long lines for green cards, in which time can, in effect, “move backwards,” and which also



**OPPOSITE:** Kim Katagiri, who, as a teenager, led the libertarian Free Brazil Movement that inspired millions of Brazilians to protest government corruption, spoke with Cato’s **Gabriela Calderón de Burgos** at the Annual Benefactor Summit in Naples, Florida, in March. **TOP:** Ukrainian finance minister **Oleksandr Danylyuk** speaks at a private lunch with Cato scholars. **CENTER:** At a Cato Policy Forum, mayor of Johannesburg **Herman Mashaba** made the case that liberty and the private sector are essential to achieving progress in South Africa. **BOTTOM:** **Sen. Ron Johnson (R-WI)** (at lectern) discusses the need for state-based visas at a Capitol Hill Briefing, along with Cato’s **David Bier**.



**TOP:** Cato's **Alex Nowrasteh** discusses immigration reform at a Capitol Hill Briefing in May. **CENTER:** (Left to right) **Mustafa Akyol** of Wellesley College, Cato's **Ian Vásquez**, and **Shadi Hamid** of the Brookings Institution debate whether an Islamic liberalism that is compatible with secular democracy and a free society is a real possibility, or a false hope. **BOTTOM:** Peruvian minister of justice **Marisol Pérez Tello** visits the Cato Institute for a lunch with Cato scholars. **OPPOSITE:** (Left to right) Cato's **Emma Ashford**, **Ariane Tabatabai** of Georgetown University, Cato research fellow **Benjamin Friedman**, Ambassador **Wendy Sherman**, and **Laura Rozen** of *Al-Monitor* discuss the Iran nuclear deal.



contributed to Cato's highest traffic day to date in October; and Nowrasteh's study, cowritten with Michelangelo Landgrave of the University of California, which provided the first rigorous attempt to estimate illegal immigrant incarceration rates.

Cato's immigration arguments also made gains in Congress. In May, Sen. Ron Johnson (R-WI) introduced a bill to create a state-based visa pilot program that would allow states to tailor immigration programs to their own particular economic needs, and thus create a competitive system among the states that would accord with America's tradition of federalism. Johnson modeled this bill, which Sen. John McCain (R-AZ) cosponsored, after a policy that Cato first proposed in 2014 and has continued to advocate ever since. "I certainly want to thank the Cato Institute for . . . working very closely with myself, my staff, and Congressman [Ken] Buck in developing this pilot program," said Johnson.

Throughout its history, Cato has often stood alone on foreign policy issues, warning against reckless interventions and nation-building when all others are beating the drums of war. In 2017, Cato's Trevor Thrall and Emma Ashford launched a new biweekly podcast, *Power Problems*, aiming to bring a realist perspective on foreign policy to a broader and younger audience. After the podcast had been on air for just a few months, each episode regularly exceeded 1,900 unique downloads. The podcast's popularity reflects a growing shift in policy, with more and more Americans, especially young people, growing skeptical of their country's endless and fruitless wars and taking an increasingly libertarian view on foreign policy.

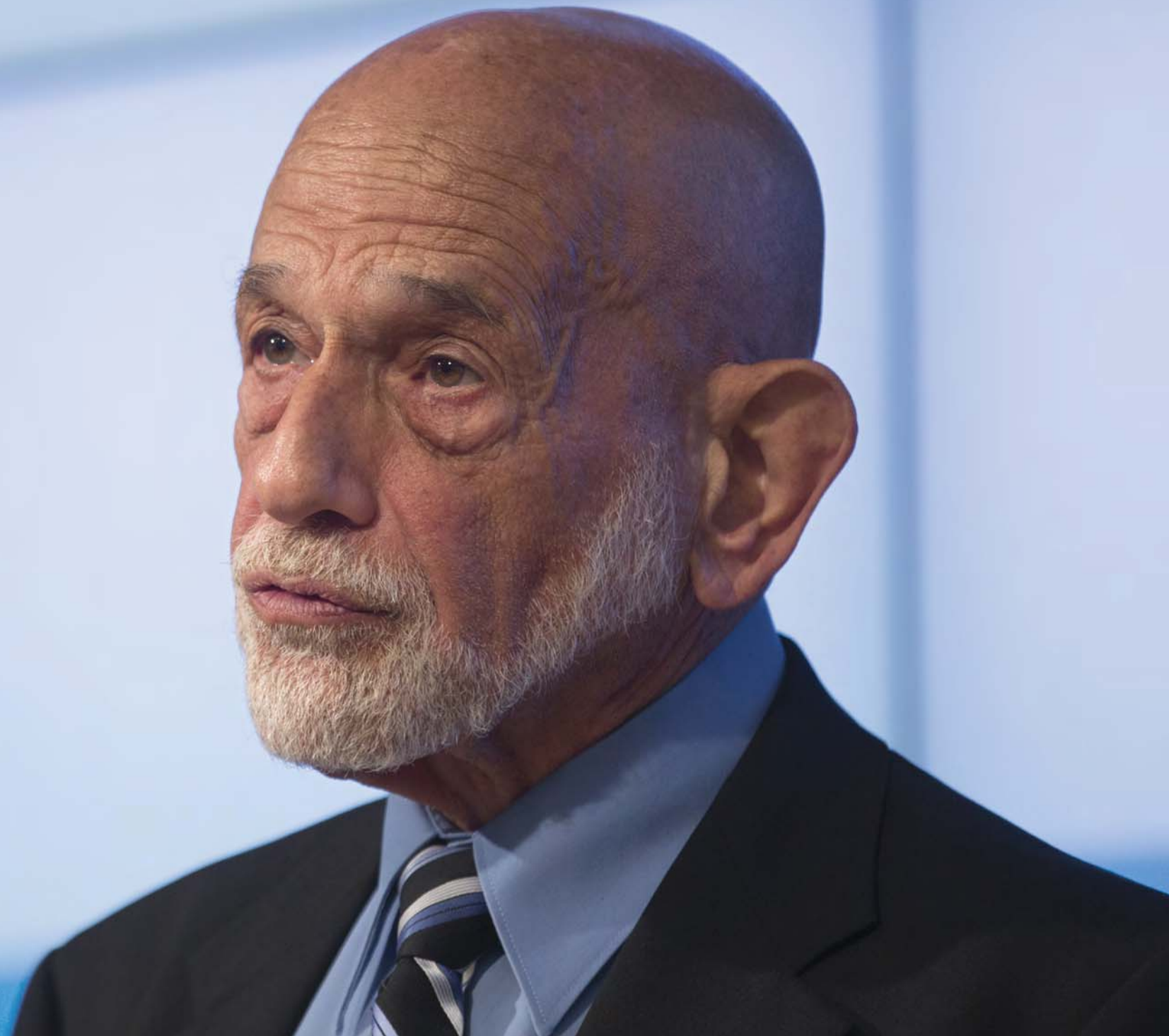
Cato scholars also continued to play an important role in critiquing government surveillance, as Congress battled over reauthorizing the controversial Section 702 of the Foreign Intelligence Surveillance Act and the Russia investigation brought concerns about government power and secrecy into the news. In 2017, Cato's Julian Sanchez authored three of the top 15 articles on the Russia investigation posted by Just Security, an online forum that analyzes U.S. national security law and policy, based at the New York University School of Law.

International trade, a cornerstone of global peace and prosperity, unfortunately suffered a blow this year as the Trump administration pulled out of the Trans-Pacific Partnership and adopted a hostile stance toward free trade in general. Cato's Herbert A. Stiefel Center for Trade Policy Studies remained a rare voice defending trade not as an "us against them" battle where we must fight to keep our borders as closed as possible, but as an opportunity that benefits all parties. At an October conference, *Renegotiating NAFTA: Prospects and Challenges*, the Center gathered experts from across the country to discuss the future of trade, including former chairman of the WTO Appellate Body Jim Bacchus, Bill Reinsch of the Stimson Center, former Canadian NAFTA negotiator John Weekes, and many others.



# REMARKS FROM THE **CATO40 CELEBRATION**

BY ROBERT A. LEVY,  
CHAIRMAN



# W

ithout Cato, there would be no wholly consistent voice on behalf of individual liberty and limited government. And

thanks to our work, journalists and policymakers understand that the ideas of the American Revolution are alive today.

If we look at specific policy areas, Cato was the first to point out the seriousness of Social Security's financial problems and offer a private investment alternative. José Piñera,

the co-chairman of our project on Social Security Choice, was the architect of successful privatization in Chile, and we are still fighting for entitlement reform here in the U.S., where the fiscal implications of Social Security, and Medicare, and Medicaid, of course as you know, are dismal.

On the health care front, Cato fought to introduce consumer choice, and those efforts resulted in health savings accounts, a significant step toward a free-market health care system. In March of 2015, the Supreme Court heard a second major challenge to the legality



of Obamacare, and that challenge was crafted by Cato's director of health policy studies, Michael Cannon. We were not successful in getting Obamacare overturned, but we were successful in demonstrating its flawed structure and its coercive underpinning. Repeal and replace is on tap, thanks in major part to Cato's policy analyses.

Cato's Center for Constitutional Studies, which is now in its 28th year, is a superb example of Cato's impact. Under Roger Pilon's innovative leadership, the Center has been a vigorous advocate for a textual interpretation of the Constitution and principled judicial engagement in binding the legislative and executive branches with the chains of the Constitution.

Roger and Ilya Shapiro, who is the editor-in-chief of our peerless *Supreme Court Review*, have compiled just an amazing record of amicus briefs, with the Supreme Court deciding in favor of the party that we supported in an overwhelming percentage of the cases in which the Cato Institute filed. I don't have to tell you how important that is, because three Supreme Court justices, two liberals and one swing vote, are in or near their 80s.

In 2014, we launched our expanded Center for the Study of Science. The center offers an objective and rational challenge to the pseudoscientific claims of the climate change alarmists. That same year, Cato's Center for Monetary and Financial Alternatives got underway. It is a groundbreaking initiative, brought together by the most distinguished group of scholars and businesspeople ever associated with a libertarian organization, and the center will aggressively respond to the threat of an undisciplined central bank and fiat money.

No matter whether we are critiquing the Fed or battling Obamacare, we know that reaching a young audience is essential to positioning Cato for the future. And thanks to the special generosity of Bill and Rebecca Dunn, our libertarian leadership project will

enable the Institute to dramatically expand its online reach to young people and to other tech-savvy friends of liberty.

The leadership project is going to supplement the work that we are doing through our intern programs and through Cato University. There are several thousand young, potential libertarians that have gone through Cato University. (We had nearly 1,400 applicants for only 30 internship positions this past summer!) So we recognize the compelling need to communicate with a student audience.

Students today are propagandized by their professors. Last September there was a study published by *Econ Journal Watch* examining faculty voter registration at 40 leading universities. They surveyed 7,000 professors. Democratic registrations outnumbered Republicans by 11 to 1. History departments were by far the least friendly to conservatives. Liberals outnumbered conservatives in terms of registration in history departments by 33 to 1. Fifty years ago that ratio was less than three to one, but sadly the trend could be even worse over the coming years. The ratio for young professors, under age 36, is even more tilted than for professors over the age of 65. So it's not just the college, of course. The indoctrination begins far earlier. And one counterstrategy at the primary and secondary level is school choice.

The late Andrew Coulson directed Cato's Center for Educational Freedom and produced a three-part documentary embracing free market reforms. These reforms would make schools more innovative and more responsive. That documentary, *School Inc.—A Personal Journey*, is now available on PBS stations across the country and gives us a unique opportunity to present our solutions to a national audience that we might not otherwise be able to reach.

Cato's experts are in great demand to analyze the various tax reform and budget proposals now being floated. We try to unravel those proposals so they

can be understood by the public. A recent poll showed that 70 percent of Americans favor a referendum on whether to raise taxes on the rich. A later poll indicated that 75 percent of Americans don't know what a referendum is. So, it is plain that our input on these complicated questions is essential.

Also in the economic arena, Cato's fiscal report card on the nation's governors has received heightened attention. Our Herbert A. Stiefel Center for Trade Policy Studies was a key player in the debates over trade promotion authority and the Trans-Pacific Partnership, so even when our views do not prevail, they lay the groundwork for progress down the road.

We have also been a prominent defender of civil liberties, especially in the debates over government surveillance and privacy. And meanwhile our project on criminal justice has been instrumental in steering public opinion against police militarization and against the drug war. It won't be long before marijuana is legalized across the country. We are going to win that battle, and indeed I wouldn't be surprised to see marijuana companies publicly traded, and they will be the first stocks that you can buy high and sell high.

I think, most important, we are advancing the moral and philosophical arguments for liberty. Our first two online courses are now available from [Libertarianism.org](http://Libertarianism.org). They are aimed at young people, but they are offered, of course, to everybody. More courses are on the way, accessible to a large and growing audience, as is our CatoAudio iPhone app.

In short, we are an independent, non-partisan source of intellectual ammunition to the public, to government, to the educators, and to the media. Our purpose is to move public policy in a pro-liberty direction.

Some have asked what should Cato do differently in the future, and that question reminds me of a similar inquiry that we often get at the Center for Constitutional Studies, and that is what future changes to the U.S. Constitution would you recommend? And our

standard answer at Cato is just one change to the Constitution. We ought to add these five words at the end: "and we really mean it." In other words, we simply need to reemphasize and reinforce the principles of constitutional government embraced by the Framers.

In the same sense, Cato's overall role in the future is to reemphasize and reinforce the same libertarian principles that we have embraced for 40 years. That said, we are going to be doing much more.

Cato has major plans for innovation. Not only in expansion of our policy work, but in an investment in the distribution of our ideas. We are going to have a research analyst program to nurture young talent,

“No matter whether we are critiquing the Fed or battling Obamacare, we know that **reaching a young audience is essential** to positioning Cato for the future.”

and a visiting scholars program where we are going to become more effective on Capitol Hill, and more engaged in state issues. We are going to be exploring the latest technologies in marketing and fundraising; we are going to look at creative, nontraditional media, and we will be an incubator for new pro-liberty organizations.

With your help, these next years are really going to be exciting times at the Cato Institute. Cato's friends and allies understand that we are fighting an uphill battle on both domestic and foreign issues, no matter whether Democrats or Republicans are in power. Politicians get elected for bringing home the bacon and not for telling constituents that they cannot have something.



# CATO40

The Cato Institute's 40th Anniversary Celebration, May 5–7, included two and a half days of speeches and panel discussions from leading thinkers on the past and future of liberty. Seven hundred people attended Saturday night's 40 Years of Advancing Liberty party. The party sprawled over five of the Institute's eight floors, each decorated in a different theme—beginning with the San Francisco cioppino on the lowest level and ending with the rooftop bar in the Ken & Frayda Levy Liberty Garden.



## On Cato's Website

Read more about the Cato Institute's 40 years of advancing liberty, including

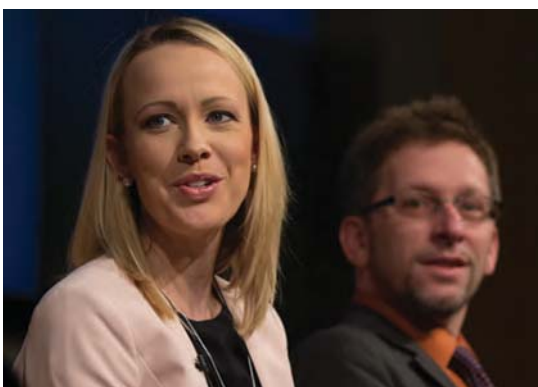
- A timeline of Cato events from 1977 to now
- A special online forum of essays on the future of liberty from Deirdre McCloskey, Leszek Balcerowicz, Tyler Cowen, and more
- Videos of Cato scholars on television
- A special 40th anniversary video

[www.cato.org/Cato40](http://www.cato.org/Cato40)



# CATO40

At Saturday evening's 40 Years of Advancing Liberty party, guests entered the Institute on a red carpet, and then mingled throughout five floors of the Institute. Each floor featured different cuisines and activities, including a live band, dance floor, and photo booth. The Cato40 weekend also featured an array of panels and speakers, including **George F. Will** and **P. J. O'Rourke**.





# CATO FOR THE NEXT GENERATION

Cato is dedicated to identifying and developing the future leaders, thinkers, advocates, and supporters of the libertarian movement, thereby promoting the principles of individual liberty, limited government, free markets, and peace. Through a wide array of programs and resources

that educate and empower, Cato provides students with the skills, experience, and networks to both succeed professionally and promote the cause of liberty.

In 2017, Cato hosted over 50 student groups at our headquarters in Washington, D.C. These visits, called Student Briefings, gave over 1200 students the opportunity to directly learn from and engage with Cato's renowned policy scholars.

Through our own events and through participating in the events of partner organizations, Cato was able to engage thousands more students and present them with compelling arguments for liberty. Cato's largest student-oriented event, the Libertarianism vs. Conservatism Debate, was attended by 385 people, had over 5,000 online viewers, and garnered nearly 5,000 podcast downloads.

Cato University, Cato's premier educational seminar program, was attended by 43 Bastiat Scholarship recipients in 2017. The three-day Cato University seminars are held across the country and bring together outstanding faculty and attendees from around the world. While the topics for each Cato University program will vary, the goal remains always the same: to provide participants, who share a commitment to liberty and learning, an opportunity to form new and enduring friendships and perspectives in a one-of-a-kind environment.

“My Cato internship was **truly life-changing**, and I will carry the **knowledge** and **friendships** I gained with me throughout my **career** and **life.**”

—**NATALIA GALINDO**  
Chía, Colombia

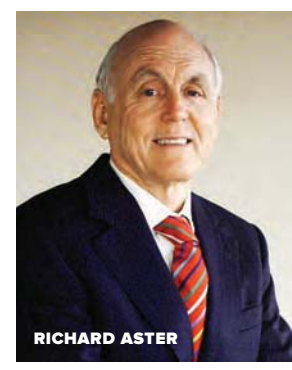
Through our prestigious internship program, students and early-career professionals play an instrumental role in helping the Cato Institute advance libertarian principles. This year, Cato hosted a total of 87 interns for three semester-long sessions—spring, summer, and fall. Assigned to specific departments based on their interests and backgrounds, interns work one-on-one with scholars and staff on research and the communication of that research.



## A LEGACY FOR LIBERTY

Creating a planned gift to an organization that shares your strongest values is one of the most important statements you can make. Cato is honored and grateful to have many champions in our Legacy Society make such a statement. In return, we pledge

lifetime through a significant bequest to Cato. His bequest is among the largest Cato has ever received and has had a major impact on Cato's ability to fulfill our mission.



**RICHARD ASTER**

a committed pursuit of our shared vision for freedom and prosperity.

Richard Aster was one such devoted friend to Cato. During his life, he was a loyal and long-term supporter of Cato. In fact, he was more than a supporter—he became part of the fabric of Cato. Over the years, Richard—Rick—kept pace with the work of Cato's scholars and became a personal friend to many at Cato. As someone who fervently believed in individual liberty, free markets, and the rule of law, Rick created a plan to fund Cato's work beyond his

Rick Aster had many passions in life. As a natural athlete who played golf, tennis, and basketball, Rick coached Catholic Youth Organization basketball for many years, often bringing his team to the championship level. Rick also traveled the world, digging deep into the history and economics of each country he visited. Not surprisingly, this world traveler was a voracious reader of history and biography. Fit, well traveled, and well read, Rick was passionate when it came to politics and economics.

Professionally, Rick was so successful as a money manager that he was named the Morningstar runner-up manager of the year in 2010. He believed in the positive power of free markets and individual liberty. And in the Cato Institute he found a powerful and effective advocate for the ideas that he believed must necessarily form the basis of a free and prosperous society.





## CATO BOOKS

### THE CATO SUPREME COURT REVIEW (2016–2017)

EDITED BY ILYA SHAPIRO

Leading legal scholars analyze the key cases of the Court's most recent term, plus cases coming up. It is the first scholarly review to appear after the term's end and the only one to critique the Court from a Madisonian perspective.

### CATO HANDBOOK FOR POLICYMAKERS

EDITED BY DAVID BOAZ

A comprehensive guide on downsizing the power and costs of the federal government while expanding individual liberty, covering a wide range of issues—from military spending, trade, and immigration, to health care, fiscal reforms, and foreign policy.

### MONETARY ALTERNATIVES

EDITED BY JAMES A. DORN

Expert contributors provide a detailed look at rules vs. discretion in the conduct of monetary policy and on how to make a transition to a free-market monetary system.

### ANTI-PIKETTY

EDITED BY JEAN-PHILIPPE DELSOL, NICOLAS LECAUSSIN, AND EMMANUEL MARTIN

Twenty economists, historians, and tax experts provide arguments against the notions of inequality, growth, wealth, and capital detailed by Thomas Piketty in his book *Capital in the Twenty-First Century*.

### MONEY: FREE AND UNFREE

BY GEORGE A. SELGIN

Why has the United States experienced so many financial crises throughout its history? In essays covering U.S. monetary policy since before the Civil War, this book details misguided government regulation, and upends the myth of the Federal Reserve as a bulwark of stability.

### EDUCATIONAL FREEDOM

EDITED BY NEAL MCCLUSKEY AND JASON BEDRICK

Though his life was cut tragically short in 2016, Cato's Andrew Coulson had a remarkable impact on education policy. In this book, prominent education thinkers commemorate his legacy with explorations, expansions, and critiques of his ideas.

### THE THREE LANGUAGES OF POLITICS

BY ARNOLD KLING

A guide on how to lower the barriers coarsening our politics—how we communicate issues and our ideologies, how language intended to persuade instead divides, and how that can be transcended.

### ECONOMICS AND FREE MARKETS

BY HOWARD BAETJER JR.

An introduction to the concepts on which all of economics is founded, followed by details on the foundational theory, with which we see and understand how market prices emerge and change to reflect changing conditions.

### DEEP COMMITMENTS

EDITED BY TREVOR BURRUS AND DAVID MCDONALD

Adapted from a Cato conference on religious liberty, this book provides essays adapted from presentations—along with new material—on the history and philosophy of religious freedom, religious freedom and education, and current controversies over religious freedom and public accommodations.

### ECONOMIC FREEDOM OF THE WORLD 2017

(CO-PUBLISHED WITH THE FRASER INSTITUTE)

BY JAMES GWARTNEY, JOSHUA HALL, AND ROBERT LAWSON

The leading index measuring the

degree to which policies and institutions of countries are supportive of economic freedom and its cornerstones.

### CRITICS OF STATE EDUCATION

EDITED BY GEORGE H. SMITH AND MARILYN MOORE

A survey of influential historical texts of thinkers exploring the value of liberating education from the influence and control of government.

### THE AMERICAN REVOLUTION AND THE DECLARATION OF INDEPENDENCE

BY GEORGE H. SMITH

For the first century after the U.S. Constitution went into effect, few Americans seemed to question the legitimacy of the Revolution. Smith's treatment of the era that followed charts space for libertarians to both criticize and revere this American heritage.

### SELF-INTEREST AND SOCIAL ORDER IN CLASSICAL LIBERALISM

BY GEORGE H. SMITH

This book corrects a common misrepresentation of libertarianism—that it unreservedly supports private persons, whatever the situation or behavior—with careful intellectual surveys of Hume, Smith, Hobbes, Butler, Mandeville, and Hutcheson.

### FREETHOUGHT AND FREEDOM

BY GEORGE H. SMITH

Liberty of conscience and freedom of thought are twin, core components of modern life in societies across the world. This book surveys the long history of religious and intellectual liberty, exploring their key ideas along the way.





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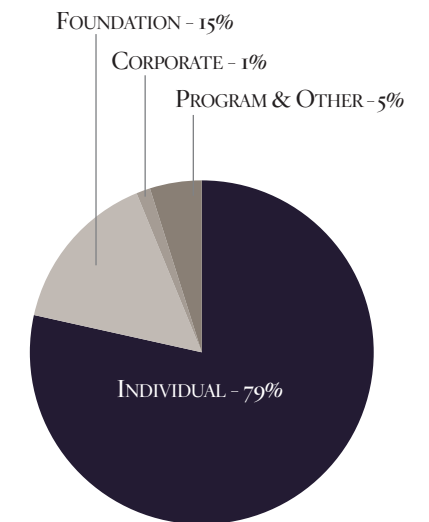
## FISCAL YEAR 2018 FINANCIAL RESULTS

Cato's unaudited financial information for fiscal year 2018 (April 1, 2017 to March 31, 2018) is presented below. Operating income was \$37,328,000, and net assets totaled \$81,338,000. Program expenses made up 79 percent of operating expenses. The Cato Institute accepts no government funding. Contributions from individuals, foundations, and corporations make possible our ability to drive important policy debates toward limited government, free markets, individual liberty, and peace.

### OPERATING REVENUE

INDIVIDUAL.....	\$29,296,000
FOUNDATION.....	\$5,721,000
CORPORATE.....	\$491,000
PROGRAM.....	\$859,000
OTHER.....	\$961,000
TOTAL.....	\$37,328,000

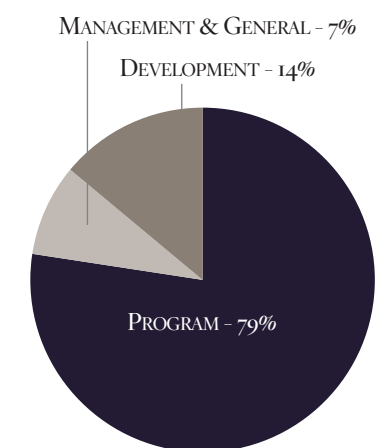
### OPERATING REVENUE



### OPERATING EXPENSES\*

PROGRAM.....	\$24,369,000
MANAGEMENT & GENERAL.....	\$2,278,000
DEVELOPMENT.....	\$4,441,000
TOTAL.....	\$31,088,000

### OPERATING EXPENSES



### ASSETS

CASH AND EQUIVALENTS.....	\$12,173,000
INVESTMENTS.....	\$31,136,000
FIXED ASSETS.....	\$33,570,000
OTHER ASSETS.....	\$7,893,000
TOTAL.....	\$84,772,000

### LIABILITIES AND NET ASSETS

LIABILITIES.....	\$3,434,000
NET ASSETS.....	\$81,338,000
TOTAL.....	\$84,772,000

\* Based on Form 990 Reporting



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## GEORGE M. YEAGER

1934 – 2017

In December, Cato lost a longtime friend and partner in the fight for liberty when George M. Yeager passed away at the age of 83. Yeager was a successful and widely respected financial adviser, spending 45 years at his firm Yeager, Wood, and Marshall.

Yeager was exceptionally well read, and passionate about the principles of liberty, the Constitution, and the ability of the free market to lift people out of poverty. He devoted significant resources to furthering those values, including through many generous gifts



to Cato. His gift to the 2010 Capital Campaign allowed the Institute to build its spacious and well-appointed George M. Yeager Conference Center. He also left a generous legacy gift, and made contributions to fund Cato's Constitution Day symposium and the *Cato Supreme*

*Court Review* for several years to come. He supported many other organizations as well, including the Atlas Network and the Manhattan Institute, and his loss will be felt throughout the liberty movement.

Yeager loved to travel—as Cato's Tom Palmer recalled, he “loved to learn about and experience the best of the various cultures and civilizations of the world.” He touched many lives through his generosity, friendship, and dedication to his principles, and his legacy will live on at every Cato event.





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