

Failure in Copenhagen

Why the Collapse of the Proposed Climate Treaty is Good for the Planet

BY WILLIAM YEATMAN

For the last two years, environmentalists have been planning to celebrate the signing of a new climate change mitigation treaty at the 15th Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change, which will take place this December in Copenhagen, Denmark. Thankfully for the world's poor, they won't have any treaty to celebrate. The Copenhagen negotiations are almost guaranteed to fail because "doing something" about global warming is very expensive, and the countries of the world cannot agree on how to distribute the costs.

The UN's top negotiator, Yvo de Boer, of the Netherlands, said that a legally binding agreement is feasible within a year, but that he wouldn't hold his breath. The International Energy Agency estimates it would cost \$45 trillion to halve global



carbon emissions from today's levels by 2050—and there is no precedent for international burden sharing of this magnitude for anything short of a world war. Thus, a diplomatic breakthrough is unthinkable.

I should note that CEI will be witness to the failure in Copenhagen, having arranged to send a delegation to the 15th COP. I will be there, and plan to relish the disappointment in the air—and not just because misguided idealism got mugged by

reality, although that is always fun to watch. My greatest satisfaction will come from the fact that the world's poorest have dodged a bullet. There is ample evidence that the benefits of economic growth unhindered by costly emissions controls surpass any deleterious impacts of global warming—if the world ever starts to warm. Remember, global temperatures stayed flat over the last decade, despite steady increases in global greenhouse gas emissions, the supposed cause of global warming. The alleged "scientific consensus" cannot explain this.

In Copenhagen, environmentalists hope to achieve a global energy rationing regime that would give priority to global warming over the real global crisis—energy insecurity. According to World Bank estimates, nearly 2 billion people in developing countries rely on dung, wood, *(continued on page 3)*

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>>FROM THE PRESIDENT


To Grow the Party, GOP Should Grow the Economy, Shrink the State

By Fred Smith

Republicans have been getting a lot of advice lately. Democrats have urged them to concede that we need more government,

and that, yes, “We can work together!” That advice is now consensus among trendy intellectuals who have long disdained economic liberty.

They’re joined by Washington business lobbyists who define success in terms of limited failure. Their appeasement formula—if you’re not at the table, you’ll be on the menu—has generally resulted in freedom and business flexibility being served for dinner.

Republicans will never recover by going that route. If Americans really want socialism, why settle for the weak version?

Republicans must accomplish two tasks. First, develop a message that reaches all Americans—liberals and libertarians as well as conservatives. Second, promote policies that empower individuals, businesses, and private organizations to solve problems. That means reviewing current policies that block such empowerment: excessive regulations, taxes, distorting subsidies, anti-competitive licensing laws, and so on. Grass doesn’t need to be taught to grow; all one needs to do is move the rocks off the seeds.

The world does face real problems: poverty, pollution, disease. These can best be alleviated by making it possible for more people around the world to create wealth and knowledge. The world’s problems are caused by a lack of not only economic freedom, but also of the institutional arrangements that allow individuals to exercise that freedom responsibly.

For too long, Republicans have focused only on “red meat” rhetoric, which is useful in motivating the troops but is also likely to motivate opponents. That can get you only so far. Americans have no love for paternalistic policies, but voters will never care what you know until they know you care.

Republicans need to augment their economic arguments with arguments emphasizing citizens’ freedom to choose. They need to find evocative ways to convey the ability of free enterprise to improve human well-being. (Wal-Mart provides a good example, having done more than FEMA to aid those affected by Hurricane Katrina.)

Americans recognize that wealth and knowledge are prerequisites to solving problems, from poverty

and pollution to education and infrastructure. They are already rejecting the “bipartisan” rhetoric that doing something must mean expanding an impersonal bureaucratic state. They recognize that the current health care and global warming initiatives will result in a world that is sicker, darker, and poorer.

Many of the nation’s health care problems stem from distorting exemptions in the tax code that shift the purchase of health insurance coverage onto employers and away from consumers. Eliminating the exemptions would be difficult, but as a second-best alternative, Republicans could seek to extend them to all Americans, make them independent of employment, and put patients in control of their own health care costs by expanding vehicles such as health savings accounts.

On climate change, cap-and-tax energy-rationing programs will only impoverish Americans. Raising energy prices will not help the world’s poor; wealth creation made possible by affordable energy policies will. The best insurance against disaster is to create the generalized wealth and knowledge that will allow America and the world to address future risks.

Republicans should work to reform policies that have encouraged people to locate in high-risk areas, such as earthquake zones in California, flood plains along the Gulf of Mexico, and fire-prone areas throughout the West. They should join with environmentalists and others to encourage reforms that would allow private insurers to price risks, thus encouraging development outside of hazardous areas.

Rather than pick technology winners via tax subsidies, Republicans could make a principled case for eliminating all capital taxes or (even better) the corporate income tax itself. Few reforms would do more to accelerate the diffusion of affordable, energy-efficient technologies and all the benefits they would bring.

Republicans must reject the “do something by expanding government” approach. Americans want solutions, not more bureaucracy. They have always had doubts about “big” institutions. Republicans should be critical of subsidized Big Business. However, they should also realize that the biggest institutions are not economic, but political. Republicans should make it clear that “doing something” about the problems we face often means government doing less.

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and charcoal to heat their homes and cook their food. For the poor, a coal-fired power plant giving them access to affordable energy would be a blessing, whatever the effects on the climate.

So what comes next after failure in Copenhagen? Expect negotiations to shift from the United Nations to the World Trade Organization, where states that regulate greenhouse gas emissions will try to impose trade sanctions on states that do not. Climate change may not be warming the planet, but it just might cause a trade war.

Already, France and Germany are pushing for carbon tariffs on goods and services from countries that are not similarly bound to the European Union's promise to cut greenhouse gas emissions by 20 percent by 2020. And the cap-and-trade legislation that passed through the U.S. House of Representatives in late June provides for "border adjustments" on imports from countries not subject to commensurate emissions regulations. Last November, Sen. Max Baucus (D-Mont.), chairman of the powerful Finance Committee, endorsed carbon tariffs.

Why carbon tariffs? For starters, they export domestic carbon emission caps by penalizing the greenhouse gas content of goods and services imported from countries that haven't enacted energy-rationing legislation to fight climate change. The preponderance of future global emissions will originate in developing countries, so a carbon tariff would achieve a degree of multilateral compliance on global warming mitigation.

Theoretically, trade sanctions could level the playing field for countries that act on climate change and those that don't. In fact, unilateral carbon controls would disadvantage American industries in the global marketplace, by placing them at the mercy of other governments.

Establishing a "fair" carbon tariff is all but impossible. How would a bureaucrat in Brussels or Washington objectively determine the carbon content of a tire imported from China? Not even the Chinese government has that information. It doesn't exist. Even if it did, how would

“Establishing a “fair” carbon tariff is all but impossible. How would a bureaucrat in Brussels or Washington objectively determine the carbon content of a tire imported from China?”

one differentiate among products so as to reward good practices? In China, some tires are made with wind power, and some are made with coal. Is a customs officer really going to have the time to distinguish between the two?

The inherent imprecision of carbon tariffs invites rent-seeking. Politically connected industries will press lawmakers for protection from production in countries unbound by carbon controls. This could easily get out of hand. After all, carbon-

emitting fossil fuels power 85 percent of global economic production. Every industry will try to make its case.

Moreover, carbon tariffs are probably illegal. The World Trade Organization has yet to rule definitively, but carbon sanctions on imports seem to fly in the face of the liberalized regime that has defined international trade since the end of World War II.

Retaliatory tariffs would be likely, which could easily escalate into a global trade war. That would be a tragedy.

By allowing developing countries to use their comparative advantage—inexpensive labor—international free trade has proven the fastest route out of poverty for hundreds of millions of people. To avoid giving atmospheric chemistry priority over human welfare, the United States and Europe should weigh the risks of global warming policies as rigorously as they do the risks of global warming itself.

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KILLING

Health Care Competition

Stripping antitrust exemptions from the health care industry will disadvantage small firms and increase premiums

BY GREGORY CONKO AND
KEVIN HILFERTY

If the insurance industry thought its early support for health care reform would earn it some points with Democrats, it recently got a rude awakening. After America's Health Insurance Plans, the industry association representing health insurers, released a study showing that premiums would rise by 18 percent under the Senate Finance Committee's reform proposal, President Obama accused the industry of waging "deceptive and dishonest" attacks to derail reform legislation.

To retaliate, the president and other top Democrats are now moving to strip the industry of its long-standing exemption from federal antitrust laws. Democrats, eager to do whatever it takes to win, are using Chicago hardball tactics now. That includes eliminating an important feature of state health insurance regulation in order to punish the industry

for pointing out some inconvenient truths.

There is no evidence that the insurance industry's antitrust exemption or recent merger activity has resulted in higher premiums or profits. Not only is federal intervention unnecessary for ensuring fair competition, it could actually make the situation worse by eliminating practices that help small insurers compete and drive down costs.

On October 21, the House Judiciary Committee voted to overturn parts of a 1945 law called the McCarran-Ferguson Act, which reaffirms the primary role of states in regulating the insurance business. The Act exempts insurers from most federal regulation, including antitrust laws,

as long as the states have laws governing the same conduct.

The Senate Judiciary Committee has already held hearings on the matter and seems set to follow suit. Sen. Charles Schumer (D-N.Y.) said that the health insurance industry was trying to "sucker-punch health care reform," and he insisted Congress should repeal McCarran-Ferguson and "restore the federal government's power to curtail price-fixing, collusion and other anti-competitive practices."

But where critics see only dominant market power and higher premiums, a closer look reveals a careful balancing by the states that helps to promote competition and keep costs in check. After all, insurers are exempt from federal oversight only to the extent that state governments have filled the void, and every state in the union has antitrust laws that forbid anticompetitive practices.

It is true that a handful of states nevertheless have highly concentrated markets. In Hawaii, Rhode Island, and Alaska, 95 percent or more of the health insurance market is served by just two insurers. Interestingly, in eight of the 10 most concentrated states, the single biggest insurer is a nonprofit Blue Cross-Blue Shield plan. Federal intervention could do nothing useful to reduce market concentration or promote competition.

The primary conduct that federal antitrust enforcers would seek to address is the ongoing practice among insurers of sharing the underwriting data on which individual firms base their premiums. Critics see this kind of information sharing as a big red flag suggesting pricing collusion.

However, when it comes to insurance, state laws expressly permit this practice because it has pro-competitive effects. It helps small insurers gain access to a sufficiently large pool of actuarial information to set premiums at an appropriate level. Without it, small competitors would be flying blind, and the result would be less robust competition and higher prices for consumers.

Not only is federal intervention unnecessary for ensuring competition, it could actually make the situation worse by eliminating practices that help small insurers compete and drive down costs.

Even aside from the data-sharing practices, federal antitrust law would still be a bad fit for the insurance industry. When faced with a market containing only two dominant firms, a typical antitrust enforcer’s response would be to break up the firms into smaller pieces—think of the dissolution of AT&T’s local service monopoly into seven Baby Bells.

But as Boston University health economist Austin Frakt has noted, limiting the size of insurers would also limit their ability to negotiate down prices with health care providers. On the whole, he says, economics research “supports the notion that recent increased market power of insurers does not lead toward monopolistic pricing, but rather it provides a counterbalance to the power held by hospitals and provider groups.”

There are other ways to promote competition in the health insurance market. One constructive change Congress should consider is to permit individuals and business purchasers of health insurance to buy their policies from any willing provider in any U.S. state. Under current law, an insurance firm registered in one state may not cover individuals in another without registering in the second state and being subject to all of its taxes and laws.

This raises the cost of doing business across state lines and prevents many smaller and midsize companies from entering new markets to compete. Allowing consumers in Alabama, for example, to escape Blue Cross-Blue Shield’s 83-percent market share in that state by shopping for an insurance policy in neighboring Florida’s highly competitive market would increase competition significantly. And it would do so without jeopardizing important pro-competitive business practices that help keep costs in check.

Subjecting insurers to an antiquated and unsuitable system of federal antitrust oversight is no way to promote real competition. If President Obama and congressional Democrats genuinely wanted to increase competitiveness, they would seek ways to reduce burdensome regulations on the insurance industry that disadvantage smaller firms. Instead, seemingly out of spite, Democrats are trying to punish the industry, even though the result would do more harm than good.

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Three Things You Absolutely Must Know About Climategate



BY IAIN MURRAY

They're calling it "Climategate." The scandal that the suffix "-gate" implies is the state of climate science over the past decade or so revealed by a thousand or so emails, documents, and computer code sets between various prominent scientists released following a leak from the Climate Research Unit (CRU) at the University of East Anglia in the United Kingdom. This may seem obscure, but the science involved is being used to justify the diversion of literally trillions of dollars of the world's wealth in order to reduce greenhouse gas emissions by phasing out fossil fuels. The CRU is the Pentagon of global warming science, and these documents are its Pentagon Papers.

Here are three things everyone should know about the Climategate Papers.

First, the scientists discuss manipulating data to get their preferred results. The most prominently featured scientists are paleoclimatologists, who reconstruct historical temperatures and who were responsible for a series of reconstructions that seemed to show a sharp rise in temperatures well above historical variation in recent decades.

In 1999, Phil Jones, the head of CRU, wrote to activist scientist Michael "Mike" Mann that he has just "completed Mike's Nature trick of adding in the real temps ... to hide the decline." This refers to a decline in temperatures in recent years revealed by the data he had been reconstructing that conflicted with the observed temperature record. The inconvenient data was therefore hidden under a completely different set of data. Some "trick."

Mann later announced that, "it would be nice to try to 'contain' the putative 'MWP,' even if we don't yet have a hemispheric mean reconstruction available that far back." The MWP is the Medieval Warm Period, when temperatures may have been higher than today. Mann's desire to "contain" this phenomenon even in the absence of any data suggesting that this is possible is a clear indication of a desire to manipulate the science. There are other examples of putting political considerations before the science throughout the collection.

Second, scientists on several occasions discussed methods of subverting the scientific peer review process to ensure that skeptical papers had no access to publication. In 2003, Tom Wigley of the University Corporation for Atmospheric Research in Boulder, Colorado, complained that paleoclimatologist Hans von Storch was responsible for "the publication of crap science 'in order to stimulate debate'" and that they "must get rid of von Storch" as an editor of the journal *Climate Research* (he indeed

subsequently resigned).

In 2005, Michael Mann said that there was a "fundamental problem w/ GRL now," referring to the journal *Geophysical Research Letters* published by the American Geophysical Union (AGU), because "they have published far too many deeply flawed contrarian papers in the past year or so" and "it is probably best to do an end run around GRL now where possible." Tom Wigley responded that, "we could go through official AGU channels to get him [the editor of GRL] ousted." A few months later, the editor of GRL having left his post, Mann comments, "The GRL leak may have been plugged up now w/ new editorial leadership there."

Having seemingly succeeded with *Climate Research* and *Geophysical Research Letters*, the most recent target of the scientists' ire has been *Weather*, a journal of the Royal Meteorological Society (RMS). Phil Jones commented in March 2009, "I'm having a dispute with the new editor of *Weather*. I've complained about him to the RMS Chief Exec. If I don't get him to back down, I won't be sending any more papers to any RMS journals and I'll be resigning from the RMS."

This issue is all the more important because the scientists involved in these discussions have repeatedly accused their critics of being irrelevant because they fail to publish in the peer reviewed literature.

If you are saying on the one hand that you will not take notice of someone until they have been published while on the other you are working behind the scenes to stop any such publication, I would venture to suggest that you are not operating with any degree of *bona fides* either towards the media or the legitimate scientific process.

Finally, the scientists worked to circumvent the Freedom of Information process of the United Kingdom. Nowhere is this better evidenced than in an email reproduced in full below (minus Dr. Jones' contact details):

From: Phil Jones
To: "Michael E. Mann"
Subject: IPCC & FOI
Date: Thu May 29 11:04:11 2008

Mike,

Can you delete any emails you may have had with Keith re AR4? Keith will do likewise. He's not in at the moment – minor family crisis.

Can you also email Gene and get him to do the same? I don't have his new email address. We will be getting Caspar to do likewise. I see that CA claim they discovered the 1945 problem in the Nature paper!!

Cheers
 Phil

The context in the subject header is clearly the Freedom of Information Act of 2000 (FOI), while AR4 refers to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change. What is most important to know here is that, according to the Taxpayers' Alliance in the UK, "at least one FOI request on exactly this correspondence had apparently been submitted by a David Holland on May 5th 2008."

The Freedom of Information Act, however, explicitly forbids deletion of any material subject to a FOI request. The penalty for such a criminal act is a fine of up to £5,000. Presumably being found guilty of such an act, or even suggesting it, would also bring about significant disciplinary procedures at any reputable university. A complaint has been made to the British information commissioner.

This is, however, just the tip of the iceberg when it comes to attitudes toward FOI. Numerous other references are made about ways to avoid divulging information. Jones indicated that he would be "hiding behind" intellectual property rights by claiming that FOI requests could not be honored because the climate data and model code were proprietary, and that he would delete the relevant information rather than turn it over to critics. There appears to be a prima facie case that there was a conspiracy to prevent the release of information subject to FOI.

There are many other disturbing revelations in the CRU Papers, including a particularly disturbing assessment by a computer programmer of the state of CRU data. These have yet to be fully analyzed.

So what does this all mean? It does not mean that there is no warming trend or that mankind has not been responsible for at least some of the warming. However, it is clear that at least one branch of climate science—paleoclimatology—has become hopelessly politicized to the point of engaging in unethical and possibly illegal behavior. Given this, urgent reassessments need to be made. In the meantime, all those responsible for political action on global warming should stop the process pending the results of inquiries, investigations, and any criminal proceedings. What cannot happen is the process carrying on as if nothing has happened.

Following public outcry, CRU Director Phil Jones has been temporarily removed pending an official investigation. In an emergency petition, CEI asked the EPA to suspend its carbon dioxide endangerment finding and reopen its proceeding. And in Congress, Sen. James Inhofe (R-Okla.) has called for an investigation into the Climategate documents. This could prove to be climate science's Vietnam.

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“Another interesting measure of global warming interest is where Internet users go when they're looking for information on the topic of global warming. Over 19% of searches on the term resulted in visits to Globalwarming.org.”
 — TIME

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Trustbusters Should Leave Intel Alone

BY WAYNE CREWS AND RYAN YOUNG

New York Attorney General Andrew Cuomo announced recently that he is suing Intel for antitrust violations. Cuomo's lawsuit is a mistake. He should drop it for two simple reasons. First, Intel's alleged behavior is pro-competitive, not anti-competitive. Second, Cuomo has severely underestimated the extent of the relevant competitive market.

The primary charge against Intel is that the chipmaker has given out billions of dollars in payments and rebates to its customers in exchange for exclusivity agreements. Dell alone received nearly \$2 billion in 2006. Cuomo calls this practice "bribery." But in economic terms, this is exactly the same as lowering prices—and lower prices always help consumers.

Computer makers are free to turn down Intel's offer. If they don't like Intel's exclusivity requirement, all they have to do is to say no. Intel is free to sell its products on its own terms; customers are free to refuse those terms. Rival chipmakers like AMD are similarly free to offer a better deal. Cuomo's allegation of coercion falls flat.

A real monopoly is characterized by reduced quantities sold, higher prices, and unsatisfied consumers. Consumers are hardly suffering with today's wide assortment of netbook computers selling for under \$400.

Moore's Law continues to hold; processor power is still doubling every 18 months or so. That is itself evidence of a competitive market. Intel has to keep improving its products. If it doesn't, AMD and other competitors would overtake Intel in a heartbeat.

Consider also graphics processor maker



Calling Intel's business practices "bribery" and "coercion" is little more than argument by assertion. Rebates and exclusivity deals are normal competitive behavior.

Nvidia's plans to enter the microprocessor market and directly compete with Intel and AMD. If Intel really were such a big, scary menace, potential competitors would stay away. Instead, Nvidia sees opportunity. Monopolies produce less than the optimal quantity. But consumers are not suffering from a lack of microchips. Therefore a monopoly does not exist.

In fact, most chips are not found in PCs at all. They are in cars, coffee makers, rice cookers, cell phones, watches, calculators, gas station pumps, and even self-flushing public toilets. That is the relevant competitive market. It is huge and

growing. Fewer and fewer of the chips in non-PC devices are Intel's. Samsung, VIA, Texas Instruments, and other firms continue to out-compete Intel in this vast market. Perhaps Intel should seek antitrust protection from them?

The chip market is not static, but dynamic. It is rapidly, unceasingly changing. Intel's market share in computer processors might be substantial—80 percent to AMD's 18 percent—but that market appears to be past its peak. Consumers' tastes are changing before our very eyes.

And in any competitive market, it is consumers who hold all the cards. If Intel doesn't make chips people want, they'll go elsewhere. Nothing Intel can do will ever change that.

Laptops began to outsell desktops a few years ago. They are in turn starting to lose out to super-small netbooks, smart phones, and other devices that are growing smaller and more powerful every year. If the trend continues, Cuomo's antitrust suit will become not just misguided, but obsolete.

Calling Intel's business practices "bribery" and "coercion" is little more than argument by assertion. Rebates and exclusivity deals are normal competitive behavior. Not only is Intel facing increasing competition on its home turf, that small segment is hardly the extent of the relevant competitive market. Intel faces an uncertain future as consumer tastes shift to smaller products powered by non-Intel chips. Cuomo's antitrust lawsuit does not stand up to scrutiny. It should be dropped.

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BUREAU CRASH

INTERNATIONAL ACTIVISM

In October, Crasher-in-Chief Lee Doren was invited to speak in the United Kingdom in front of the Young Britons' Foundation regarding grassroots and online activism. Some of the well-known speakers at the event were MEP Daniel Hannan and Conservative Party Chairman Eric Pickles. Lee was one of two speakers from the United States.

During the three-day conference, Lee networked with dozens of young liberty activists. Not only were the students interested in Bureaucrash, but many of them signed up to Bureaucrash's online social network and were eager to obtain Lee's pro-capitalism contraband. It was an extremely successful event for spreading Bureaucrash's message internationally.

In early November, Lee addressed the State Policy Network's conference in North Carolina regarding political activism on YouTube. Lee outlined how the liberty movement could successfully utilize YouTube and was able to network with young liberty activists. In their submitted reflections on the event, attendees rated Lee's presentation as "excellent" and "very informative." Consequently, Lee was asked to attend numerous student activism events in the coming months.

Later that week, Lee led a group of crashers to the "Free Kareem!" rally outside the Egyptian embassy's cultural and educational office in Washington, D.C. Kareem Amer, a 24-year-old reformist blogger from Alexandria, Egypt, was imprisoned in 2007—three years for insulting Islam and inciting sedition, and an additional year for insulting Egyptian President Hosni Mubarak. Since he was detained and imprisoned, Bureaucrash has helped organize protests outside the Egyptian embassy every November 6, the anniversary of his arrest.



(Top) Crasher-in-Chief Lee Doren speaking at the Young Britons' Foundation's Sixth Annual Conference. Photo courtesy of Steven Dent, YBF.

(Bottom) Crashers and Kareem supporters outside the Egyptian embassy.



THE GOOD

CEI Gains Broad Support of Its Constitutional Challenge to PCAOB

In October, prominent legal scholars, economists, and former government officials filed amici curiae briefs in support of CEI's constitutional challenge to Sarbanes-Oxley's Public Company Accounting Oversight Board (PCAOB). Among them, Roberta Karmel, appointed by President Jimmy Carter in 1977 as the Securities and Exchange Commission's (SEC) first female commissioner and now a professor at Brooklyn Law School, joins in a brief declaring, "[T]he PCAOB is not subject to constitutionally sufficient control by the President" and its "structure violates the doctrine of separation of powers and the Appointments Clause." John Berlau, director of CEI's Center for Investors and Entrepreneurs, said, "These briefs coincide with recent academic research showing that Sarbanes-Oxley adversely affects business investment and research-and-development spending and a just-released SEC study showing that Sarbox compliance costs have not decreased for many of the smaller public companies."

THE BAD

"Cash for Clunkers" Cost Taxpayers \$24,000 Per Car

In a report published by automotive information clearinghouse Edmunds.com, analysts estimated that the \$3-billion Car Allowance Rebate System (CARS)—better known as "Cash for Clunkers"—ended up costing taxpayers \$24,000 per car. Of the nearly 690,000 cars sold under the program, only 125,000 could be credited directly to CARS. The rest of the sales, they said, would have occurred anyway. "As Frederic Bastiat succinctly noted long ago, when determining the effects of a specific action, it is necessary to consider not only 'what is seen'—the observed effects of that action—but also 'what is not seen'—opportunities forsaken for the chosen course of action. In public policy, this means that it is necessary to look not only at the alleged benefits of a specific policy after it is enacted, but also at what would have happened if that policy had never been enacted. Viewed in this light, the Cash for Clunkers program is a costly boondoggle that will yield little net benefit," said CEI Editorial Director Ivan Osorio.

THE UGLY

Only 7 Percent of Obama Cabinet Has Private Sector Experience

A new research report from J.P. Morgan finds that more than 90 percent of President Obama's Cabinet-level appointees are career politicians and bureaucrats, a greater percentage than any previous administration in the history of the United States. To be clear, the finding was not that 93 percent of appointees come from the public sector, but that 93 percent have only public sector experience. To put this in perspective: Consider that at least 45 percent of appointees in the administrations of Franklin Delano Roosevelt and Lyndon Johnson—no free-marketers they—had prior private sector experience. Before Obama, the previous record had been set by President Kennedy, with slightly more than 70 percent of Cabinet appointees having no background in business. While perhaps not surprising, it should nonetheless be disturbing that those tasked with controlling more than 20 percent of the American economy have never in their lives had to meet a payroll.

MediaMentions

Compiled by Richard Morrison



Research Associate Alex Nowrasteh comments on the shortage of doctors in the U.S.:

The H-1B visa program grants a limited number of visas to doctors, medical professionals and other skilled foreigners. There should be no limit. Additionally, foreign-born doctors often settle in economically unattractive regions like upstate New York that American-born doctors eschew. Over one-third of physicians and surgeons there are immigrants, according to the Fiscal Policy Institute.

In 2005, a paltry 7,218 medical and health-care professionals earned H-1B visas, while many were denied. A cap on the number of doctors and medical professionals entering the U.S. discourages health-care access and raises costs. The H-1B visa cap should be removed along with other barriers to the migration of foreign-born doctors and medical professionals. Training more American doctors is important for tomorrow, but looking abroad can help lower medical costs and improve access today.

—*The Wall Street Journal*, November 11

Associate Director of Technology Studies Ryan Radia takes on the antitrust case against Intel:

As the Intel saga illustrates, U.S. antitrust law is simply not equipped to cope with the realities of the modern information economy. Defining distinct markets in any meaningful sense is next to impossible in an age when new markets are emerging constantly. Currently, the processor market is rapidly shifting toward handheld computing devices, where Intel is far behind companies like Samsung, Texas Instruments, and, yes, AMD.

Antitrust laws are intended to protect the public, not struggling competitors, as the U.S. Supreme Court noted in 1993. The processor industry shows no signs

of consumer harm, regardless of Intel's market share or its pricing practices. Punishing Intel for simply doing its best to compete will only curtail its potential to create innovative new products that can benefit consumers. Worse, it will discourage entrepreneurs from taking the big risks that will create the Intels of tomorrow.

—*Forbes.com*, November 6

Vice President for Policy Wayne Crews and Journalism Fellow Ryan Young detail the need for accounting for the costs of unfunded mandates:

Mandates mount quickly as a small firm grows. Mandatory compliance with the Americans with Disabilities Act kicks in at 15 employees, the Health Maintenance Organization Act at 25, the Family and Medical Leave Act at 50, and so on. It is not a good sign when it becomes routine for firms to stick to 49 employees and hire temps to stay under the FMLA threshold.

Rep. [Virginia] Foxx's proposed reform would not curtail Congress' power to regulate, per se. Hers is a disclosure bill. Congress would still be free to pass any unfunded mandate it pleases—as long as it accounts for the costs involved. ...

If Congress refuses to approve this modest reform it might as well take a roll-call vote on a resolution stating: "The public has no business knowing the costs of the regulations that we impose upon them."

—*The American Spectator*, November 5

Energy Policy Analyst William Yeatman on California's failed energy policies:

To hear California politicians tell it, the Golden State's energy efficiency policies have been an enormous success. As "proof," they often note that the

average Californian consumes 40 percent less electricity than the average American.

However, this is a misleading claim, because there are many factors besides energy efficiency standards that have resulted in California's relatively low per capita electricity consumption, including the state's mild climate, urbanization and high household density.

In fact, energy conservation policies account for 23 percent of the difference in electricity consumption between the average Californian and the average American, according to a report from Stanford University. And this percentage is largely explained by the fact that California has some of the highest electricity prices in the country, which depresses demand.

LCD or plasma—it's a long-running debate among consumers. California regulators want to end that debate for illusionary environmental benefits. Yet, as we've seen, California's energy conservation "success" is not due to the state's energy policy.

—*The Orange County Register*, October 29

Editorial Director Ivan Osorio and Adjunct Fellow F. Vincent Vernuccio explain the problems with politicized investing:

[Eliot] Spitzer is miffed at the U.S. Chamber of Commerce for opposing some of the major expansions of government power being proposed in Washington. To combat the Chamber, he advocates using public pension funds as a weapon.

What Spitzer does not say is what will happen to his "weapon of choice" under his strategy. Pension funds do not have a good track record when they wield the money in their care for social and political agendas. For example, the California State Teachers Retirement System's (CalSTRS) ban on tobacco investments cost the plan \$1 billion in lost gains. Last year, the managers of CalSTRS had to do an embarrassing about-face, saying they could "no longer justify" avoiding tobacco stocks.

—*Investor's Business Daily*, October 21



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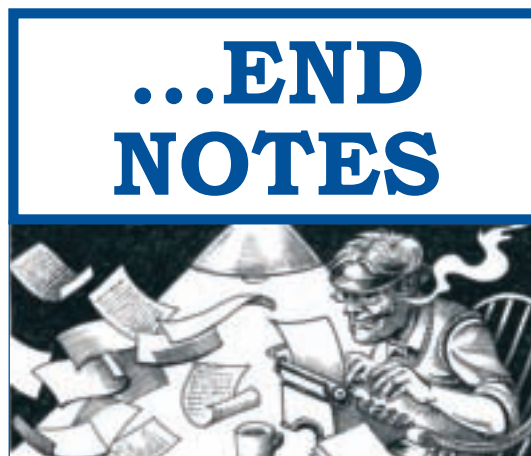
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Wall Street: Fannie and Freddie Shares Now Worthless

On October 19, financial analysts at Keefe, Bruyette & Woods downgraded common shares of Fannie Mae and Freddie Mac from market perform to underperform, and cut their price targets from \$1 to \$0. “Fannie Mae and Freddie Mac have been at the heart of the U.S. housing boom, bust and recovery,” KBW analysts wrote in a research note. “As the mortgage market moves away from crisis mode, the future of the GSEs has to be addressed.” They added that even if the government-backed institutions are “recapitalized through investments from the banks that benefit from their role in the secondary market,” it is likely that “both the common and preferred equity of the GSEs should be worthless.” Moreover, the analysts recommended that government involvement in Fannie and Freddie should be wound down, a stance long-held by economists and free market advocates.

The Singer not the Song

Sandra Burt is a British shop assistant who loves the Rolling Stones so much that she can often be heard singing Stones songs in the aisles of the store where she works. Earlier this year, Burt’s employer received notice from the Performing Right Society, the British organization that collects royalties for the music industry, warning that she could be fined if she continued to sing without a performance license. After a public outcry, the PRS apologized and sent Burt a large bouquet of flowers with a note attached reading, “We’re very sorry we made a big mistake. We hear you have a lovely singing voice and we wish you good luck.”



SEIU Goes after...an Eagle Scout

A teenager who spent over 200 hours over several weeks clearing a pedestrian and bicycle path seems like someone who should earn praise from his community. Unless, of course, his city’s government employee union considers his cleaning as work reserved for its members. In Allentown, Pennsylvania, on November 10, the head of the Service Employees International Union (SEIU) local that represents city employees said the union was considering filing a grievance against the city for allowing 17-year-old Kevin Anderson, an Eagle Scout working

towards a badge, to clear the path. Local SEIU chief Nick Balzano told the city council, “We’ll be looking into the Cub Scout or Boy Scout who did the trails.” Allentown Mayor Ed Pawlowski praised Anderson for providing “a great service to the community.” Possibly fearing a public relations disaster, Balzano said a few days later, “We are probably going to let this one go.” But it was too late for Balzano, who later resigned.

No Treats for You!

Citing public safety concerns, officials in Dunkard Township, Pennsylvania, and neighboring Bobtown banned trick-or-treating on Halloween. “I think they’re taking all the fun from our kids,” Freda Menear, a Bobtown grandparent, said. Bob Huggins, a Dunkard Township supervisor, that many local residents agreed that it would be better for children to be off the streets on Halloween night. Instead of going door-to-door, families were treated to a four-hour party at a fire station.