

# CEI's Monthly Planet

## Fighting For Freedom

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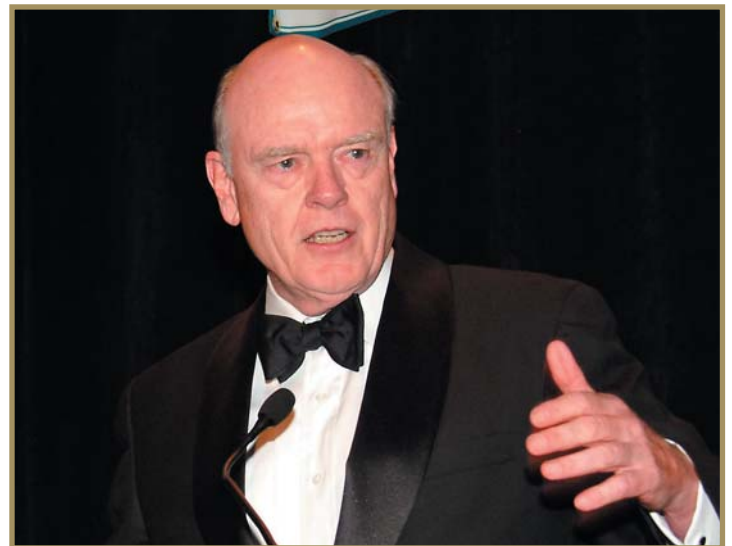
## A More Creative and Productive World

by Hon. John W. Snow



*The Competitive Enterprise Institute's 20th Anniversary Gala, held on May 19, 2004, in Washington, D.C., was a complete success. Syndicated columnist and CNN "Crossfire" co-host Robert Novak served as Master of Ceremonies. Also, Nobel Laureate Dr. Norman Borlaug, the father of the Green Revolution,*

*was presented with the Prometheus Award for Human Achievement for his successful efforts in allowing developing countries to feed themselves. U.S. Treasury Secretary John W. Snow delivered the Keynote Address. Excerpts from his remarks follow.*



*U.S. Secretary of the Treasury John W. Snow delivers the Keynote Address at CEI's 20th Anniversary Gala*

that shows that ideas really do count. And right ideas can triumph if forcefully advocated.

The forceful and effective advocacy of right ideas—that is what Fred Smith is all about. He and I connected a long time ago, when the railroad industry was in dire straits and the prospect of nationalization stood as a real outcome. Fred got to work with a number of people, who all said, "This industry ought to be deregulated." Because of his efforts,

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**I**m grateful to all of you for this opportunity to honor CEI, and to honor an old friend, Fred Smith, and also to celebrate 20 years of engagement in the war of ideas—an engagement

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FROM THE GLOBAL WARMING POLICY DIRECTOR



# Ronald Reagan, Freedom's Champion

by Myron Ebell

**F**ormer President Ronald Reagan's passing has prompted innumerable words about his achievements. I cannot add much new, but would like to highlight several points that are of special importance to us at CEI.

The chattering classes—the media, university intellectuals, and the permanent Washington establishment—considered Reagan dim and ignorant because he rejected the conventional wisdom. Everyone “knew” that the West couldn't win the Cold War. Everyone “knew” that inflation couldn't be lowered

without increasing unemployment and vice versa. Everyone “knew” that the modern economy was so complex that it required continual government intervention.

The Left feared Reagan because they saw he was determined to act on his ignorance. They thought he would wreck the world. Instead, he only wrecked theirs. The Brezhnev doctrine that once a country went communist it could never return to freedom is now a quaint memory. And at home, Reagan challenged the domestic liberal equivalent of the Brezhnev doctrine: the idea that the growth of government and loss of freedom could be slowed but never reversed.

Reagan's ability to see through the liberal consensus is, I think, due to two unusual experiences in his life. As president of the Screen Actors Guild, he saw, first-hand, communists try to take over the movie industry. He learned that for communists the end justifies the means; and he also learned that they could be defeated.

With his movie career over, Reagan took a job with General Electric as host of their television show and company spokesman. Visiting and speaking at GE factories and facilities all over the country, he talked to thousands of people in business and industry. He learned that profit-making businesses do a lot of good and could do a lot more if not hampered by over-regulation and high taxes.

For Reagan, these experiences awakened an interest in politics. Disliking air travel, Reagan, during his time with GE, spent long hours on trains reading books on history, politics, and economics. He read about the American Revolution, the Constitution, and economists such as Hayek, Hazlett, and Friedman.

Following his two terms as Governor of California, Reagan from 1975 to 1979 did a daily five-minute syndicated radio broadcast, which he mostly wrote himself. A selection of these published in 2001, *Reagan in His Own Hand*, shows his knowledge about a wide range of issues. And, on the issues that concern CEI, he was right on every count. He knew that the world was not running out of petroleum. He knew that government regulations caused the energy shortages of the 1970s. He thought that the federal government owned far too much land. And he recognized that the Endangered Species Act and land use planning threatened property rights—which he recognized as the basis of our freedom and prosperity.

Because Reagan believed that, “We are a nation that has a government—not the other way around,” he accomplished a great deal as president despite the liberal establishment's unrelenting opposition. He solved the energy crisis by deregulating energy prices. He lowered tax rates from confiscatory levels, thereby giving people incentives to work and save and invest. Contrary to the claim that this resulted in runaway federal deficits, Reagan forced Congress to stop the exponential growth in non-defense federal spending, which was lower as a percentage of GDP when he left office than when he entered.

Reagan also waged war on the regulatory state, perhaps the most serious and least noticed threat to freedom and prosperity—and not coincidentally the focus of CEI's efforts. From 1970 to 1981, the year Reagan took office, the number of pages published each year in the Federal Register increased from around 20,000 pages a year to 80,000. The Reagan Administration beat it down rapidly to 45,000 (under his successors it has climbed slowly back to nearly 80,000).

CEI and other advocates of limited government owe much to Ronald Reagan, not the least of which are two important lessons. First, great things can be achieved in the cause of liberty through dedication, perseverance, and courage. Second, when President Reagan left office in 1989, he reminded his “regiments” that “action is still needed if we're to finish the job.” Unfortunately, since then, we have considerable ground in the cause of restoring government to its constitutional limits. We've got a lot of work to do, and we no longer have Ronald Reagan to lead us. But we should “believe in our capacity to perform great deeds...And, after all, why shouldn't we believe that? We are Americans.”

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Left to right: U.S. Undersecretary of State for Global Affairs Paula Dobriansky, Prometheus Award Recipient Dr. Norman Borlaug, and CEI President Fred Smith with the Prometheus Award for Human Achievement



Left to right: Washington Times Commentary Editor Mary Lou Forbes; Richard, Layton & Finger, P.A. Director Glen Kenton; American Conservative Union Vice Chairman Donald Devine; and Atlas Economic Research Foundation Executive Vice President and CEI Board Member Leonard Liggio



Left to right: Lori Meyer, Federalist Society President Eugene Meyer, and Philanthropy Roundtable President Adam Meyerson at CEI's 20th Anniversary Gala

## A More Creative and Productive World

*Continued from page 1*

this industry was deregulated. It was railroad deregulation, plus the deregulation of the truck, airline, fixed commissions, and financial industries that have made this economy much, much stronger.

I make that point to foreign finance ministers, whose standard query is, "Mr. Secretary, how is it that the American economy has come through these traumatic events? The administration inherited a recession, then 9-11, then the corporate scandals, then the meltdown of the equity market and \$7 trillion came out of U.S. households—that's more wealth than the combined GDPs of France, Germany, and the United Kingdom. And despite all these shocks to the system of this economy, your economy continues to move forward. How could this be?"

The answer is that we have the most resilient, adaptive, competitive economy in the world. And why is that? It's because, on a scale like no other country in the world, we apply free market principles. That is why our economy could respond, adapt, and adjust to these terrible external events.

This resiliency of the American economy came about because of people like Fred Smith, who decades ago saw that deregulating the large segments of the economy locked in the cocoon of regulation would cause them to perform a lot better—and, more importantly, that the entrepreneurial spirit of America would come alive if we allowed markets to work. The worst barrier to creativity is regulation.

The world is much different from the one Fred and I dealt with back in the 1970s. I had come out of the Ford Administration, where one of the highlights of my life was working on deregulation initiatives that President Ford wanted to advance. I saw just how tough it was to deregulate, because constituencies of the regulatees line up in support of the status quo, in which they've all developed a stake. I was shocked to see the airline, trucking, barge line, and railroad executives' opposition to deregulation. After the Ford Administration, I went to work for a major railroad company, and then it really came through to me.

Around 1978, I went to work for this company, and a CEO came to see me—I was at the time at the American Enterprise Institute; I had an office right next to my former boss, President Ford—and the CEO says to me, "I'd like you to come work for me."

I replied, "I'd be delighted to. I'm just about to sign on with a prominent law firm to head their Washington office, and you can be my first client."

"No, no, no," he said. "I don't want you to represent me from a law firm; I want you to come to the company."

And I replied, "Look, I'm a lawyer. Lawyers are piece workers. You have a project, and I can handle the project out of the firm."

He then said, "No, no, no, I want you to be in the firm to handle the project."

"Well," I responded, "Let's talk about it. What is the

*Continued on page 8*



# The Real Environmental Crisis:

*Why Poverty, Not Affluence, is the Environment's Number One Enemy*

by Jack M. Hollander

2003, University of California Press

Reviewed by Neil Hrab

When it comes to the environment, many green activists see economic growth as a problem, and propose global economic austerity as the solution to environmental degradation. But this view is wrong, argues Berkeley Professor Emeritus of Energy and Resource Studies Jack Hollander in his book, *The Real Environmental Crisis: Why Poverty, not Affluence, is the Environment's Number One Enemy*. Hollander, explicitly rejecting the "growth-is-the-root-of-all-evil" mindset, states from the outset that affluence is not only not the problem, it can help solve environmental problems. "In my judgment...affluence does not inevitably foster environmental degradation," he writes.

"Rather, affluence fosters environmentalism. As people become more affluent, most become increasingly sensitive to the health and beauty of their environment. Of course, affluence alone does not guarantee a better environment... but affluence is a key ingredient for ensuring a livable and sustainable environment for the future."

Hollander's argument, which he builds up in the following 13 chapters, boils down to this:

- Over many centuries, the Western world made a transition from widespread poverty to widespread affluence.
- Reasons for this include technological advances, evolution of political institutions, and the spread of the rule of law

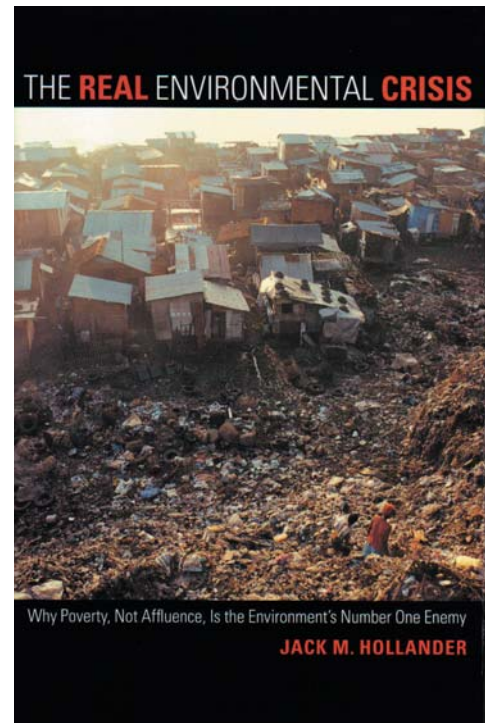
- This transition has allowed affluent Western populations to value the environment much more than people living in poorer countries.
- If presently poor countries can also make this transition, then the global environment will be much better off.

Put another way, as more people living achieve a Western middle-class level of prosperity, the more they will adopt Western-style attitudes towards the environment.

An as example of this transition in action, Hollander traces the shift in popular attitudes towards air quality

As Hollander points out—and contrary to many green activists' claims—prosperity, democracy, and heightened concern for the environment go together.

in the United States over the past 120 years. He recalls from his own childhood, growing up in a steel town in Ohio in the 1930s, how "people actually welcomed the ubiquitous gray cloud of coal smoke" hovering above the local steel factories. He notes that, "Even though we choked on the soot and our Sunday clothes became soiled instantly, the



smoke cloud meant that the mills were working and our fathers had jobs and we had homes to live in with food on the table." In similar fashion, 19th Century residents of English cities accepted the sooty output of their factories. In both cases, "pollution seemed a small price to pay in comparison with the economic benefits of industrialization" and the affluence it made possible.

As America became more affluent and industrialized, the transition process described above started to play out. In 1881, Chicago and Cincinnati began to enact controls on smoke from trains and factories. Two decades later, county governments began to experiment with similar controls. In 1952, Hollander points out, Oregon passed laws to control air pollution—the first such rule at the state level. Other, more stringent regulatory efforts would follow.

It was only after Americans began to enjoy the fruits of industrialization that they began to consider their standard of living in terms other than strictly material ones. While they were still poor, Americans were prepared to rationalize damage to the environment as an inevitable part of becoming wealthier. But at a certain point, as much as they enjoyed the affluence created by industrialization, Americans realized that they also valued a clean environment—and began to look for ways to keep it clean, includ-



ing through the political process. As Hollander points out—and contrary to many green activists' claims—prosperity, democracy, and heightened concern for the environment go together.

Although Hollander's book is largely directed towards environmentalists, it is accessible to the general public. And he has a special message for the Western world's private entrepreneurs: Help hasten the transition to prosperity in developing nations to bring about real environmental improvement.

Hollander identifies rent-seeking as an obstacle this transition. He decries the fact that too many private companies are eager to accept "public subsidies for investments in large-scale renewable technologies for which there is little need and which, in any case, are neither economically competitive nor environmentally superior." He does not detail these, so we are left wondering which technologies he means—but his recommendations are sound. Instead of taking government handouts in exchange for promoting what is merely "ideologically popular," Hollander says that "traditional investors" should consider looking at the widespread demand among "millions of developing world households" for ways to meet their daily energy needs for things such as electricity and heat. Previous efforts to meet these needs, he observes, have foundered thanks to "the huge capital costs of building large power plants," especially in rural areas.

Hollander believes the private sector can help fill this unmet need through projects to provide rural residents with household-sized energy technologies like "solar-photovoltaic units" and "minihydropower plants." Private enterprises could build up a marketing and finance infrastructure—in collaboration with local governments—to sell these technologies in developing nations. Such an entrepreneurial solution could help potentially billions of currently poor people take a step towards making the transition away from poverty, and towards affluence and the concern for the environment it creates.

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Neil Hrab ([nhrab@cei.org](mailto:nhrab@cei.org)) is CEI's 2003-2004 Warren T. Brookes Journalism Fellow.

## Meet CEI's Experts: Iain Murray

Senior Fellow Iain Murray, who joined CEI in 2003, specializes in the debate over climate change and the use and abuse of science in the political process. He writes regularly on these subjects for *Tech Central Station*, United Press International, and other outlets. Mr Murray is a British citizen and pays close attention to developments in Europe and the activities of the European Union. He recently told the *Monthly Planet* a little more about himself.



### What have you found most different in working in public policy in America compared to Britain?

I worked for Ministers in the UK, who are essentially legislators with executive power. Getting used to genuine separation of powers has been interesting. It means that there's a lot more genuine public debate on the issues. You really have to persuade a lot more people on the merits of your case. On the other hand, I've been amazed at the extent to which legislators and federal agencies waste taxpayers' money through duplication of efforts. Those of us who worked for the Thatcher government are always aware of the need for value-for-money. Republicans in Congress and in the Administration over here seem to have forgotten that.

### You've done considerable work on the use and misuse of statistics by policy makers. How did you become interested in this field?

My old boss used to say that, in the policy debate, "statistics are like stolen lightning," lending power to your arguments. As a result, there is every temptation to misuse the statistics to put your arguments in the best light. In the UK, I believed passionately that guns caused crime. When I came here and started reading the research on the subject, I found that a lot of the statistics used to back up that argument said quite different things, like the assertion that 13 children a day are killed by guns. Virtually all of those "children" were aged 15-19. That shocked me. And I found it was the case with so many other supposed "facts" as well.

### Which book or handful of books would you recommend to somebody entering college today?

You have to start with the classics, which are the foundation of our thought. If you want to learn about critical thinking, read Plato. If you want to learn about how politics really works, read Cicero. If you want to learn about leadership, read Homer. Of the more modern thinkers, you have to start with the works of the late 18th Century—Edmund Burke, Adam Smith, Thomas Jefferson, and the ratification debates. Then you can apply the critical thinking you'll learn from these titans to the issues of today. And if you're interested in the environment, there's no better place to start than with *The Skeptical Environmentalist* by Bjørn Lomborg.



# Q & A with Soso Whaley

CEI's Newest Adjunct Scholar Discusses her "Debunk the Junk Project, Common Misconceptions about Nutrition, and the Ongoing Assault on Personal Responsibility



CEI recently interviewed Soso Whaley, who is now an adjunct fellow, about her "Debunk the Junk" project, which centers around a documentary film on the idea that the fast food industry is causing America's obesity crisis. Her film responds to Morgan Spurlock's Super Size Me: A Film of Epic Portions, in which the filmmaker gorges himself at McDonald's three times a day for a month to prove that the fast food industry is making America fat. However, conducting a similar experiment—eating at McDonald's three times a day, but consuming normal sized meals and exercising—Whaley lost 10 pounds. As owner of Literary Llama Productions and Zoomobile, she has devoted her life to teaching people of all ages about the necessity of developing a more educated and symbiotic relationship with animals.

**CEI:** Tell us a little more about the "Debunk the Junk" project. What prompted you to start it? How do you feel now compared to before the project?

**Soso Whaley:** I was disappointed, but not surprised, when I heard about the movie *Super Size Me* and its being lauded as some sort of serious scientific endeavor. This type of "documentary"—featuring fuzzy data and uncited statistics—has recently become all

will deteriorate. He could have done that at any supermarket, the finest five-star restaurant, his mother's house, or even his vegan chef girlfriend's place of employment. This whole notion that one type of food is more responsible for our expanding waistlines than another is very naïve.

Though I try my best, generally my food choices leave a lot to be desired. I travel a lot and, to tell you the truth, I'd rather spend my time writing, reading, or working on my documentaries, so I'm not really big on cooking. I do enjoy a good meal though, and I often find the fare at so-called "fast food" restaurants to be satisfying. Having a very limited budget, it's often the only thing I can really afford; spending a lot of money on dinner generally entails going to Applebee's or [New England regional casual dining restaurant chain] The Ninety-Nine. Going to McDonald's for a whole month really wasn't such a hardship as they have a lot of choices most of which I had not tried before. The project was actually fun—I learned a lot about calorie counting and

The only thing that *Super Size Me* demonstrated was that if you eat a lot of food and don't exercise much then you will gain weight and your health will deteriorate.

the rage with some factions. Note the success of Michael Moore's *Bowling for Columbine*, a blatant attempt to pass off questionable facts and figures as "truth." The only thing that *Super Size Me's* creator, Morgan Spurlock, demonstrated was that if you eat a lot of food and don't exercise much then you will gain weight and your health

balancing the types of food I eat during the day. Food control was so easy at McDonald's that I decided to return to the Golden Arches during the month of June while I complete my film to learn more about controlled portions and calorie counting. Overall, my health is good and I have lots of energy; I think that speaks for itself.



**CEI:** Which do you consider to be the most serious and prevalent misconceptions about nutrition today?

**Whaley:** A complete and total lack of knowledge or understanding of agricultural practices around the world and what is required to feed six billion people. This leads to a lot of myths about food production and distribution as well as food handling. This lack of education regarding such an important component of one's lifestyle, not any particular type of food, is the real problem. Whenever I hear people claim that "natural" or "organic" foods are necessarily the best or that a vegetarian diet is superior, I naturally question the motives of anyone who would recommend that we limit the types of food we should choose. From a sheer survival standpoint, limiting the types of food that one can eat does not seem a good strategy.

**CEI:** In your diary, you note that, "We are...far better off than our ancestors, who faced great threats from food-borne pathogens and parasites." Why do you believe facts such as this are so commonly ignored in contemporary discussions about food safety?

**Whaley:** It is not advantageous for organic and natural food advocates to acknowledge that today our food is safer to consume, regardless of whether you eat food produced through low- or high-tech methods. It would be particularly harmful to the organic movement if people realized that, despite claims to the contrary, food pathogens can be present not only in things like meat but also in more "natural" foods, such as sprouts. Ultimately it is the food selection, handling, and preparation that, if done right, can lead to a pleasant meal or, if done wrong, to illness and perhaps even death. Now that people have more access to different types of food I believe it is far more important to educate the public about providing safely prepared food to their families than trying to make them feel guilty about going out for a meal at a "fast food" restaurant.

**CEI:** Why do you think health scares gain so much public attention?

**Whaley:** Why do horror flicks do so well at the box office? Why would Morgan Spurlock's film garner so much attention and a nice chunk of change to boot? People love to be scared because

**Whaley:** The so-called "animal rights" movement has for far too long basked in the glow of political correctness. Fortunately, people are starting to realize that the movement is not about the welfare of animals or even about human enlightenment. Rather, it is a very strict regime which has no tolerance for the use of other species by humans. Fuzzy-wuzzy thinking about animals is the base of this belief system, which is completely dependent on a lack of knowledge when it comes to understanding other species and their care and use by humans. The mission statement of People for the Ethical Treatment of Animals is very clear: the complete abolition of the use of animals in any way by humans. Most people think that just means not eating meat, wearing fur, or using animals in the circus; but I can assure you that this goes much deeper than a few lifestyle choices. We are talking about a complete and total reversal in human development.

**CEI:** What do you want people to take away from your documentary?

**Whaley:** Hopefully the tools to learn how to evaluate the information they are bombarded with every day through the

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People love to be scared because it makes them feel alive. Unfortunately, too many people do not evaluate the oftentimes confusing "evidence" presented in support of health scares.

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it makes them feel alive. Unfortunately, too many people do not evaluate the oftentimes confusing "evidence" presented in support of these health scares and this has led to a lot of medical myths and excessive fear of things like chemicals.

**CEI:** Also in your diary, you criticize the "animal rights" movement for trying to impose what they consider "correct" choices upon other people. What do you believe motivates them to do this? How serious a problem is this?

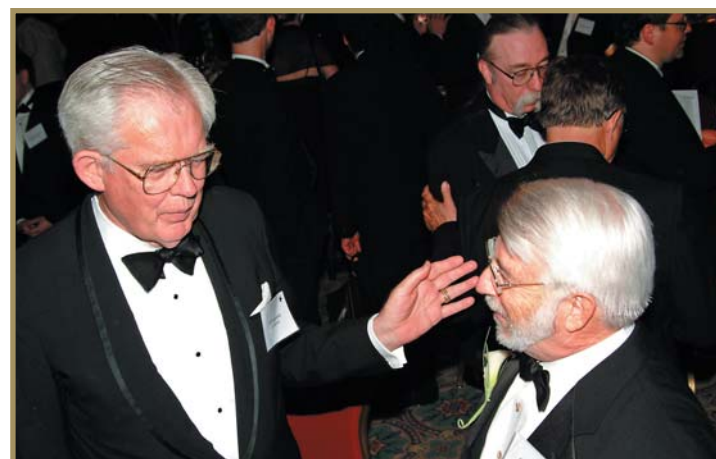
media and other sources. There are so many beliefs and ideologies that it's no surprise that we are terribly confused not only about what to eat but about how we humans comport ourselves as a species. We have far more serious problems to deal with, so just understand that in order to survive, an individual must take responsibility for his or her own actions. Let's stop pointing the finger at a hamburger and turn it right around at ourselves, take a deep breath and, repeat after me: "The buck stops here."



*Dr. Norman Borlaug (left) greets syndicated columnist Robert Novak, who served as master of ceremonies at CEI's 20th Anniversary Gala, as CEI President Fred Smith looks on, following the presentation to Dr. Borlaug of the Prometheus Award for Human Achievement*



*Left to right: U.S. Food and Drug Administration Chief Counsel Daniel Troy, CEI Chairman and American Enterprise Institute John G. Searle Scholar Michael Greve, and the Department of the Interior's Indur Goklany*



*Cato Institute Chairman William Niskanen (left) and CEI President Fred Smith at CEI's 20th Anniversary Gala*

## A More Creative and Productive World

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project?"

"The project is following the development of the Carter Administration proposals to rethink the regulation of the railroad industry," he said. And this is what took me over the line: "And, John, if you don't like it after a couple of years, you can always go back and practice law. We'll always be grateful to you; you'll always have us as a client." So I accepted the offer, and about 18 months later, I was called to come to their headquarters in Cleveland, Ohio to brief the senior management team on the Carter Administration's deregulation proposal. I go there and, I think, do a competent job of laying out the pros and cons and who's for and who's against it, and what the likely consequences will be.

After my briefing, the chairman threw it open for comments and discussion, which lasted about an hour. At the end of the hour, the chairman says, "Well, it's time to decide where we want to go. Do we want to be with the Carter Administration in advancing these deregulation proposals, or do we want to be against it?" And he turned to me first and asked, "John, where are you?"

I replied, "Mr. Chairman, with all the perils it entails—and the devil you know is always better than the devil you don't—I think we should embrace the Carter Administration proposals and try to improve them and go down the path of deregulation for railroads."

He then turned to the person next to me and asked, "Well, what do you think?" This person is the executive vice president of operations, and he said, "It's the worst idea I've ever heard. It would produce chaos in the railroad industry. We wouldn't know how to operate a railroad."

The next person is the general counsel, a learned lawyer from the best law schools and all that, and he says, "It's an impossible concept—deregulation for a railroad—railroads are common carriers. How can a common carrier end up engaging in contracts?"

The next one is the pricing manager. (In those days railroad rates were set through something called rate bureaus, which operate pursuant to an exemption from the antitrust laws.) This fellow said that this would be the end of the railroad industry; there was no way we could put prices out to the marketplace unless we could agree with the other railroads about what the appropriate prices would be.

This was a world that really existed; I'm not making this up!

They continue around the table and now it's four-to-one, five-to-one, then six-to-one; and I'm thinking to myself, "I hope the chairman remembers that conversation he had with me 18 months ago about my prospects post the company." Now it's ten-to-one, and it comes his turn. And he looks around the group and says, "I vote with John."

I tell that story to illustrate just how far we've come. Today, executives of major industries like railroads, airlines, trucking, barge lines, cell phone operators, telecoms, and the

*Continued on next page*





*U.S. Secretary of the Treasury John W. Snow and Rep. Jennifer Dunn (R-Wash.) at CEI's 20th Anniversary Gala*

rest are saying, "We don't want to be regulated; we want to be deregulated." The world deregulated is a more creative and productive place.

I was checking some numbers on the economy from 20 years ago, and it turns out that we've had the best nine-month GDP performance since 1984. And guess who was President in 1984? And guess what that President thought was essential to getting the economy moving? And guess what this President thought was essential to getting the economy moving?

I remember about a year ago at this time, we were trying to advance the tax proposal (the jobs and growth bill) through Congress, and it was really tough sledding. We got it through the House, but, in the Senate, it was awfully hard to do so. We finally got to a point at which, by making some legislative accommodations here and there but still preserving the heart of the legislation, we got to a 50-50 vote—handing the deciding vote to Vice President Cheney.

A few days ago, I was in the White House briefing the President on the economy, telling him how things have really turned, and how we've now got strong job creation—job creation over the past two months of over 300,000 per month. Since August, 1.1 million jobs created—that's nine straight months of positive job creation. Americans' real disposable income is the highest it's ever been in the history of this country. Household wealth is the highest it's ever been. We've got the lowest inflation rate of the 70s, 80s, or 90s. We've got the best growth rates ever seen in a three-year period.

This economy is in a strong recovery with a lot of headroom for continued non-inflationary growth. I'm confident we'll see strong job creation far into the future. But if we are to continue creating jobs and expanding the economy, we have to pay attention to policies that get in the way. And at the very center are the tort lawyers and the damage they do to job creation, business expansion, and to our competitiveness. They really are a threat to the system we know and prize and to the culture of America. America has a can-do culture. We take on risk and go out and do things. But if we don't watch it, we're going to be transmogrified from a can-do to a can-sue society.

The other policy—and we're here tonight to celebrate it—is the continued focus on letting markets work; avoiding excessive regulation; deregulating those things that can operate better in a free market; and making sure that those industries are allowed to function, innovate, and grow.

Moving to the safety and social regulatory field, I would ask Congress to look at costs and benefits. Why is it so difficult for Congress to pass legislation stating that when the issue of regulation comes up, they must look at a costs and benefits? I've been working to get risk-based cost/benefit analysis adopted as the policy of this country for some 10 years now. And it's not impossible, but it's awfully hard work. It's the sort of work to which Fred and this organization are committed. Fred, I salute you for your 20 great years, and for all that you are doing for America. You're on the right side with driving forward all the ideas that make America great.

Thank you very much.



*CEI Director of Food Safety Policy Gregory Conko (left) and Nobel Laureate Dr. Norman Borlaug at CEI's 20th Anniversary Gala, where Dr. Borlaug received the Prometheus Award for Human Achievement*



*Left to right: Novecon Financial Ltd. Chairman Dr. Richard Rahn, Institute of World Politics Overseer Beverly Danielson, DUNN Capital Management President and CEI Board Member William Dunn, and Rebecca Dunn*



# The Good, the Bad, AND THE UGLY

## The Good: European Union Approves Biotech Corn, Ready to Approve More Crops

On May 19, the European Commission (EC) gave the green light for a Swiss biotech firm to sell a new variety of genetically modified corn. Although the victory is not a complete one—Syngenta, the corn’s manufacturer, must indicate that its Bt-11 sweet corn contains GM products and farmers still may not cultivate the product within the EU—the decision marks the first time since 1998 that the EU has approved the sale of a biotech product. Also in May, the United Nations Food and Agriculture Organization (FAO) issued a report that, while calling for more government regulation and monitoring of biotech products for safety, recognizes biotech’s significant benefits. The report notes that genetically modified crops have helped poor farmers and “have posed no adverse health or environmental effects so far.”



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With approximately 30 more genetically modified products awaiting European Union approval, it appears as if sound science may finally gain a foothold in the EU. And the FAO report is but the latest in a series of studies supporting the technology’s adoption. As CEI Director of Food Safety Policy Gregory Conko points out, it’s about time the EU came around: “An analysis by the EU itself that summarizes the conclusions of 81 different EU-funded research projects spanning 15 years concluded that because GM plants and foods are made with highly precise and predictable scientific techniques, they are at least as safe, and often safer, than their conventional counterparts are.”

## The Bad: States Push Draconian Auto Emissions Standards

California and seven Northeastern states, frustrated that the Environmental Protection Agency isn’t doing more to reduce greenhouse gas emissions, are seeking to impose strict auto emissions standards, a move that would net little environmental benefit, raise the cost of transportation for all Americans, and overstep states’ regulatory authority.

Because California has the dirtiest air in the nation, the state may, under the Clean Air Act, set its own pollution standards. On June 14, the California Air Resources Board announced a proposal to cut the amount of carbon dioxide and other greenhouse gases emitted by automobiles by 30 percent. However, officials from both the Bush Administration and the auto industry have indicated that legal action to block the standards’ implementation is likely, since this would directly affect fuel economy, whose regulation is reserved for the federal government. Because California and the seven states that may follow its lead—Connecticut, New Jersey, Rhode Island, New York, Massachusetts, Vermont, and Maine—account for a quarter of the nation’s auto market, their standards would likely become the nation’s.



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“It would be a logistical and engineering challenge, and a costly problem,” a General Motors spokesman told *The New York Times*. “It’s more cost effective for us to have one set of emissions everywhere.” Further, as CEI Air Quality Policy Director Ben Lieberman points out, new standards such as this would provide little environmental benefit. “Virtually all of the pollutants regulated under the Clean Air Act are currently at or near their lowest levels since the law was enacted in 1970,” he says. In addition, “A host of tough new provisions set to take effect in coming years all but guarantee continued declines in pollution.”

## THE UGLY: ANOTHER MAJOR BANK CAVES IN TO GREEN THREATS

On May 17, Bank of America, the second largest financial institution in the United States, announced its adoption of a laundry list of eco-friendly principles, capitulating to threats from the radical environmentalist group Rainforest Action Network (RAN). Bank of America agreed not to fund projects involving oil and gas exploration, mining, or logging activity in old-growth rainforests—projects that could potentially help developing nations. Bank of America’s capitulation follows that of Citigroup, America’s largest bank, which caved in following a RAN-orchestrated campaign that included boycotts and noisy street demonstrations.



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This is ugly on two counts. First, Citigroup and Bank of America, by giving in to RAN, have sent out the message that smear campaigns work. Second, and even worse, RAN’s agenda, if adopted by more banks, will condemn millions to poverty. “Major financial institutions making large swaths of the Third World off-limits to development will ensure that these areas remain undeveloped—and poverty-ridden,” notes CEI Warren Brookes Fellow Neil Hrab. “This may seem wonderful for globe-trotting RAN activists and supporters who can enjoy backpacking in these quaint, pristine areas; but for the people who actually live there, it means continued low incomes.”



**Director of Research Christine Hall-Reis reveals the questionable motives behind a new courtroom development on the tobacco wars:**

Good news: At long last, an American company has sued New York Attorney General Eliot Spitzer, rather than the other way around. Now here's the bad news: The lawsuit stems from the alleged failure of Spitzer and his fellow state AGs to make good on their promise to protect an industry cartel. That failure, the suit claims, has facilitated a "huge increase" in the number of "renegade companies" selling "very cheap" products and making unprecedented gains in market share. Welcome to the strange world of tobacco regulation.

- *National Review Online* and *CNSNews.com*, June 28

**President Fred L. Smith, Jr. takes on the Securities and Exchange Commission's latest regulatory folly:**

SEC Chairman William Donaldson should have followed the example of the Federal Trade Commission, which correctly reported last week that the spam problem could not be resolved by a do-not e-mail list. With a level of honesty (unusual in the political world), the FTC noted there are problems unsolvable by facile government intervention.

In contrast, Mr. Donaldson has already bent with the political winds by demanding all firms expense stock options, though the mandate leaves the valuation technique to the firm. But now if a firm gets the number wrong in quarterly reports, it may face lawsuits and even criminal penalties.

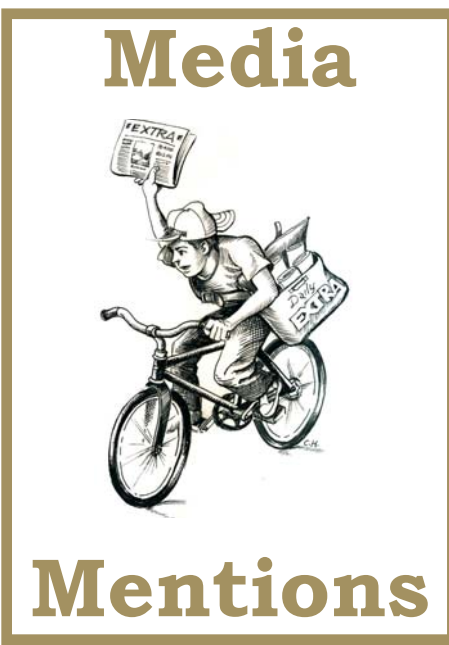
- *The Washington Times*, June 25

**Associate Counsel Ben Lieberman considers the fight over online wine sales and the legal implications for the future of e-commerce:**

It isn't exactly the Untouchables v. Al Capone, but there is a legal battle raging over the availability of alcoholic beverages. Internet wine sales have grown substantially in recent years, offering consumers both lower prices and greater product choice. But not everyone is happy about point-and-click connoisseurs having wine shipped directly to their homes, especially the old-economy liquor wholesalers and distributors. These middlemen have prevailed upon many state governments to limit or completely outlaw this new form of competition.

Fortunately, the tide is turning against e-prohibition. Several of the state bans have been challenged on constitutional grounds, with more victories than defeats thus far. The controversy is now headed to the Supreme Court, which will hear conflicting decisions involving the direct shipping laws of Michigan and New York.

- *Tech Central Station*, June 22



**Warren Brookes Fellow Neil Hrab warns the nation's banks of the green protest Left's latest threat:**

America's top banks are routinely asked to support all sorts of charitable causes. Yet not all causes deserve support.

One such unworthy cause is the tax-exempt Rainforest Action Network's campaign to get America's largest financial institutions to stop making loans to economic development projects in the Third World that RAN opposes.

In January, RAN got Citigroup to pledge not to fund projects that RAN says damage the environment—after a long campaign of attacks on Citigroup that included street demonstrations and banner hangings in front of the bank's New York headquarters.

- *Investor's Business Daily*, June 17

**Senior Fellow Marlo Lewis, Jr. exposes Sen. McCain's pro-Kyoto agenda:**

Who does Sen. John McCain (R-Ariz.) think he is fooling? McCain's Climate Stewardship Act, co-sponsored with Sen. Joe Lieberman (D-Conn.), is a political roadmap back to the Kyoto Protocol, the United Nations global-warming treaty that the Senate preemptively rejected by a vote of 95-0 in July 1997.

As originally introduced in January 2003, McCain's bill would require the United States to reduce emissions of greenhouse gases, chiefly carbon dioxide from fossil-energy use, to 2000 levels by 2010 (Phase I) and 1990 levels by 2016 (Phase II). Though not as restrictive as the U.S. Kyoto target—7 percent below 1990 levels during 2008-2012—Phase II was close enough for government work.

- *National Review Online*, June 16

**Director of Food Safety Policy Gregory Conko and Adjunct Scholar Henry I. Miller chronicle the origins of regulations burdening biotechnology's progress:**

Long before the first gene-spliced plants were ready for commercialization, a few agrochemical and biotechnology companies, led by Monsanto and Calgene and supported by BIO [the Biotechnology Industry Organization] (and its precursors), approached policy makers in the Reagan Administration in the mid-1980s and asked that the Environmental Protection Agency, Department of Agriculture, and Food and Drug Administration create a regulatory framework specific to gene-spliced products.

The policies recommended by the biotechnology industry, predicated on the myth that there is something fundamentally novel and worrisome about gene-splicing techniques, were far more restrictive than could be justified on scientific grounds, and often even more burdensome than proposals by regulators.

- *San Francisco Chronicle*, June 8



**Prey Strikes Back at Predator**

Doctors, squeezed by high malpractice premiums and threats of lawsuits, are refusing to take trial lawyers or their family members as non-emergency patients in increasing numbers, according to an Associated Press report from the American Medical Association's June meeting. "If somebody takes a position that is very deleterious to your welfare, you have a right not to do business with him," said Dr. Clinton "Rick" Miller, a neurosurgeon in Portsmouth, New Hampshire. Important note: Such cases are rare and are occurring only in non-emergency procedures.

**...END NOTES**



**Private Space Flight? Yes!**

This space often pokes fun at statist folly, but on occasion, we find news worth celebrating. And this month we have great news: On June 21, a group of private entrepreneurs launched the age of private space travel. Test pilot Mike Melvill flew the aircraft SpaceShipOne about 62 miles above the Earth's surface and landed it safely in the Mojave Desert after a 90-minute flight. SpaceShipOne's creator is legendary aircraft designer Burt Rutan. Microsoft co-founder Paul Allen financed the project.

**Big Breakthroughs from Very Small Things**

More good news: Emerging technologies promise big benefits—from things too small to see. A company called Kereos is developing a pair of nanotechnologies to identify tumors as small as one millimeter in diameter and kill them with a tiny, precise dose of a chemotherapy drug, reports *Wired News*. The diagnostic tool will enter human trials in 2005 and the therapeutic tool is expected to follow six months later. Also, an emerging "third wave" of biotechnology employing genetic engineering in industrial processes promises to create new fuels and reduce pollution and fossil fuel consumption, according to a new report from the Biotechnology Industry Organization. The report, using EPA and OECD data, found that three dozen industrial sectors are using biotechnology to aid in the production of paper, textiles, plastics, chemicals, fuels, and pharmaceuticals, with varying degrees of environmental benefit, reports *Greenwire*.

**Great Moments in Education**

The Chandler School in Duxbury, Massachusetts recently banned cupcakes from kids' birthday parties, a tradition at the school. Kids at Chandler will continue to receive dragon stickers, special seat covers, and birthday sashes they can wear all day. In lieu of cupcakes, each birthday kid will now receive a birthday pencil. Meanwhile, St. Joseph's Episcopal School in Boynton Beach, Florida is seeking to stamp out gossip. "Talking about other people is so ingrained in all of us," teacher Barbara Tkac told the South Florida *Sun Sentinel*. "We have to relearn patterns of speaking."

**Anti-Smoking Crusade Spans the Globe**

In May Rutland Town, Vermont banned smoking in public parks. And on June 1, World No Tobacco Day was observed with great fanfare...in North Korea.



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