On the Constitution of a Compound Republic

by
William A. Niskanen

Cato's Letter

is a series of distinguished essays on political economy and public policy. The Cato Institute takes its name from an earlier series of *Cato's Letters,* essays on political liberty written by John Trenchard and Thomas Gordon in the 18th century, which were widely read in the American colonies and played a major role in laying the philosophical foundation for the American Revolution.

Cato's Letter #14
On the Constitution of a Compound Republic
by William A. Niskanen
Copyright © 2001 by the
Cato Institute

Additional copies of this booklet can be purchased by calling toll-free 1-800-767-1241 (noon-9:00 p.m. eastern time). Single copies are $1. Ten to 100 copies are 50¢ each, and more than 100 copies are 40¢ each.

A compound republic presents the unique opportunity for each level of government to check abuses of the constitution by the other level. This essay summarizes why judicial review has not proved to be sufficient to maintain a constitution and the changes to the U.S. Constitution needed to make the structure of this compound republic more effective.

INTRODUCTION

The Constitution of the United States established the basic structure of a compound republic, a federal structure in which there are two or more levels of government each of which has the primary if not sole authority for a specific set of collective decisions. The U.S. federal structure is characterized by a separation of powers within the federal government and between the federal and state governments but without any explicit provision for resolving constitutional disputes. Early in U.S. history under the Constitution, however, in several important decisions by Chief Justice John Marshall, the Supreme Court asserted its authority to adjudicate these disputes, and this role has been accepted, albeit not without controversy, since that time.

This essay makes the following major points:

- The Constitution establishes no explicit provision for resolving constitutional disputes.
- Judicial review has not been sufficient to prevent a massive erosion of the limits on the powers of the federal government.
- The primary effects of the changes in the effective constitution that have weakened the separation of powers between the federal and state governments have been

---

William A. Niskanen is chairman of the Cato Institute. Formerly an acting chairman of President Reagan's Council of Economic Advisers, he is the author of *Reaganomics: An Insider's Account of the Politics and the People* and of *Bureaucracy and Public Economics*. This essay was presented as his presidential address to the Public Choice Society in March 1999 and was published in slightly different form in *Constitutional Political Economy*, vol. 10, 1999. Reprinted with permission.

a substantial increase in the powers of the federal government and a somewhat larger increase in the total powers of the government.

- The most promising means to sustain the constitution of a compound republic is to make the federal government the guarantor of individual rights against an abuse of power by the states and to make the state governments the guarantor of those rights against an abuse of power by the federal government.
- For the United States, the necessary change to make the federal government an effective guarantor of individual rights is to restore the federal protection of the privileges and immunities of all citizens, a protection formally guaranteed by the Fourteenth Amendment but eroded by later court decisions.
- The necessary changes to make the state governments an effective guarantor of individual rights are to provide formal constitutional authority (a) for a specified *group* of states to nullify an action by the federal government, primarily to force a determination of whether the action would meet the Article V tests for a constitutional amendment, and *maybe* (b) for an individual state to secede from the federal union, preferably by two successive votes over some interval and subject to some rule for the allocation of the assets and liabilities of the federal government.

These points reflect my still tentative judgments and are intended to provoke controversy, in the hope that both you and I will learn from this controversy.

SUSTAINING A CONSTITUTIONAL CONTRACT

As I noted in a prior article (Niskanen 1990), we have only the most primitive understanding about what sustains a constitutional contract. The conventional American civics textbook explains that the Supreme Court is the guardian

of the Constitution, but there are at least three problems with this explanation.

First, there is no explicit constitutional authority for judicial review of constitutional disputes. Alexander Hamilton (1788), among the

"Judicial review has not been sufficient to prevent a massive erosion of the limits on the powers of the federal government."

Framers the strongest supporter of the role of the courts under the new Constitution, acknowledged (in *Federalist* no. 81) that

> there is not a syllable in the plan under consideration which *directly* empowers the national courts to construe the laws according to the spirit of the Constitution . . . the Constitution ought to be the standard of construction for the laws, and that wherever there is an evident opposition, the laws ought to give place to the Constitution. But this doctrine is not deducible from any circumstance peculiar to the plan of convention, but from the general theory of a limited Constitution.

Hamilton had previously developed an argument (in *Federalist* no. 78) that

> [t]he complete independence of the courts of justice is peculiarly essential in a limited Constitution, . . . [that such limitations] can be preserved in practice no other way than through the medium of the courts of justice, whose duty it must be to declare all acts contrary to the manifest tenor of the Constitution void. Without this, all the reservations of particular rights or privileges would amount to nothing. . . . where the will of the legislature, declared in its statutes, stands in opposition to that of the people, declared in the Constitution, the judges ought to be governed by the latter rather than the former.

Chief Justice John Marshall relied primarily on the above argument by Hamilton, that the power of judicial review is inherent in or implied by a

limited constitution, when he asserted this power in *Marbury v. Madison* (1803). Marshall's decision was understandable, albeit then controversial. The Constitution is strangely silent on this issue, and political power rushes to fill a vacuum. In any case, judicial review has become part of the effective constitution and has been the primary process by which constitutional disputes are resolved.

Second, judicial review, of course, cannot provide a sufficient defense against changes in the effective constitution either initiated or ratified by the judiciary. Hamilton was not concerned that the judiciary might abuse this power, describing the judiciary (in *Federalist* no. 78) as the "least dangerous to the political rights of the Constitution . . . [as it] has no influence over either the sword or the purse." At the same time, however, he recognized that "it would require an uncommon portion of fortitude in the judges to do their duty as guardians of the Constitution, where legislative invasions of it had been instigated by the major voice of the community."

As it has turned out, the structural and procedural provisions of the Constitution have proved to be remarkably stable, but the substantive provisions have been changed in major ways both by judicial initiative and by judicial acquiescence to pressure from Congress and the president (Niskanen 1988). For the moment, my argument is not that those changes in the effective constitution were necessarily wrong but that they were made without the test of broad consensus required by the Article V procedures for amending the Constitution. Most of those changes in the effective constitution were made during the New Deal, a period that law professor Bruce Ackerman (1991) correctly describes as the third constitutional revolution. At the birth of the U.S. welfare state—when proposed legislation that would establish Social Security, aid to dependent children, and unemployment insurance was before the House—President Franklin Roosevelt wrote a member of the Ways and Means Committee in July 1935 that "I hope that your committee will not permit doubts as to constitutionality, however reasonable, to block the suggested legislation." Congress approved the

Social Security Act in August 1935, and the Supreme Court indirectly validated it in January 1936, ruling (in *United States v. Butler*, 1936) that "the power of Congress to authorize appropriations of public money for public purposes is not limited by the direct grants of legislative power found in the Constitution." This first major accommodation to the New Deal saved the Court from Roosevelt's later threat to pack it with more acquiescent justices, but it effectively destroyed the fiscal constitution. In effect, each Congress may now write its own fiscal constitution, subject only to the restraint that the appropriations must serve some vague concept of public purpose. Hamilton's fear that the Court could not defend the Constitution against "the major voice of the community" proved to be correct. Even with "an uncommon portion of fortitude," no group that could all be put in one paddy wagon can stop a parade.

The third problem of the conventional explanation is that it is specific to the United States and a few other nations. In most other nations, the highest court has no constitutional role. Even if the conventional explanation fits the U.S. experience, it fails to provide a general theory of constitutional maintenance.

A COMPOUND REPUBLIC WITHOUT A SEPARATION OF POWERS

Conventional public finance suggests that the size of government in a federal system would be

"The most promising means to sustain the constitution of a compound republic is to make the federal government the guarantor of individual rights against an abuse of power by the states and to make the state governments the guarantor of those rights against an abuse of power by the federal government."

smaller than in an economy with a unitary government, because regional governments are more constrained by the potential mobility of labor and capital. That advantage of a federal system,

however, is dependent on an effective separation of powers between the national government and the regional governments. For the most part, that was the case through the 1920s. In 1929, the last cyclical peak before the Great Depression, current expenditures by the U.S. federal government were 2.6 percent of GDP, most of which was for the military and the deferred costs of prior wars, and total U.S. government expenditures were 9.9 percent of GDP. Since that time, however, real government spending has increased at about the same rate in both federal and unitary governments (Grossman and West 1994). As of 1997, current expenditures by the U.S. federal government were 21.5 percent of GDP, most of which was for programs for which there is no explicit constitutional authority, and total U.S. government expenditures were 30.5 percent of GDP.

Why did this happen? Most important, the constitutional limits on the fiscal and regulatory powers of the federal government have been almost completely eroded since the 1920s. Second, with no constitutional wall between the powers of the federal and state governments, both federal and state politicians have an incentive to compete to provide the same services in a given state. As explained in an important recent article by Jean-Luc Migue (1997), this has much the same effects as two parties pumping oil or water from a common pool—oversupply of the service and, at the limit, the dissipation of any rents to both parties. Moreover, federal interventions are likely to expand most, because the federal government is less constrained by the potential mobility of labor and capital. This explanation is wholly consistent with the U.S. history of government expenditures, regulation, and even the criminal law since the 1920s but may not be the best or most general explanation. Competing explanations of these developments are welcome.

USING A COMPOUND REPUBLIC TO ENFORCE THE CONSTITUTION

The unique potential strength of a compound republic is the opportunity to use each level of government to protect individuals against abus-

es of constitutional authority by the other level. Only power can check power. In a prior age, only the king could protect individuals against the barons, and only the barons could protect individuals against the king. In our age, both the federal government and the state governments must be *strong enough* that neither party easily dominates the other, and the interests of the leaders of the two levels of government must be sufficiently *different* to ensure that they do not collude to

"The structural and procedural provisions of the Constitution have proved to be remarkably stable, but the substantive provisions have been changed in major ways both by judicial initiative and by judicial acquiescence to pressure from Congress and the president."

exploit the general population. This concept of a compound republic was broadly shared among the Framers of the U.S. Constitution. In *Federalist* no. 28, Hamilton stated that it was an "axiom" of the American system of government "that the state governments will in all possible contingencies afford complete security against invasions of the public liberty by the national authority." Should the national government prove to be a danger, Hamilton expected the states to

> at once adopt a regular plan of opposition, in which they can combine all the resources of the community. They can readily communicate with each other in the different states; and unite their common forces for the protection of their common liberty.

And James Madison, in *Federalist* no. 51, described how the federal government and the states "will controul each other; at the same time each will be controulled by itself." At the limit, an abuse of constitutional authority by either level of government can be constrained only by actions that risk civil war. This is a disturbing conclusion, but the only alternative seems to be a

unitary government that is dominant enough to define its own powers. I would welcome being proved wrong on this.

FEDERAL PROTECTION OF OUR PRIVILEGES AND IMMUNITIES

The necessary constitutional authority for the federal government to protect individuals against an abuse of authority by the states is already in place: the Privileges or Immunities Clause of the Fourteenth Amendment. Although this clause, for lack of use, now seems as quaint as knee breeches and powdered wigs, it was part of common Anglo-American legal parlance through the 1860s. And it had a distinguished lineage—included in Article IV of the Constitution, the Articles of Confederation, Blackstone's *Commentaries*, and the founding documents of the American colonies dating back to the Charter of Virginia in 1606. Hamilton (in *Federalist* no. 80) described the Article IV clause as "fundamental . . . the basis of the Union."

What does this clause mean? How did a protection so fundamental to American constitutions become ineffective? Why is it important to revive this protection?

First, this clause is rooted in natural law, a concept broadly shared among the American Founders and integral to the Declaration of Independence. As expressed by two modern lawyers (paraphrasing Blackstone), "immunities are . . . the natural rights we retain when we enter into civil society, . . . privileges [are what] we gain at that time in exchange for surrendering certain of our natural liberties" (Shankman and Pilon 1998).

From the beginning, the Constitution guaranteed that "The Citizens of each State shall be entitled to all Privileges and Immunities of Citizens in the several States." But that federal guarantee was limited to citizens, and the definition of citizenship was left to each state. In 1868, the Fourteenth Amendment extended citizenship to "All persons born or naturalized in the United States" and thus extended the federal guarantee of privileges and immunities to all such persons. Although initially targeted against the "black

codes" that were emerging in the postwar South, the amendment was written broadly to protect all Americans against an abridgement of these rights by the states. Five years later, however, in the tragically misreasoned *Slaughterhouse Cases* (1873), the Court stripped the Fourteenth Amendment of these substantive protections, thus limiting the federal guarantees to due process and equal protection. These procedural guarantees, unfortunately, did not prove to be sufficient to protect blacks against the legal discrimination that lasted for a century after the Civil War or business firms against the substantial increase in state regulation. A reflection on this history led the two lawyers mentioned above to conclude: "Had the *Slaughterhouse* Court properly read and applied the Privileges or Immunities Clause, we would doubtless have today a very different body of constitutional law than we have—and a very different nation, not least in the area of race relations, but not there alone" (Shankman and Pilon 1998).

At great cost, the Civil War demonstrated the power of the federal government to protect individuals against an abuse of their rights by the states. The Fourteenth Amendment provided the clear authority. And the federal role to defend civil rights proved the importance of an occasional, forceful intervention to reassert this authority. The legitimate concern about a broader abuse of authority by the federal government

"The unique potential strength of a compound republic is the opportunity to use each level of government to protect individuals against abuses of constitutional authority by the other level. Only power can check power."

should not weaken this important federal role in a compound republic. For this role to be fully effective, moreover, the federal government should reassert its authority to protect the privileges and immunities of individuals against

unjust state action, so that the rights of individuals are not dependent on the weaker procedural guarantees of due process and equal protection.

STATE PROTECTIONS AGAINST AN ABUSE OF FEDERAL POWER

Sustaining a compound republic, however, also requires a countervailing power to protect against an unconstitutional assertion of powers by the national government. In the American system, the state governments are the logical and possibly the only group with a sufficient potential to serve this role. My position on this issue, however, differs strongly from the misleading and divisive concept of "states' rights." First, governments have authorized powers, not rights; only individuals have rights. In the American system, moreover, the state governments are limited to those residual powers not delegated to the federal government by the Constitution nor prohibited by it to the states. And these state powers do *not* include the authority to limit those rights that are common to all citizens of the United States. For the United States to maintain a compound republic, state governments must have sufficient authority to check an abuse of power by the federal government but not enough to abuse the rights of people or organizations in the states. The history of the United States suggests that this may be a difficult, but I hope not impossible, challenge to constitutional design.

Nullification

The U.S. Constitution, in brief, does not establish an adequate procedure for forcing a constitutional test of the assertion of undelegated powers by the federal government (Niskanen 1980). Article V provides an adequate procedure for testing the consensus on any formal amendment proposed by Congress or a convention, but there is no procedure for forcing a constitutional test on issues for which the Supreme Court is unwilling or unable to enjoin the actions of Congress or the presidency or of a decision by the Court itself. In that sense, the U.S. Constitution is asymmetric: a vote by more than one-fourth of the states can

block a formal amendment, but there is no corresponding procedure for even a majority of states to force a constitutional test by enjoining a change in the effective constitution.

The procedural solution to this asymmetry is as old as the Magna Carta and has been circulating in the backwater of American political theory since the beginning of our Republic: some proportion of the parties to the constitutional contract must be able to enjoin the actions of the government established by that contract in order to force a formal constitutional test of a unilateral assertion of powers by the larger government. Clause 61 of the Magna Carta established a group of 25 "guardians of the charter," any four of which could notify the king of violations of the charter and, if not resolved within 40 days, bring the matter to the other guardians. This famous clause, probably the contribution of Stephen Langton, then Archbishop of Canterbury, was subject to continuous attack by defenders of the royal prerogatives and was omitted from later versions of the charter when the king regained power.

"At great cost, the Civil War demonstrated the power of the federal government to protect individuals against an abuse of their rights by the states. The Fourteenth Amendment provided the clear authority."

The Kentucky and Virginia resolutions, written respectively by Jefferson and Madison, tried to establish a similar procedure in the new American Republic in 1798. These resolutions articulated the concept that the exercise of undelegated power had no force of law, but proposed nothing more than a common appeal of the states to Congress to repeal the Alien and Sedition laws. The election of Jefferson and a Republican Congress in 1800 led to early repeal of those laws but deferred consideration of the basic constitutional issue.

John Calhoun raised this issue again in 1832 in the South Carolina Ordinance of

Nullification, declaring that the 1828 "tariff of abominations" was unconstitutional and would not be enforced in that state. This issue was resolved by Congress in the compromise tariff legislation of 1833. Calhoun, unfortunately, confused the case for a collective responsibility of the states to enjoin a breach of the Constitution by the federal government with a nonviable concept of "states' rights," asserting that individual states are "free, independent, and sovereign communities." The state of Wisconsin next raised this issue in 1859 to force a constitutional test of the Fugitive Slave law; that confrontation was resolved only when a newspaper editor who had been arrested was pardoned a few days before the start of the Civil War.

The doctrines of nullification and interposition have been criticized or dismissed by later political theorists, primarily because they were used to defend slavery and the continued denial of civil rights to blacks. Americans have an unfortunate habit, however, of evaluating a legal concept by the motivations of its advocates. Most contemporary Americans probably regard the Alien and Sedition laws, discriminatory tariffs, and slavery as repugnant. The doctrine of nullification, however, should not be evaluated by the fact that it was first used to attack bad law and later used to defend other bad law, but rather by whether it would, in general, promote law that reflects the broad consensus of the population. The Civil War was the first major tragic failure to correct the constitutional flaw to which this doctrine was addressed. The constitutional anarchy of our time, I suggest, is the result of the same problem. My reading of this history leads me to conclude that there is a fundamental flaw in the Constitution, a flaw that has led to occasional problems that have been resolved in an ad hoc manner that deferred a more general recognition and correction of this flaw.

The prospect for liberal democracy, I contend, will depend on some constitutional reform that would enforce a constitutional process of constitutional change. This reform should build on the Framers' concept of a compound republic. The federal government is now a more effective

guardian of individual rights against an abuse of power by the states. The state governments, correspondingly, should be the "guardians of the charter" of the federal government. Andrew Jackson, in his response to Calhoun, was correct in asserting that the federal union could not survive if each state could nullify federal law. It is also important to recognize that a constitutional democracy cannot survive the subjugation of any substantial minority. The constitutional reform that derives from this analysis would be to authorize some specified share of states to enjoin any federal law, regulation, or court ruling within some specified period. A specific amendment to the Constitution consistent with these principles would provide for the nullification of any federal action by the vote of more than, say, a

"The federal government should reassert its authority to protect the privileges and immunities of individuals against unjust state action, so that the rights of individuals are not dependent on the weaker procedural guarantees of due process and equal protection."

majority of the state legislatures within one year after the date of the last vote. Such an amendment would be designed to force a constitutional test of any action and would be nearly symmetric with the present provision for approving constitutional amendments. This amendment would provide a considerable period for both reasoned evaluation of the federal action and continued federal abuse of constitutional powers, but it should protect the nation against both ephemeral whim and an indefinite extension of federal power. (William Watkins has recently proposed a much-too-complicated amendment that would provide formal authority for such a nullification process.) The primary expected effect of such an amendment would be to force a compromise that would avoid exercise of the nullification authority on most issues.

Secession

One other asymmetry in the U.S. Constitution, of course, is that it provides specific rules for admitting or forming a new state but no rule for a secession. (In that sense, the Constitution is like a roach motel: you can get in, but you can't get out.) This is a sensitive issue for Americans, because the Civil War, at great cost, seems to have foreclosed the opportunity for secession. Almost all American politicians and political commentators, however, until days before the Civil War, supported the authority of a state to secede, even when, as was usual, they questioned its wisdom (DiLorenzo 1998). Those public choice scholars who have addressed this issue, moreover, all conclude that a secession clause is desirable if there is any threat of a geographically based permanent coalition (Buchanan and Faith 1987, Lowenberg and Yu 1992, and Mueller 1996). Most recently, for example, Dennis Mueller (1996) writes that

> the danger always exists that some permanent coalition forms and tyrannizes over a permanent minority. By allowing the people in a contiguous area to secede, under some conditions, the constitution could protect against such future tyranny. Thus, a secession clause might be an optimal part of any constitution, [and] it seems more likely to be valuable in constitutions that join states than in those that join citizens.

And Mueller concludes:

> If there is one simple lesson to learn from the unfortunate experience of the United States regarding secession, it is that any autonomous nation joining in a constitutional contract with other nations should, if it has any reason to fear that this contract may at some point prove to be to its disadvantage, require the precise stipulation in the contract of the conditions under which secession is possible.

This line of reasoning, which I share, invites questions about the desirable terms of a secession clause. First, secession should not be

based on a casual or ephemeral decision. For that reason, I suggest, secession might be conditional on the approval by two successive votes in the affected region, separated by, say, two years. Second, the secession clause should include clear provisions affecting the disposition of the local assets and the general liabilities of the larger government. Subject to these terms, secession should not depend on the approval of the larger government.

My judgment, in summary, is that the authority of a regional government to secede from the national government is a logical part of the constitution of a compound republic. Adding a secession clause to the U.S. Constitution, however, does not seem to be worth the effort. The

"State governments must have sufficient authority to check an abuse of power by the federal government but not enough to abuse the rights of people or organizations in the states."

major potential fault lines in American politics—economics, ethnicity, religion, language, and culture—are no longer very correlated with geography. Few people now have any significant loyalty to a state. One ironic effect of maintaining the Union seems to have been a reduction of just those types of regional tensions that led to the Civil War. As a consequence, the authority of a state to secede from the United States would no longer provide much protection against a dominant coalition, such as those who receive net benefits from the federal government, that reflects roughly equal representation among the states. For that reason, a secession clause in the U.S. Constitution would be an insurance policy against a dominant coalition that is geographically based but one that is unlikely to be very valuable in the foreseeable future.

CONCLUSION

The effective constitution of the United States has changed enormously from that the Framers

designed, for the most part without formal amendment. The most important challenge is broader than the issues addressed in this essay—to restore the *idea* of a constitution as a set of rules that the government itself may not change. Only then do the distinctive benefits and features of the constitution of a compound republic become important. One step at a time.

REFERENCES

Ackerman, B. 1991. *We The People: Foundations*. Cambridge: Harvard University Press.

Buchanan, J. M., and R. L. Faith. 1987. "Secession and the Limits of Taxation: Towards a Theory of Internal Exit." *American Economic Review* 77 (December): 1023–31.

DiLorenzo, T. J. 1998. "The Great Centralizer: Abraham Lincoln and the War between the States." *Independent Review* 3, no. 2 (Fall): 243–72.

Grossman, P. J., and E. G. West. 1994. "Federalism and the Growth of Government Revisited." *Public Choice* 79: 19–32.

Hamilton, A., J. Madison, and J. Jay. [1788] 1961. *The Federalist Papers*. New York: New American Library.

Lowenberg, A. D., and B. T. Yu. 1992. "Efficient Constitution Formation and Maintenance: The Role of Exit." *Constitutional Political Economy* 3: 51–72.

Migue, J. L. 1997. "Public Choice in a Federal System." *Public Choice* 90: 1–4, 235–54.

Mueller, D. C. 1996. *Constitutional Democracy*. New York: Oxford University Press: 330–34.

Niskanen, W. A. 1980. "The Prospect for Liberal Democracy." In *Fiscal Responsibility in Constitutional Democracy*, edited by J. M. Buchanan and R. E. Wagner. Dordrecht, Netherlands: Kluwer Academic Publishing: 157–80.

———. 1988. "The Erosion of the Economic Constitution." In *Public Choice and Constitutional Economics*, edited by J. D. Gwartney and R. E. Wagner. Greenwich, Conn.: JAI Press: xi–xiii.

———. 1990. "Conditions Affecting the Survival of Constitutional Rules." *Constitutional Political Economy* 1, no. 2: 53–62.

Shankman, K. C., and R. Pilon. 1998. "Reviving the Privileges or Immunities Clause to Redress the Balance among States, Individuals, and the Federal Government." Cato Institute Policy Analysis no. 326. Washington: Cato Institute.

Watkins, W. J. 1999. "The Kentucky and Virginia Resolutions: Guideposts of Limited Government." *Independent Review* 3, no. 3 (Winter): 385–411.

Additional copies of this booklet can be purchased by calling toll-free 1-800-767-1241 (noon-9:00 p.m. eastern time). Single copies are $1. Ten to 100 copies are 50¢ each, and more than 100 copies are 40¢ each.

About the Institute

Founded in 1977, the Cato Institute is a public policy research foundation dedicated to broadening the parameters of policy debate to allow consideration of more options that are consistent with the traditional American principles of limited government, individual liberty, and peace. To that end, the Institute strives to achieve greater involvement of the intelligent, concerned lay public in questions of policy and the proper role of government.

The Institute is named for *Cato's Letters*, libertarian pamphlets that were widely read in the American Colonies in the early 18th century and played a major role in laying the philosophical foundation for the American Revolution.

Despite the achievement of the nation's Founders, today virtually no aspect of life is free from government encroachment. A pervasive intolerance for individual rights is shown by government's arbitrary intrusions into private economic transactions and its disregard for civil liberties.

To counter that trend, the Cato Institute undertakes an extensive publications program that addresses the complete spectrum of policy issues. Books, monographs, and shorter studies are commissioned to examine the federal budget, Social Security, regulation, military spending, international trade, and myraid other issues. Major policy conferences are held throughout the year, from which papers are published thrice yearly in the *Cato Journal*. The Institute also publishes the quarterly magazine *Regulation*.

In order to maintain its independence, the Cato Institute accepts no government funding. Contributions are received from foundations, corporations, and individuals, and other revenue is generated from the sale of publications. The Institute is a nonprofit, tax-exempt educational foundation under Section 501(c)3 of the Internal Revenue Code.

Cato Sponsors Program

To broaden its base of financial support and expand the dissemination of its policy studies, the Cato Institute maintains a Sponsors Program, through which individuals can make tax-deductible annual contributions ranging from $50 to $5,000. More than 20,000 individuals have participated in the program. In addition to receiving bimonthly reports on the Institute's activities and various of its publications (depending on the level of support), Sponsors are encouraged to exchange ideas for policy studies and program activities with the Cato staff.

"Cato's conferences have performed a real service by promoting consideration of a range of possible policies that have generally been simply ruled out of court by the conventional establishment."

—Milton Friedman, Nobel laureate

© Benefactors ($5,000) receive all Cato publications and invitations to all major events, including the annual Benefactor Summit resort retreat, featuring internationally renowned speakers and senior Institute staff.

© Patrons ($2,500) receive *Regulation* magazine, the *Cato Journal*, all books, and the Policy Analysis and Policy Briefing series. Also sent are *Cato Policy Report*, bimonthly memos from Institute president Ed Crane, and invitations to all major events.

© Sustaining ($500) Sponsors receive *Regulation* magazine, all Policy Analysis and Policy Briefing studies, *Cato Policy Report*, and the bimonthly memo on Cato activities.

© Basic ($100) Sponsors receive selected numbers in the Policy Analysis and Policy Briefing series, *Cato Policy Report*, and the bimonthly memo on Cato activities.

© Introductory ($50) A 50% discount on Basic Spon-
sorship, available only to first-time supporters of the Institute.

Cato Institute
1000 Massachusetts Avenue, N.W.
Washington, D.C. 20001