



CATO THROUGH THE YEARS

For more than 35 years, the Cato Institute has cultivated a well-deserved reputation for sound analysis and incorruptible integrity. Over that period, Edward H. Crane has been at the helm—guiding the Institute from a three-person outfit in San Francisco to one of the most prominent public policy research organizations on the national stage. He has played an indispensable role by cofounding, managing, and shaping the think tank into an institution that the syndicated columnist George F. Will called the country’s “foremost upholder of the idea of liberty.”

The Cato Institute opened its doors in January 1977, setting up shop in a rented office on Kearney Street in the Embarcadero District of San Francisco. By 1982 the Institute had moved to Capitol Hill, and within its first decade it had created a respected presence for classical liberal ideas. “Cato has managed to generate more activity and interest across a wider political spectrum than some of its more sedate competitors with much larger budgets,” the *New York Times* reported in 1987.



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Ed Crane’s Freedom Legacy

The cause of limited government is enjoying a political resurgence, and it may even prevail on November 6. But if it fails on Election Day, the fault won’t lie with Ed Crane, who has stepped down this month after 35 years building the Cato Institute and promoting free people and free markets.

With money from Wichita businessman and libertarian Charles Koch, Mr. Crane founded Cato in San Francisco in 1977 with a budget of \$800,000 and a staff of 10. He reluctantly moved the think tank to Washington in 1981 to more effectively communicate the small-government case in the heart of Leviathan. Cato’s annual budget is now \$21 million with a staff of 127, and its scholars have led the battles for entitlement reform, regulatory restraint, free trade and lower taxes.

Unlike some leaders of the libertarian movement, Mr. Crane is not a dogmatist and allowed his scholars wide latitude. We’ve disagreed with Cato’s isolationist approach

to foreign policy, but its ideas and op-eds have regularly informed readers of these pages. Cato’s annual conference on monetary policy is especially influential by airing debates over a subject typically ignored by most of the media and think tanks. Under Mr. Crane, Cato held the first conferences on free markets and the rule of law in China (1988) and Russia (1990).

Mr. Crane’s final months at Cato were marred by an unfortunate row over control with Charles and David Koch. We’re pleased that the battle has been settled with a new governance pact that organizes Cato like a more traditional nonprofit with a self-sustaining board. Mr. Crane is graciously retiring at age 68.

His able successor is the longtime and highly successful former CEO of BB&T bank, John Allison, who has plans for expansion but who will build on the foundation of Mr. Crane’s broad shoulders.

Facing: ED CRANE (left) talked with MILTON and ROSE FRIEDMAN at a picnic to celebrate the Cato Institute’s 25th anniversary in 2002. **Top:** The highlight of Cato’s 2004 Moscow conference, a four-hour meeting with Russian president VLADIMIR PUTIN included (from left) Chilean economist JOSÉ PIÑERA, Kazakh statesman GRIGORI MARCHENKO, former prime minister of Estonia MART LAAR, then-Cato president EDWARD H. CRANE, author DANIEL YERGIN, and Georgian politician KAKHA BENDUKIDZE. **Bottom:** In October a *Wall Street Journal* editorial paid tribute to Ed Crane’s “35 years building the Cato Institute and promoting free people and free markets” after Crane stepped down as president and CEO.

With oversight from executive vice president David Boaz, the Institute began to have an impact on every major public policy area, from health care reform to term limits. While many avoided Social Security as a third rail issue, Cato began pushing for privatization in 1979—eventually establishing the Project on Social Security Reform in 1995. The 2001 President’s Commission to Strengthen Social Security validated this initiative by drawing heavily on the Institute’s scholarship.

Cato has also worked to expand its reach beyond our borders, holding perhaps the first conference on free markets and the rule of law in China, as well as the largest gathering of classical-liberal thinkers ever to take place in the Soviet Union. “When [Crane] reminded the large audience that ‘the government that governs least governs best’ . . . hundreds of Russians clapped and cheered wildly,” the *Wall Street Journal* reported after the Moscow forum. “Only a handful of die-hard Communists sat glum-faced, arms folded.”

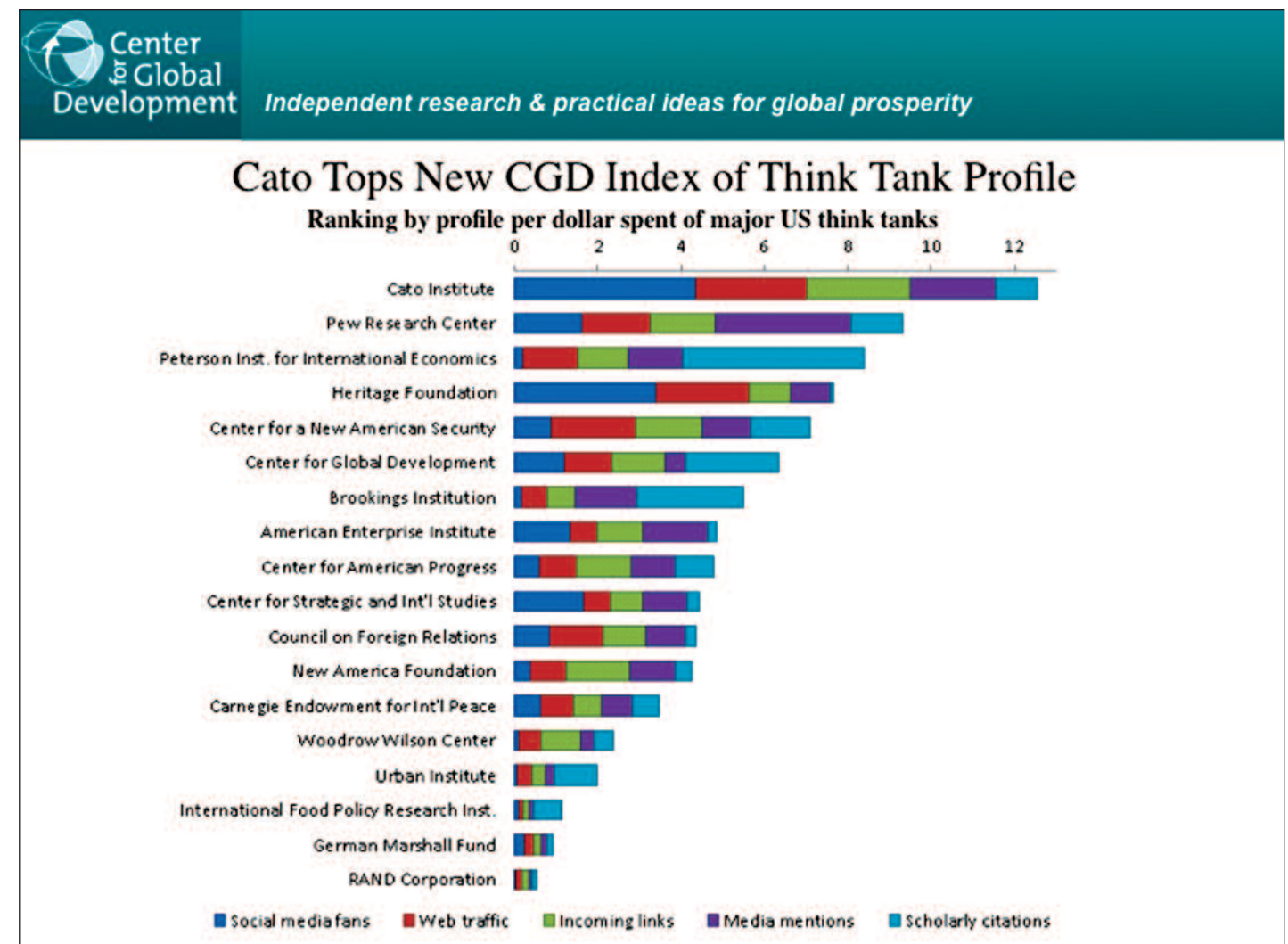
Today, the Institute has become a leading voice for the American principles of liberty and limited government. “Cato has managed the difficult feat of becoming both a fount of true-blue libertarian ideas and a reputable source of information even for those who don’t share its views,” columnist Steve Chapman wrote in the *Chicago Tribune* last year. “It may be the most successful think tank in Washington.”

This October, John Allison succeeded Crane as the Institute’s new president and CEO. Given his long-standing commitment to free market principles, Allison is an ideal choice to build on Cato’s history of success by refining its newly expanded platform. For his part, Allison has described the new role as “a natural fit.” He is eager to take the helm of an organization that has for decades become synonymous with a principled libertarian stance.

Looking forward, Allison plans to redouble the Institute’s efforts in a way that will, as the *Wall Street Journal* noted in October, “build on the foundation of Mr. Crane’s broad shoulders.”

Left: DAVID BOAZ, executive vice president of the Institute, has directed Cato’s extensive policy work over the decades. **Right:** During the State Health Policy Summit, Cato president and CEO **JOHN A. ALLISON** (left) chatted with **REP. PAUL RYAN (R-WI)** outside of the F. A. Hayek Auditorium.

Facing: The Cato Institute tops a new index of think tank performance in the United States, according to the Center for Global Development. Cato bested all other U.S. think tanks in the main category of “Aggregate Profile per Dollar Spent”—which divides performance indicators (such as media mentions, scholarly citations, and web traffic) by annual spending—to give a comparative measure of “bang for the buck.”



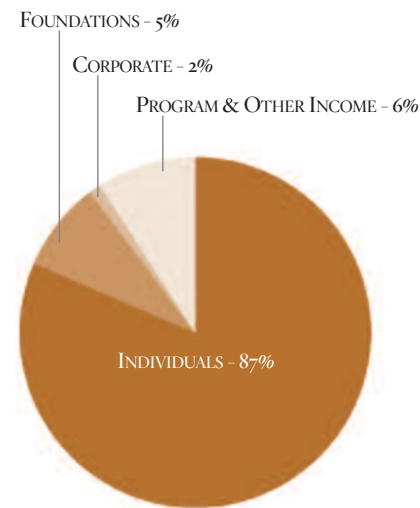
FINANCES

The unaudited financial information below indicates that the Cato Institute is in a strong financial position, with substantial cash reserves. Although Cato's operating revenues increased modestly in fiscal 2013, a significant increase in expenses led to an annual deficit. Two major factors contributed to the rise in expenses: first, costs associated with maintaining Cato's independence and related changes in Cato's leadership and, second, hiring associated with the success of the Capital Campaign. The Capital Campaign contemplated that, as Cato's new facility reached completion, scholars would be added to policy areas. In the current year, the focus is on growing our revenues. Cato's fiscal year runs from April 1 to March 31.

FISCAL YEAR 2013 OPERATING REVENUE

INDIVIDUALS.....	\$19,220,000
FOUNDATIONS.....	\$1,069,000
CORPORATIONS.....	\$493,000
PROGRAM REVENUE.....	\$1,157,000
OTHER INCOME.....	\$162,000
TOTAL.....	\$22,101,000

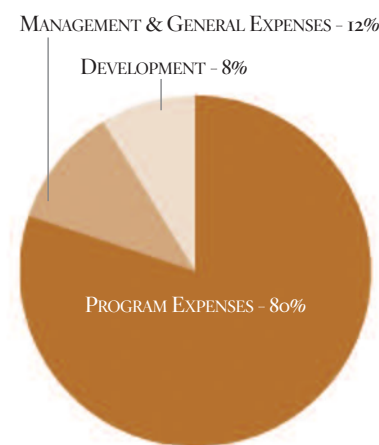
FISCAL YEAR 2013 OPERATING REVENUE



FISCAL YEAR 2013 OPERATING EXPENSES

PROGRAM.....	\$21,057,000
MANAGEMENT & GENERAL.....	\$3,076,000
DEVELOPMENT.....	\$2,136,000
TOTAL.....	\$26,269,000

FISCAL YEAR 2013 OPERATING EXPENSES



ASSETS AND LIABILITIES

CASH AND EQUIVALENTS.....	\$15,271,000
FIXED ASSETS.....	\$38,749,000
OTHER ASSETS.....	\$6,387,000
LIABILITIES.....	(\$1,857,000)
NET ASSETS.....	\$58,550,000

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