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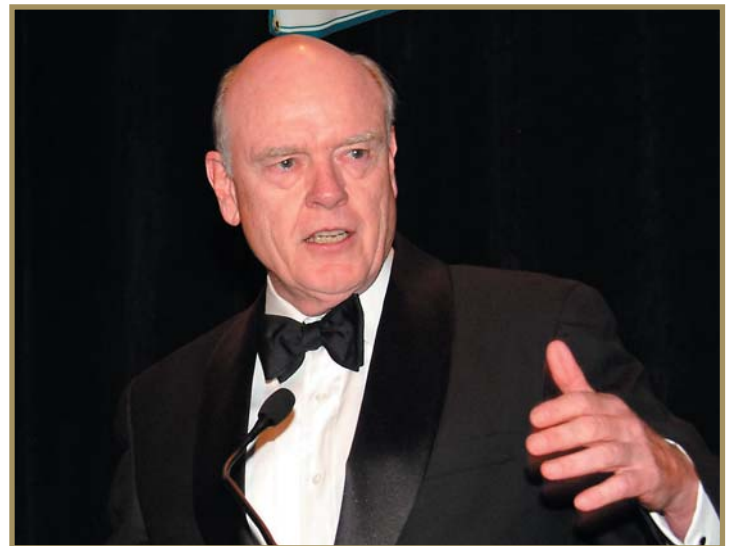
A More Creative and Productive World

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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Im 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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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 Ligio



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

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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

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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

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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

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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