MESSAGE FROM THE PRESIDENT AND THE CHAIRMAN

Edward H. Crane & William A. Niskanen

The challenges confronting Cato today are formidable. Twenty-five years ago, however, they were more formidable; at that time, the primary challenge was to earn the attention of a policy audience. We now have that attention—a consequence of our dedication to principle, preparation, and patience; now, our primary challenge is to make the case for major policy reforms to increase liberty. Since the founding of the Cato Institute in San Francisco in 1977 there has been significant progress on a range of issues. We have taken advantage of this important anniversary in Cato’s history to devote a good portion of this report to a retrospective on some of the Institute’s most notable accomplishments.

Standing back a bit from the various policy debates in which we have gained some ground, and perhaps lost some ground, we think it is worthwhile to note that the Cato Institute has, above all, created a respected presence for the classical-liberal ideas that energized the American revolution. Here in our gleaming glass and steel headquarters in the heart of the nation’s capital is an institution that takes seriously the ideal of human liberty. We also take seriously Thomas Jefferson’s warning that “the natural progress of things is necessarily defensive, to try to slow or stop proposals that would increase the powers of government and individual liberty.” That is why “eternal vigilance” is necessary to protect and extend our liberty. “Liberty is not a means to a higher political end. It is itself the highest political end.” —Lord Acton

We are also proud of the major conferences we have held in China and the former Soviet Union. Cato was among the first organizations to hold in either of those countries conferences to promote individual liberty, the rule of law, private property, and civil society. The appreciation of the people who attended the Chinese and Russian conferences was very heartening to us. The distribution of our publications in Chinese, Russian, and Polish also made a contribution to the struggle for liberty in those nations.

A substantial share of our activities is necessary defensive, to try to slow or stop proposals that would increase the powers of government at the expense of individual liberty. Some of our more important critical studies have contributed to the case against proposals for nationalizing medical care, for a national energy policy, and for a premature commitment to reduce the still uncertain threat of global warming.

Cato’s principled noninterventionist approach to foreign affairs, consistent with the Founders’ admonitions about entangling alliances, has weathered the test of time. The dangers of accepting the role of the world’s policeman are clearly evident, even as our government undertakes the necessary task of eliminating the al-Qaeda terrorist threat to our liberty and security.

We take great pride in the clusters of talented policy analysts that Cato now has in various fields. Our Center for Constitutional Studies has a group of scholars committed to restoring respect for the Constitution, the rights it protects, and the limits it places on the powers of government. Our Center for Trade Policy Studies has become one of the most respected promoters of free trade in the world. Our newest groups, the Center for Representative Government and the Center for Educational Freedom, continue to leverage the prominent policy platform that Cato has become. The Cato Institute continues to make a strong, nonpartisan case for limited government and individual liberty.

The year 2001 was a particularly productive year for Cato, as measured by both the quality and the quantity of our policy output, fueled by record funding of more than $15 million in a weak economy. We remain grateful for the privilege of working with our dedicated colleagues, now more than 100 strong, in this important endeavor. Finally, as always, we express our appreciation for the tens of thousands of Cato Sponsors around the nation (and the world!) whose generosity and encouragement over the past quarter century have made possible the pursuit of our mission. On this, our 25th anniversary, we are dedicated to maintaining your trust, your confidence, and your support.
“Mr. Gorbachev, tear down this wall.”

—Ronald Reagan
“America’s abundance was created not by public sacrifices to ‘the common good,’ but by the productive genius of free men.”

*— Ayn Rand*
“Peace, easy taxes, and a tolerable administration of justice.”

—Adam Smith
Reviving a Tradition

When a young California investment manager, Ed Crane, spent 1976 in Washington, he noticed how much influence a few think tanks had despite their relatively small budgets. He thought there ought to be a public policy research organization, or “think tank,” dedicated to the American principles of liberty and limited government. He was willing to start one, but only if he didn’t have to live in Washington. When he returned to San Francisco, he joined the Kansas industrialist Charles G. Koch to set up the Cato Institute, which opened its doors in January 1977. The other members of the Board of Directors included libertarian scholars Murray Rothbard and Earl Ravenal; San Francisco businessman Sam H. Husbands Jr., who had served in Gov. Ronald Reagan’s administration; and Chicago businessman David H. Padden, who remains on Cato’s Board.

The Institute’s early program involved publications, seminars, college lectures, and public policy research. Inquiry, a biweekly political affairs magazine edited first by Williamson Evers and later by Glenn Garvin and Doug Bandow, featured such writers as Nat Hentoff, Thomas Szasz, Lukas, Karl Hess, Jack Shafer, Nikolai Tolstoy, Penny Lernoux, Geoffrey Wheatcroft, Maurice Cranston, Jonathan Kwitny, Thomas M. Disch, John O’Sullivan, Anthony Burgess, P. J. O’Rourke, Martin Gardner, George F. Kennan, Rose Styron, William Shawcross, Marina Warner, Auberon Waugh, Walter Karp, David Osborne, Christie Hefner, Eugene McCarthy, Ivan Illich, Warren Hinckle, and Simon Leys. Inquiry promised “unconventional, provocative, lively” commentary that would “defy the traditional left-right political analysis.” Its editors chuckled over being called “the best of the right-wing rags” by the New Republic and “a lively, lefty magazine” by William Safire. Literature of Liberty, an academic quarterly, was edited by Leonard P. Liggio. Each issue combined a major bibliographical essay by such distinguished scholars as Robert Nisbet, John Lukacs, Eric Foner, Forrest McDonald, Isaac Kramnick, John Hospers, Henry Veatch, and Karen Vaughn with reports on scholarly research in a variety of fields.
Cato took to the airwaves with *Byline*, a daily radio commentary from liberal, conservative, and libertarian viewpoints. At its peak, *Byline* was aired by more than 200 radio stations, from WNYC in New York and WTOP in Washington to KION in Seattle and KCBS in San Francisco. Nashville’s WLAC said, “*Byline* never fails to get our phones ringing.” Over the years the regular commentators included Sen. William Proxmire, Howard Jarvis, Nat Hentoff, Julian Bond, Walter Williams, Nicholas von Hoffman, Joan Kennedy Taylor, Stephen Chapman, Don Lambro, Tom Bethell, Susan Love Brown, and Ed Crane.


The Institute launched its Summer Seminar in Political Economy in 1978 with conferences at Stanford University and Wake Forest University and added conferences for historians, journalists, and business leaders the next year. The faculty included Alan Greenspan, Murray Rothbard, Roy A. Childs Jr., Walter Grinder, Ralph Raico, Leonard Liggio, Thomas Sowell, and Israel Kirzner. Cato also sponsored lectures by those scholars and many others on college campuses.

Cato’s public policy program got under way in earnest in 1980, with the publication of four policy monographs. Most notable was *Social Security: The Inherent Contradiction* by Peter J. Ferrara, which laid the groundwork for Social Security privatization. The other 1980 monographs were *Balanced Budgets, Fiscal Responsibility*, and *The Constitution* by Richard E. Wagner and Robert D. Tollison, *Rent Control: The Perennial Folly* by Charles W. Baird, and *The Regulation of Medical Care: Is the Price Too High?* by John C. Goodman. Cato Institute scholars have returned to all those subjects.


Cato’s earliest Policy Analysis studies were a good indication of the Institute’s continuing interests. They dealt with corporate welfare, education tax credits, campaign finance regulation, and the risks of the conflict in Afghanistan. In Policy Analysis no. 7, in February 1982, future Wall Street Journal Joe Stilwell warned that the savings-and-loan industry “has a negative net worth in excess of $70 billion [and] numerous S&Ls will be unable to meet their financial obligations.”

As Cato defined its mission more clearly, public policy analysis took center stage. *Inquiry and Literature of Liberty* were transferred to other foundations (both eventually went out of business).

The *Cato Journal*, an interdisciplinary journal of public policy analysis, was launched in 1981 under the editorship of Robert L. Formaini. He was succeeded in 1982 by James A. Dorn, who remains editor. *Cato Journal* has published the papers from many Cato Institute conferences along with many other articles. Contributors have included Alan Greenspan, Milton Friedman, Charles Murray, Václav Klaus, Antony de Jasay, Douglass C. North, Judy Shelton, Anna M. Schwartz, Mancur Olson, Justin Yifu Lin, James M. Buchanan, Garrett Hardin, Robert Mundell, Charlotte Twight, Mvunji S. Kimenyi, Antonin Scalia, June O’Neill, Steven N. S. Cheung, J. Bradford DeLong, Lawrence H. Summers, and Donald N. McCloskey.

At the end of 1981, it had become obvious, even to devout Californian Ed Crane, that a public policy institute ought to be in Washington, D.C. The Institute left behind its San Francisco origins and opened up shop on Capitol Hill early in 1982, in the home of the first Librarian of Congress, George Wartonner. Appropriately enough, it was the building in which Thomas Jefferson’s books were catalogued when they became part of the Library of Congress. It became a popular venue for policy debate in the nation’s capital, featuring lively postevent discussions and receptions in its spacious garden. As the Institute grew, its Capitol Hill home became cramped. Cato undertook a capital campaign, hired an architect, and built its own building in downtown Washington. Milton Friedman, Nadine Strossen, and Rep. Dick Armey spoke at the Grand Opening in 1993. The *Washington Post*’s architectural critic called the Cato building “a little jewel” with “quite a visual-intellectual punch.” Cato was in Washington for good.
"The New Deal is showing its age....It’s time to move on."

— The New Democrat
The first issue of Policy Report in January 1979 set the tone for Cato’s work on pension reform, featuring the article “Social Security: Has the Crisis Passed?” by Carolyn Weaver, in which she argued that privatization could solve the system’s long-term financial problems. In 1980, the Institute published its first policy book, Social Security: The Inherent Contradiction by Peter J. Ferrara. Ferrara argued that Social Security’s attempt to provide both retirement insurance and social welfare had resulted in a pay-as-you-go structure that would become increasingly deficit ridden. He predicted that further tax increases, beyond the one enacted in 1977, would be necessary to keep the system solvent. And he proposed to “privatize” Social Security by allowing younger workers to put their Social Security taxes into a corporate pension plan or an individual retirement account instead of the Social Security system. The book was launched at Cato’s first Capitol Hill forum.

Late in 1982, Ferrara, by then a policy aide in the Ronald Reagan White House, produced a shorter and updated version of his book, published by Cato as Social Security: Averting the Crisis. That generated a headline in the Washington Post: “White House Adviser Recommends Dismantling Social Security.” The Post reported, “The White House was quick to state that the views expressed in the book do not represent White House policy.” And as Ferrara had predicted, taxes were raised again in 1983 at the recommendation of the so-called Greenspan Commission. The Post reported, “The old-age and disability funds were put in secure position for a number of years and perhaps for many decades into the next century.” Later that year, Cato held a conference that concluded that the…

“Any who’s who of Social Security privatizers has to begin with the Cato Institute, the free-market think tank that looks to private markets to solve many social-policy problems that others regard as the province of government.” — National Journal, 1997
problems of Social Security had been exacerbated rather than solved.

Since then, Cato has published three more books on Social Security and 31 more policy studies. In total, Cato’s work on Social Security, if bundled together, would approximate the size of two New York City phone books. All of these materials have been distributed to reporters, members of Congress, and the executive branch.

In 1995, on the 60th anniversary of the creation of Social Security, Cato launched the Project on Social Security Privatization under the direction of Michael Tanner. Co-chairs of the project were José Piñera, the architect of Chile’s social security privatization, and William G. Shipman of State Street Global Advisors. In the years since the project’s founding, Cato has convened nine separate policy forums and three major conferences on Social Security reform. More than 45 nationally known policy authorities on the subject—both supporters and detractors of privatization—addressed these public forums as guest speakers.

Through its efforts, Cato has attained a central place in the current debate over privatization, which was renewed by the current administration. Cato’s relationship with the current administration dates back to 1997, when Ed Crane and José Piñera met with Governor George W. Bush in Austin, Texas, to discuss Social Security reform. And Cato has always followed a nonpartisan approach. Former Rep. Tim Penny (D-Minn.) has been a leading advocate of Cato’s plan, and in the last two years of the Clinton administration, Cato scholars were invited by senior administration aides to meet and share ideas on how to privatize Social Security, an issue to which the administration was giving serious thought.

Even beyond the borders of the United States, Cato has become known as the leading authority on pension reform. Institute scholars have met with more than 75 foreign governments on the subject, and more than 40 of those countries have sent delegations to Cato’s headquarters in Washington. Among the countries that have sent delegations are Brazil, Bulgaria, China, Germany, Israel, Italy, Japan, Lithuania, Pakistan, Russia, Slovenia, South Africa, Spain, Thailand, and Zambia. The Institute held three international conferences on pension reform, in London in 1997, in New York in 2000, and in Beijing in 2001. Reporting on the Beijing conference, the Asian Wall Street Journal wrote: “The experts seem to agree about what needs to be done. In November, at a conference cosponsored by the U.S.-based Cato Institute and Peking University’s China Center for Economic Research, there was near-universal agreement that fully funded universal accounts were the way to go. Most important, a consensus among bureaucrats at the Ministry of Labour and Social Security seemed to be spreading.”

“Over the course of 22 years, the idea of Social Security privatization has made what Sen. Daniel Patrick Moynihan, co-chairman of President Bush’s Commission to Strengthen Social Security, called a “remarkable transition from white papers from libertarian think tanks to the mainstream of policy thinkers.” The Cato Institute has played a major role in that transition.”

—Chicago Sun-Times, 2001
“I have sworn upon the altar of God eternal hostility against every form of tyranny over the mind of man.”

— Thomas Jefferson
PROMOTING THE FIRST PRINCIPLES of liberty and limited government is a vital part of Cato’s mission. In 1978, the Institute began holding summer seminars, designed to bring together scholars and students of liberty to discuss and debate issues of politics, government, and society. Participants have ranged from high school and college students to doctors and business owners, and instructors have included notable scholars and thinkers. In 1997, after a hiatus, the summer seminars were combined with a home study course to create Cato University, under the direction of Tom G. Palmer, who holds a doctorate in politics from Oxford University.

In recent years, seminars have been held in cities across the United States and Canada and have focused on topics such as “The American Enlightenment” and “A World of Trade, Peace, and Freedom.” In addition to Cato’s own policy staff, scholars in attendance over the years have included David Friedman, Charlotte Twight, George Ayittey, Deroy Murdock, Charles Murray, Alan Kors, Nathaniel Branden, and Christina Hoff Sommers.

Cato University’s home study course consists of books and audiotapes for those who wish to undertake their education in liberty from home. Participants are educated in the works of such crucial thinkers as John Locke, Adam Smith, John Stuart Mill, Ludwig von Mises, F. A. Hayek, and Ayn Rand.

Cato’s commitment to first principles was also reflected in its support for F. A. Hayek. Hayek was more than a distinguished scholar and Nobel Prize–winning economist. His best-selling 1944 book, The Road to Serfdom, warned the world that state control of the economy was incompatible with personal and
political freedom, which helped to turn the intellectual tide against totalitarianism and toward free markets and constitutionally limited government. Cato provided financial support to Hayek in his later years, during which he wrote *The Fatal Conceit* and lectured around the world.

The Institute has also promoted Hayek’s works where they were needed most. Toward the end of the Cold War, Cato made a concerted effort to get copies of Hayek’s writings, along with those of a few other scholars, into the Soviet Union and Poland. In 1984, Cato used various underground channels to send *Solidarity with Liberty* (in Polish) and *Friedman and Hayek on Freedom* (in Russian) into those two communist countries. Cato’s conferences in Russia and China featured much discussion of the basic principles of freedom along with more specific issues of public policy and transition to capitalism.

Cato has also published a number of books promoting its first principles. In the late 1970s, it sponsored a series of books on Austrian economics. *Freedom, Feminism, and the State* edited by Wendy McElroy and *Reclaiming the Mainstream: Individualist Feminism Rediscovered* by Joan Kennedy Taylor helped to revive an old tradition of classical-liberal feminism. David Boaz’s *Libertarianism: A Primer* and *The Libertarian Reader* introduce readers to the basic tenets of libertarianism and document the procession of liberty-minded writers and philosophers since ancient times. Richard Epstein’s *Simple Rules for a Complex World* explains why basic classical liberal rules are the indispensable foundation for today’s complex society. P. J. O’Rourke’s *Eat the Rich*, of which Cato distributed a high school version, explains the basics of a free-market economy and the folly of socialism, in entertaining, accessible prose. Last but not least, the first section of each edition of the biennial *Cato Handbook for Congress* lays out the founding principles of our limited constitutional government and ties the book’s policy proposals to that framework.

Cato has also put into pocket-sized Constitutions to politicians and others around the country and the world. Cato has distributed more than two million Constitutions, including one to every member of Congress and every state legislator.

Cato scholars also work to educate students first hand in the principles of limited government. Cato’s internship program brings in students from around the country and the world to work with our scholars and participate in rigorous seminars in classical-liberal thought. Cato scholars such as Tom Palmer and Roger Pilon routinely give talks at colleges and universities.
“We start with first principles. The Constitution created a Federal Government of enumerated powers.”

—U.S. v. Lopez, 1995
To promote that vision, Cato established its Center for Constitutional Studies in 1989. Under the direction of Roger Pilon, the center has published 10 books and many papers on issues ranging from constitutional theory to judicial philosophy, federalism, property rights, term limits, and the Microsoft antitrust case. The center’s books have included The Rights Retained by the People: The History and Meaning of the Ninth Amendment (1989) edited by Randy Barnett, which helped revive the idea of unenumerated rights; Forfeiting Our Property Rights (1995) by Rep. Henry Hyde, which led to the reform of our nation’s civil asset forfeiture laws; Simple Rules for a Complex World (1995) by Richard Epstein, which argued that an increasingly complex world requires law based on a few simple principles; and The Rule of Law in the Wake of Clinton (2000) edited by Roger Pilon, which documented how the Clinton administration’s policies, actions, and legal briefs had systematically abused the Constitution, common and statutory law, our legal institutions, and the rule of law itself.

Cato has also gone to the front lines to uphold constitutional government designed to protect individual liberty. Over time, however, both federal and state powers have expanded to touch almost every aspect of life. A major part of Cato’s mission, therefore, has been to argue for restoring constitutional government by limiting federal powers to those enumerated in the Constitution and by encouraging judges to better protect liberty. That vision offers an alternative to both the evolving constitution of the left and the often majoritarian constitution of the right.

“‘The Court is reaching the question at the heart of it all: Did we authorize all this government?’ said Roger Pilon, an enthusiastic supporter of the Court’s new focus who runs the Center for Constitutional Studies at the Cato Institute, an influential libertarian research organization here.”

recent years limiting both federal and state power. In United States v. Lopez (1995), for example, the Court found that Congress had no authority under the Constitution to enact the Gun-Free School Zones Act of 1990. And in Troxel v. Granville (2000), the Court held that the grandparent visitation act passed by the Washington State legislature violated the rights of parents under the Fourteenth Amendment. Decisions such as those show renewed respect for the limits of government and for our first principles as a nation.

Leading jurists such as Chief Justice William H. Rehnquist, Justice Antonin Scalia, and Justice Clarence Thomas have visited Cato to discuss basic principles of constitutional law with our scholars. At a Cato conference in 1984, early in the push to better protect economic liberties, then-judge Scalia and Richard Epstein debated the proper role of the judiciary in upholding economic liberties. The conference proceedings were later published as a book, Economic Liberties and the Judiciary. Over the years, the center has held conferences on such topics as “RICO, Rights, and the Constitution,” “The Expanding Criminal Law,” and “The Politics and Law of Term Limits.” Speakers at center conferences and forums have included such leading legal thinkers as Judges Douglas Ginsburg, Stephen Williams, David Sentelle, and Pasco Bowman; professors Ronald Rotunda, Douglas Kmiec, Nadine Strossen, and Charles Ogletree; and attorneys C. Boyden Gray, Theodore B. Olson, and Lloyd Cutler.

Cato’s constitutional scholars have been encouraged by the Supreme Court’s decisions in recent years limiting both federal and state power. In United States v. Lopez (1995), for example, the Court found that Congress had no authority under the Constitution to enact the Gun-Free School Zones Act of 1990. And in Troxel v. Granville (2000), the Court held that the grandparent visitation act passed by the Washington State legislature violated the rights of parents under the Fourteenth Amendment. Decisions such as those show renewed respect for the limits of government and for our first principles as a nation.

“Americans ‘have today ignored economic liberties as a vital part of the rights protected by constitutional government,’ [Clarence Thomas] wrote in an article for the Cato Institute, which has been at the forefront of developing the contemporary natural-rights philosophy.”

— Washington Post, 1991


“Civil Rights Leader Ward Connerly Speaks at Cato’s 10th Annual Benefactor Summit About His Efforts to Abolish Racial Quotas.”

“Judge Douglas Ginsburg Discusses Antitrust Laws at a Regulation Magazine Conference.”

“Beyond Liberal and Conservative: Reassessing the Political Spectrum, William S. Maddox and Stuart A. Lilie examine survey data and conclude that the public cannot be divided into only two ideological camps: liberal and conservative. In fact, a sizable portion of the public holds views that would be characterized as libertarian.”

“Cato publishes Telecommunications in Crisis: Technology, Deregulation, and the First Amendment, which argues for a free market in the frequency spectrum.”

“Roger Pilon welcomes Chief Justice William Rehnquist to Cato for lunch with the scholars of the Center for Constitutional Studies.”

“Ed Crane talks with Clarence Thomas at Cato’s conference, ‘Assessing the Reagan Years.’”
“Experience should teach us to be most on our guard to protect liberty when the government’s purposes are beneficent.”

— Louis Brandeis
Restraining Power

The expansion of government over the last 100 years has posed a continuing threat to Americans’ civil liberties as creeping bureaucracy and lawless state action have trampled civil liberties and the rule of law. For that reason, the Cato Institute has dedicated itself to protecting the rights of Americans, however they are threatened.

One of the biggest ongoing threats to the civil liberties of all Americans is the War on Drugs. Through civil asset forfeiture, increased surveillance powers, and other intrusions meant to crack down on drug users and dealers, the federal and state governments have infringed on the rights of all Americans, while doing little to curtail the prevalence of drugs in our society. In 1988, executive vice president David Boaz penned an op-ed in the *New York Times* titled “Let’s Quit the Drug War,” arguing that drug prohibition is futile and destructive. In 1990, Cato published *The Crisis in Drug Prohibition*, which demonstrated a growing belief on both the right and the left that the War on Drugs had failed and should be ended. In 2000, with the case for ending drug prohibition having gained significant ground in the 1990s, Cato published *After Prohibition: An Adult Approach to Drug Policies in the 21st Century* edited by Timothy Lynch, which explored how a more reasonable approach to the problem of drug use could be fashioned in the United States. This book grew out of a Cato conference that featured New Mexico’s governor Gary Johnson and former California attorney general Daniel Lungren, among others.

“The name of the book is ‘After Prohibition: An Adult Approach to Drug Policies in the 21st Century.’... The essays are among the most damning indictments of the drug war ever assembled in one volume.” — Judy Mann, Washington Post, 2001

Cato has defended industries and corpora-
through zoning restrictions and regulatory takings of land. Cato scholars have testified before Congress on the issue of environmental regulations that unconstitutionally take land from property owners without providing any compensation. The Institute has also published numerous scholarly articles on property rights in its Regulation magazine as well as in other publications. In addition to a chapter on property rights and regulatory takings in the Cato Handbook for Congress, Cato has published books on the subject, including Grassroots Tyranny: The Limits of Federalism by Clint Bolick, vice president of the Institute for Justice, and Forfeiting Our Property Rights: Is Your Property Safe from Seizure? by former House Judiciary Committee chairman Henry Hyde.

Showing a distinct lack of respect for property rights, civil liberties, and the rule of law in general was the Clinton administration. Cato consistently criticized the Clinton administration’s abusive policies, and in The Rule of Law in the Wake of Clinton, the Institute summed up many of the arguments it made during that era and offered some historical perspective on just how dangerous that administration was in terms of twisting the meaning of the Constitution, promoting unwarranted searches, expanding property forfeiture, undermining the common law by pursuing lawsuits against tobacco and gun manufacturers, and politicizing the judicial process in general. Contributors to that volume included future solicitor general Ted Olson, American Civil Liberties Union president Nadine Strossen, and University of California law professor John C. Yoo.

Cato has also worked to protect First and Second Amendment rights. The Institute has published papers and articles defending the right to self-defense and to keep and bear arms, and Roger Pilon has testified before Congress many times about the unconstitutionality of campaign finance restrictions as well as such misguided ideas as a flag desecration amendment.
“It is our true policy to steer clear of entangling alliances with any portion of the foreign world.”

—George Washington
they have also confirmed that protecting our own shores should be America’s first and foremost foreign policy concern.

Cato’s defense and foreign policy department has published a number of books analyzing world affairs and arguing for a more restrained U.S. presence abroad. As early as 1982, the Institute published Earl Ravenal’s analyses of the costs and risks of U.S. involvement in NATO. In 1994, Cato published Beyond NATO, in which Ted Galen Carpenter, vice president for defense and foreign policy studies at Cato, argued that whatever usefulness NATO might have had had ended with the Cold War and that Europe should be responsible for its own defense and security. In 1996, Cato published Delusions of Grandeur, a collection of essays critical of the United Nations, which argued that collective security is neither desirable nor practical and that the UN’s social and environmental agenda does not deserve American support. Also in 1996, Cato published Tripwire: Korea and U.S. Foreign Policy in a Changed World by senior fellow Doug Bandow. In the book, Bandow argued that the United States should end its military involvement in South Korea because that country is capable of defending itself and a U.S. troop presence no longer serves U.S. strategic interests. In 1999, Cato published NATO’s Empty Victory edited by Ted Galen Carpenter, which criticized intervention in Yugoslavia as bound to mire the United States in a quagmire.

Cato’s foreign policy vision is guided by the wisdom expressed in Thomas Jefferson’s first inaugural address: “Peace, commerce, and honest friendship with all nations, entangling alliances with none.” Accordingly, Cato’s foreign policy work has supported the concept of a national defense based on strategic independence, a strong military, and nonintervention. Although the events of September 11 have created a world that is vastly more complex strategically,
in an interminable and futile nation-building mission in the Balkans.

Cato has also held many Policy Forums on defense and foreign policy issues. Topics have included the war in Bosnia, NATO expansion, and national missile defense. In 1989, Cato held a conference titled “NATO at 40: Confronting a Changing World.” The conference assessed the usefulness of the alliance in view of the cooling of the Cold War. Speakers included Rep. Patricia Schroeder (D-Colo.) and Irving Kristol. In 1991, a week before Operation Desert Storm began, Cato held a conference titled “America in the Gulf: Vital Interests or Pointless Engagement?” Participants included Charles William Maynes, then-editor of Foreign Policy, as well as Sen. Brock Adams (D-Wash.) and economist David R. Henderson. Papers from the conference were published in a book titled America Entangled: The Persian Gulf Crisis and Its Consequences.

Cato also pointed out the risk of terrorism prior to September 11. In 1998, Cato published a study by Ivan Eland, director of defense policy studies, titled “Does U.S. Intervention Overseas Breed Terrorism? The Historical Record.” Citing Defense Department reports, he argued that “the United States could reduce the chances of such devastating—and potentially catastrophic—terrorist attacks by adopting a policy of military restraint overseas.” In the 1996 study “Why Spy? The Uses and Misuses of Intelligence,” Cato research fellow Stanley Kober argued that intelligence agencies focus too much attention on economic espionage when they should devote their resources to the most serious security threats, principally international terrorism and adverse political trends.
“Democratic liberties have not yet appeared, except fleetingly, in any nation that has declared itself to be fundamentally anticapitalist.”

—Robert Heilbroner
Subverting Socialism

The greatest threat to human liberty worldwide over the last century, and a threat that continues today, is the Marxist ideology that gripped Russia for the better part of a century and still grips countries such as China, North Korea, and Cuba. Cato has worked to fight that deadening, corrupting, and tyrannical ideology, holding conferences and public events in communist countries as well as distributing pro-liberty literature where it is sorely needed.

In 1990, Cato held a week-long conference in Moscow titled “Transition to Freedom: The New Soviet Challenge.” The largest gathering of classical-liberal thinkers ever to take place in the Soviet Union, the conference was held as Communists and reformers argued with each other all over town. Participants included Nobel laureate James Buchanan, Charles Murray, and numerous Russian scholars and members of the Russian parliament. At the conference, Cato president Ed Crane presented a bust of F. A. Hayek to Yevgeny Primakov, chairman of the Council of the Union of the Supreme Soviet, as more than 1,000 Soviet citizens attended their first “open forum.” Both Russian and English editions of the conference papers on property rights, privatization, nuclear arms reduction, and the future of European security were published the following year.

“Since 1988, the Cato Institute has helped China promote the fundamental principles of freedom, limited government, and civil society.... I, as a Chinese liberal, sincerely thank you and wish you further success in advancing liberty and justice throughout the world.”

—Mao Yushi, Chairman, Unirule Institute, Beijing

In 1991, Cato returned to Moscow for “All the President’s Men: Perestroika Yesterday, Today, and Tomorrow.” Some 250 repre...
sentatives of the news media from the Soviet Union, Eastern Europe, the United States, and elsewhere attended. On the opening day, 16 television cameras were lined up to record the historic event. The conference was held in the Oktyabrskaya Hotel, built in the 1970s for the Central Committee of the Communist Party of the USSR. The opening-night speaker was Vladimir Bukovsky, making his first trip back to his native land since his exile in the 1970s. The conference was dominated by the leading advocates in the government for market reform. A few holdover Communists made grudging appearances, while the liberals made impassioned declarations about the need for private property, free pricing, and individual liberty. Little did the attendees know that before the year was over the Soviet Union would cease to exist.

Cato has also held four conferences in China, the earliest in 1988. Titled “Economic Reform in China: Problems and Prospects,” the conference, held in Shanghai, featured speakers including Nobel laureate Milton Friedman, economist Stephen Cheung, and author George Gilder. As a front-page story in the China Daily noted, the event focused on the question “Should China reform its economy step by step or all at once?” The conference enabled distinguished Chinese and Western scholars to discuss the progress of China’s reform movement and consider what kinds of market reforms are essential for further modernization and development. A book of conference papers was published in English and Chinese. The English edition came out in 1990, but the Chinese government’s reaction to pro-democracy demonstrations in Tiananmen Square and the fact that Milton Friedman met with a former holdover Communist who had fallen out of favor prevented the Chinese-language version from being released until 1993. The way to publication was apparently cleared when Friedman returned to China in 1993 and visited with Jiang Zemin, the Communist Party’s general secretary and president.

Cato held subsequent conferences in China in 1997, 2000, and 2001. The 1997 conference, held again in Shanghai, was titled “China as Global Economic Power: Market Reforms in the New Millennium,” and featured speakers included Wu Jie, vice minister of the State Commission for Restructuring the Economic System; William McGurn, deputy editor of The Far Eastern Economic Review; and China scholars Nicholas Lardy, Kate Xiao Zhou, Y. C. Richard Weng, and Barry Naughton. P. J. O’Rourke was there as well, to speak about equality. Conference papers were collected in a book in 1998. In 2000, Cato held a conference in Hong Kong on “Globalization, the WTO, and Capital Flows: Hong Kong’s Legacy, China’s Future.” Joseph Yam, chief executive of the Hong Kong Monetary Authority, predicted that China’s accession to the WTO would promote liberalization and expand and deepen Hong Kong’s capital markets.

Cato has also fought against Marxism by distributing important books on liberty to countries where the public has been deprived of such ideas. Toward the end of the Cold War, Cato made a concerted effort to smuggle copies of such books to Russia and Poland. In 1984, Cato used various underground channels to send Solidarity with Liberty (in Polish) and Friedman and Hayek on Freedom (in Russian) into those two communist countries. The success of this effort was evidenced at the time by a front-page news article in Poland’s national army newspaper criticizing...
“The quickest way out of poverty is a clear and resolute decision for the market, private enterprise, and individual initiative.”

—Mario Vargas Llosa
A World of Free People

While much of the Cato Institute’s mission is focused domestically, the Institute also looks to other regions of the world in need of personal and economic freedom. Cato has undertaken a number of initiatives to spread classical-liberal ideas to places where they have been lacking.

The Project on Global Economic Liberty, directed first by Melanie S. Tammen and since 1992 by Ian Vásquez, has published a number of books and studies, as well as held numerous forums and conferences dealing with the problems of the developing world. The project seeks to demonstrate that a country’s domestic policies and institutions are the primary determinants of its economic progress and that the best path toward development is one based on open markets, private property rights, and the rule of law. Books published by the project have included Global Fortune: The Stumble and Rise of World Capitalism, The Revolution in Development Economics, and China in the New Millennium. Conferences have included “The Crisis in Global Interventionism,” held in 1999, featuring experts from four continents who discussed the causes of recurring financial turmoil and the importance of moving toward the free market. “Liberty in the Americas: Free Trade and Beyond” in Mexico City in 1992 was cosponsored with CISLE (El Centro de Investigaciones Sobre la Libre Empresa) and featured top policymakers and market-liberal thinkers from the hemisphere. In 1998, Cato cosponsored “Deregulation in the Global Marketplace: Challenges for Japan and the United States in the 21st Century” with Keidanren, Japan’s largest business association, in Tokyo.

Communist nations have, of course, exhibited the starkest absence of economic and other freedoms in the last few decades. As noted in “Cato against Marxism,” Cato smuggled Solidarity with Liberty into Poland and Friedman and Hayek on Freedom into Russia. And Cato Institute conferences in the Soviet Union and China brought classical-liberal ideas to those countries more openly than ever before. The Cato Institute has also focused on pension and economic reform throughout the world. In 1998, the Institute cosponsored with the Cato Institute… Milton Friedman warned China today that soaring inflation could cripple its economy unless steps were taken to speed up the conversion of state-run enterprises to private ownership.”


“At a conference co-sponsored by Shanghai’s Fudan University and the Cato Institute… Milton Friedman warned China today that soaring inflation could cripple its economy unless steps were taken to speed up the conversion of state-run enterprises to private ownership.”
World Bank and the International Monetary Fund, as in the 1994 book *Perpetuating Poverty: The World Bank, the IMF, and the Developing World* edited by Doug Bandow and Ian Vásquez. Other frequent targets have been the U.S. war on drugs in Latin America, the futile U.S. embargo against Cuba, and centralized development planning.

In 2001, Cato cosponsored another conference with *The Economist*, this one in Mexico on “Money and Markets in the Americas: A New Agenda.” Speakers included Mexico’s minister of finance, Francisco Gil Díaz; Robert McTeer Jr., president of the Federal Reserve Bank of Dallas; Guillermo Ortiz, governor of Banco de México; and Robert Mundell, Nobel laureate in economics and professor of economics at Columbia University. It was the third major Cato conference in Mexico City.

Cato has put further emphasis on Latin America with the launch of its Spanish-language website Elcato.org. Elcato.org provides original essays in Spanish by Cato scholars and translations of many of Cato’s op-eds and policy studies, as well as additional content, such as essays dealing with globalization and current events throughout the Western Hemisphere, specifically targeted to a Latin American audience.

Scholars such as Peter Bauer, Hernando de Soto, and Mario Vargas Llosa have worked with the Project on Global Economic Liberty to improve living standards around the world. Project scholars have often been critical of the World Bank and the IMF’s influence on these issues.

In 1989, *The Economist* reported that privatization has proven extremely popular and that, despite numerous warnings to the contrary, workers do possess enough investment savvy to participate fully in the new systems.

People from all over the world visit Cato’s websites, and the Institute receives a constant stream of scholars, elected officials, and activists from other countries. Many of them seek the advice of Cato scholars on bringing free markets and the rule of law to their countries. Those ideas have also been spread by the many interns and Cato University attendees from outside the United States.
“Government is the only agency which can take a useful commodity like paper, slap some ink on it, and make it totally worthless.”

—Ludwig von Mises
Sound Money

Table money is the foundation of stable government, as the Founders of our country knew quite well. If the value of money is unstable, that instability makes business planning more difficult and interferes with the smooth operation of the market price system. In the years before the Constitution was adopted, rampant inflation plagued states that were irresponsibly gushing newly minted money. Since its founding days, America has brought the problem of inflation mostly under control, whereas many other nations have reached the point of carting worthless paper currency around in wheelbarrows. America was a long way from the wheelbarrow point when the Cato Institute was founded in 1977, but the monetary authorities were doing their best to take us there.

Recognizing the importance of monetary policy and financial institutions, in 1983 Cato began holding annual conferences on money and banking.

Cato’s 1983 monetary conference, titled “The Search for Stable Money,” drew 200 scholars, journalists, and businesspeople. Some two dozen leading authorities on monetary policy presented papers examining alternative monetary reforms ranging from a monetary rule to the gold standard to competing private currencies. The conference was widely hailed as one of the best of its kind and was covered in such publications as the Wall Street Journal and the Washington Post.

“Cato’s annual monetary conference is becoming the forum for presenting new work on the intersection of monetary economics and monetary politics.”
—William Poole, President, Federal Reserve Bank of St. Louis, 1985

The 20th annual monetary conference will be held in New York City in October 2002. The conferences have been directed by Cato’s vice president for academic affairs James A. Dorn.

“In Cato’s recent conferences on money and social security have performed a real service by promoting serious consideration of a range of possible policies that have generally been simply ruled out of court by the conventional establishment.”

—Milton Friedman
“He has erected a multitude of new offices, and sent hither swarms of officers to harass our people and eat out their substance.”

—Declaration of Independence
.Command and Control

One of the developments most threatening to liberty and prosperity in the United States and other Western countries has been the rise of the regulatory state. Imbued with the power of legislators, ever-growing regulatory agencies have become virtually a fourth branch of the American system of government. Unaccountable to the public, and scarcely accountable to Congress, these agencies wield nearly dictatorial powers over the lives of citizens and the actions of businesses.

The centerpiece of Cato’s regulatory studies program is Regulation magazine. Acquired from the American Enterprise Institute in 1989 and published quarterly, Regulation is home to scholarly work on the costs of government regulation and the benefits of economic deregulation, presented in a lively and readable manner. Under a controlled circulation system, more than 15,000 copies of each issue are distributed to policymakers, journalists, and representatives of trade associations and corporations. Topics tackled by the magazine have included antitrust enforcement, environmental regulation, insurance regulation, the failure of Food and Drug Administration reform, postal privatization, and airline and electric power deregulation.

Cato has also published many books criticizing the regulatory state and offering an alternative vision of an economy characterized by the spontaneous order of the marketplace. In 1986, the Institute published Antitrust Policy: The Case for Repeal by D. T. Armentano. Armentano argued that there was no economic basis for our nation’s antitrust laws and that they should be repealed. In 1989, the Institute published Generating Failure: Public Power Policy in the Northwest by David L. Shapiro, who argued that public power provision in the northwestern United States was wasting billions of dollars in taxpayers’ money. The book also made the case for electric power deregulation. In 1999, Cato published Natural Monopoly and Its Regu...
As he agonized over his efforts to improve the quality of education in Baltimore, [Mayor Kurt] Schmoke said … he came back time and again to the work of the Cato Institute.”

— Baltimore Sun, 1996

Service Go Private? a collection of essays edited by Edward L. Hudgins criticizing the post office and arguing for its privatization in an age of e-mail, faxes, electronic bill payment, and private parcel delivery.


Cato moved early to examine regulatory issues affecting telecommunications and, eventually, the Internet. In 1980, Arthur S. DeVany produced a paper for the Institute arguing for a private property system for electromagnetic spectrum allocation. This proposal was developed further in a 1982 study by Milton Mueller. In 1993, the Institute published Telecompetition: The Free Market Road to the Information Highway by Lawrence Gasman, which argued that significant deregulation was needed in telecommunications and that the government should not attempt to build the information superhighway. In 1997, Cato hosted a day-long conference titled “Beyond the Telecommunications Act of 1996: The Future of Deregulation.” Among the topics discussed were whether government should ensure access to the Internet for all citizens, the optimal way to privatize spectrum, and whether the Federal Communications Commission should be abolished.

Cato’s “Technology and Society” conferences, sponsored with Forbes ASAP, have looked at issues ranging from intellectual property to biotechnology. Speakers have included Milton Friedman, David Friedman, Oracle Corp. chairman Larry Ellison, Eric Schmidt of Novell, Scott Cook of Intuit, Christie Hefner of Playboy, T. J. Rodgers of Cypromonecutor, Michael L. Robertson of MP3.com, and Cato’s own technology scholars.

Cato has also argued against content and privacy regulation on the Internet. Former director of telecommunications and technology studies Solveig Singleton made the case in a number of forums, including testimony before Congress, that while the government should not collect an excessive amount of data on its citizens, private companies and their customers should be able to exchange data freely.

Cato’s TechKnowledge newsletter, started in 2001 and edited by Adam Thierer and Wayne Crews, deals with legislation and regulatory actions that have the potential to impact the Internet and telecommunications industry. So far it has tackled such issues as broadband deregulation, intellectual property rights, and Internet taxation.

Cato scholars have long been critical of the government school monopoly. In 1982, Inquiry published an early look at the growth of home schooling. Cato books on competition and freedom in education have included Privatization and Educational Choice by Myron Lieberman, Liberating Schools: Education and the Inner City edited by David Boaz, School Choice: Why You Need It, How You Get It by David Harmer, Educational Freedom in Eastern Europe by Charles L. Glenn, and Why Schools Fail by Bruce Goldberg. Cato scholars have challenged restrictions on home schooling, day care provision, school choice, and for-profit education providers.
“Government is a broker in pillage, and every election is a sort of advance auction sale of stolen goods.”

—H. L. Mencken
Pursuit of Happiness

The business of defending individual liberty and promoting free markets, as intellectually engaging as it is, can be a dry one. No matter how cogent the argument or sound the statistic, in order to grab the public’s attention it is sometimes necessary to make people laugh or smile. To that end, the Cato Institute has made sure to cultivate a lighter side to help broaden the appeal of its message and to catch the ears of those who might otherwise not be listening. Adding an element of humor to the mix was a natural step for Cato—after all, the missteps of feckless bureaucrats and pompous politicians are ripe for mocking.

Best-selling humorist P. J. O’Rourke has helped Cato lighten the mood over the years. As the Institute’s first H. L. Mencken Research Fellow, O’Rourke has given a number of speeches at Cato’s Washington headquarters as well as at Cato functions around the country, including headlining Cato seminars in seven cities in 2001. Cato has also involved itself in promoting O’Rourke’s books, such as CEO of the Sofa and Eat the Rich. Cato even created a student edition of Eat the Rich, which condenses and simplifies the book’s explanation of basic economics and analysis of economies around the world. P. J. regularly contributes to Regulation magazine’s back-page essay, “Final Word,” and serves as a cutting voice for liberty in all his journalistic endeavors, often bringing attention to Cato’s work.

Penn & Teller’s Broadway shows, touring roadshows, movies, TV specials, and television series have drawn acclaim and won multiple awards, including two Emmys and the International Golden Rose. And they have both been named Mencken Fellows at Cato. Penn Jillette, “the larger, louder half” of Penn & Teller, is a regular contributor to Regulation’s “Final Word.” Topics he’s touched on have included campaign finance regulation (“Want to speak your mind after McCain-Feingold? Learn to juggle”) and gun control (“To cut down on violence against women . . . give a handgun to every woman in the United States”). The smaller, quieter Teller writes occasionally on free speech issues for Cato. In 1996, Teller penned a screed against the V-chip, daring the reader to imagine television even blander than at present and going on to explain the chilling effect that censoring technology would likely have.

Finally, Cato’s longest-running effort to inject some levity into the fight for liberty has been the “To Be Governed . . . ” column at the end of each Cato Policy Report. Highlighting unintentionally funny news articles and ridiculous quotes from politicians and bureaucrats, the column documents the antics of those who govern us.

Cato hosts “Liberty in the Americas: Free Trade and Beyond,” a week-long conference in Mexico City, to discuss NAFTA and other means to liberalize trade.

Cato publishes Kindly Inquisitors: The New Attacks on Free Thought by Jonathan Rauch, a ground-breaking defense of free speech.
“We must make the building of a free society once more an intellectual adventure, a deed of courage. If we can regain that belief in the power of ideas which was the mark of liberalism at its best, the battle is not lost.”

— F. A. Hayek