

CEI's Monthly Planet

Advancing Liberty — From the Economy to Ecology

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Environmentalism, RIP? Not So Fast

by Angela Logomasini

Is environmentalism dead? Yes, say environmental activists Michael Shellenberger and Ted Nordhaus in a recent essay, "The Death of Environmentalism," that has sparked serious debate within the green Left. They argue that the movement is losing ground, and that it might need to abandon the drapery of environmentalism to pursue their overarching goal: "progressivism." (The essay, released at the Environmental Grantmakers Association's October 2004 meeting, is available online at <http://www.grist.org/news/maindish/2005/01/13/doe-reprint/index.html>.)

Environmental activism may be in transition, but the contention that the movement is losing major ground is belied by its ongoing impact on American life—an impact on both our pocketbooks and our personal freedom. Indeed, Americans who value freedom over the "progressive" nanny state should be very concerned about the scope and power of the environmental progressives today.

Shellenberger and Nordhaus are surprisingly forthcoming. They and many other activists are unhappy because they don't measure success based on whether the air and water are getting cleaner (which they clearly are), but on whether

the movement has passed any new, major laws that increase their power. As the authors bluntly note, they evaluate their policy successes "not only for whether they will get us the environmental protections we need but also whether they will define the debate, divide our opponents, and build our political power over time."

And they want that political power to lord over the rest of us. As Shellenberger and Nordhaus plainly state, the greens want to pass a global warming law to "remake the global economy in ways that will transform the lives of six billion people," which they admit is an "undertaking of monumental size and complexity."

With such utopian goals, it's not surprising these authors are disappointed. Even history's most famous utopian, Karl Marx, did not have similar grandiose delusions that he could institute such a world-wide economic reorganization. He expected the masses to rise up on their own and change the course of history (though in practice communism was forced on the masses by the elites, instead).

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FROM THE EDITORIAL DIRECTOR



One, Two, Many Broken Windows

by Ivan G. Osorio

Albert Einstein is often attributed with defining insanity as doing the same thing over and over, hoping to achieve a different result. Another possible definition is seeing one thing and describing it as its exact opposite—with the corollary that to call something its opposite repeatedly makes one certifiable. Yet this describes much of the economic reporting on disasters—both man-made and natural.

Recently, Agence France Presse (AFP) reported that the December 26 tsunami disaster is turning out to be a “blessing in disguise” for Sri Lanka’s economy. The broken window fallacy—thoroughly refuted by the 19th-century French economic journalist Frédéric Bastiat—continues to thrive, writ large and ugly.

“The Indian Ocean tsunami killed 31,000 people in Sri Lanka and caused unprecedented damage,” reports AFP. It “destroyed three-quarters of the country’s coastline, wrecked the road and railway network, and initially left a million people homeless.” This is a good thing?

Yes, suggests the AFP report, because thanks to “an aid windfall from abroad” and an “avalanche of assistance from global lenders” to aid reconstruction, Sri Lanka’s economy will surge ahead with a high rate of growth. Insanity is not too strong a word to describe such an assessment, considering both the magnitude of the disaster and that, like the proverbial madman repeating the same futile action, the view of disasters as economic boons persists beyond all explanation.

Indeed, of Bastiat’s many great insights, the broken window is among the most clearly intuitive: A boy who breaks a shop window stimulates economic activity by forcing the shopkeeper to pay a glazier for a new pane of glass. However, Bastiat notes, the boy has not created a net increase in wealth, but merely redirected it to the glazier away from where the shopkeeper would have otherwise have spent the money—perhaps on a new pair of shoes—or saved and invested it.

AFP is not the only news organization to ignore Bastiat’s lessons. We heard this same kind of reporting after the series of hurricanes that wreaked havoc in Florida last year and even about the 9/11 terrorist attacks. And “World War II got us out of the depression” is an oft-repeated mantra.

Why does the fallacy persist? The likeliest reason, as Bastiat notes, is its very nature.

“The reader must apply himself to observe that there are not only two people, but three, in the little drama that I have presented. The one, James Goodfellow [the shopkeeper], represents the consumer, reduced by destruction to one enjoyment instead of two. The other, under the figure of the glazier, shows us the producer whose industry the accident encourages. The third is the shoemaker (or any other manufacturer) whose industry is correspondingly discouraged by the same cause. It is this third person who is always in the shadow, and who, personifying *what is not seen*, is an essential element of the problem. It is he who makes us understand how absurd it is to see a profit in destruction.” (“What is Seen and What is Not Seen”)

This “need to apply oneself” to see the economic damage of disasters and state intervention is one of the biggest challenges facing supporters of free markets. And once misconceptions become widely accepted, they are very hard to dislodge from the zeitgeist.

Indeed, another lesson from the broken window fallacy is that it will never be easy to make the case that state economic intervention, like disasters, cannot produce a net gain in wealth. Lest we get discouraged, it’s something we should always keep in mind.

The challenge advocates of free markets face is enormous. It is not journalists’ role to report on what could have been or what is no more. But the challenge isn’t hopeless. By making a concise case that disasters—and state intervention—do not produce anything, we might not see the fallacy fatally vanquished, but we may see less reporting, like the AFP story, of what just isn’t so.

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Environmentalism RIP?

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Unfortunately, while the greens have not yet forced their entire vision on us, they have done quite a bit to build up the green regulatory state. Maintaining that “empire” alone represents a significant power base. Expecting to continually expand their grip on society is not only naive, it’s just plain arrogant.

In the United States today, the environmental empire consists of dozens of extensive regulatory statutes, thousands of pages of regulations, numerous government agencies continually passing new rules, and a legal system that allows activists to enforce, if not expand, their regime. By preventing any reasonable reforms to environmental laws, activists ensure that the cost of environmental regulation remains substantial and continues to grow. In his 2004 study, *Ten Thousand Commandments*, CEI Vice President

a process to prove it “safe”—an impossible standard since one cannot prove a negative. This program has more to do with red tape than safety, mandating that firms jump through regulatory hoops before selling products that consumers would chose to buy on their own.

Policies like REACH inevitably lead to reduced consumer choice, higher prices, less innovation, and impediments to the free exchange of goods and services—without any appreciable environmental benefit. But Europe is seriously advancing this proposal largely because groups like Greenpeace think it’s a good idea.

And despite Shellenberger and Nordhaus’s lament that the movement has “strikingly little to show” for its global warming efforts, the European Union, Russia, and other nations have ratified the Kyoto Protocol, which went into effect on February 16. In addition, California recently enacted global warming regulations, and other states and Canada are considering following suit.

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for Policy Clyde Wayne Crews, Jr. reports that environmental regulations cost consumers \$203 billion in 2003 alone. In addition, federal agencies spend billions of tax dollars every year and issue hundreds of regulations based on all these laws.

Hundreds, if not thousands, of environmental activists work on “stakeholder” committees at the Environmental Protection Agency (EPA), Department of Interior, and other agencies—churning out more regulations every year that affect how we live. For 2003 alone, Crews identified 417 on the EPA’s and another 295 for Interior. Of all federal government departments and agencies, only the Department of Treasury had more rules on its agenda than EPA. EPA was also tied for first place with the Department of Health and Human Services for having the highest number of “economically significant” rules—those costing more than \$100 million—on its agenda that year.

Despite activist complaints about lack of global warming legislation to “transform the lives of six billion people,” new regulatory initiatives are coming out every year.

For example, the greens are successfully pushing the European Union to enact its Registration, Evaluation, and Authorization of Chemicals (REACH) directive, which would outlaw commerce of any product that has not gone through

Perhaps the greens may justifiably grieve the fact that they haven’t been able to get “enough” regulation per dollar spent—but they certainly don’t have much trouble raising those dollars, which figure in the billions. According to the *Chronicle of Philanthropy*, the nation’s top 10 green groups had a total income of more than \$1.8 billion. And that’s a small sampling of hundreds of groups in this movement.

Shellenberger and Nordhaus rightly acknowledge that, “Today environmentalism is just another special interest.” Indeed, its interest is in forcing the world to accept a bankrupt ideology. Today, most people aren’t looking to expand the nanny state. They simply want to know that their air and water will be safe and that there are protections for wildlife. The last thing they want or need is an extreme green makeover to transform the way they live. What’s truly odd is that it’s the environmentalists who are crying; consumers and those who value their freedom should be the ones weeping.

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Mandated Recycling of Electronics

Creating a Mountain out of a Landfill

by Dana Joel Gattuso

This article is based on the report, Mandating Recycling of Electronics: A Lose-Lose-Lose Proposition, published by CEI, February 2005.

Haste maketh waste in the fast-paced world of technology. Americans trash two million tons of old computers and other forms of electronic waste every year, according to the Environmental Protection Agency (EPA). While that is a tiny fraction of the nation's total waste stream, the issue is creating heaps of hype and hysteria among state and federal lawmakers about what to do with the "e-waste."

California became the first state to hold consumers responsible for their e-mess. Starting this year, if you buy a television or personal computer from a manufacturer in California, you will pay \$6 to \$10 to finance a costly, state-wide program to collect and recycle all used monitors. Moreover, manufacturers are required to rethink the way they build computers. By 2007, they must phase out lead—currently used in computers to protect users from the tube's x-rays—mercury, cadmium, and other substances crucial to the operation of PCs.

Maine's law, enacted last spring, is even more draconian, requiring manufacturers to arrange and pay to have their used computers and TVs collected and recycled. Many other states—including Massachusetts, Minnesota, Oregon, Rhode Island, and Texas—are considering legislation similar to California's or Maine's.

Meanwhile, Congress is weighing in to provide a national "solution" and prevent a hodge-podge of 50 different state laws. In January, Reps. Mike Thompson (D-Calif.) and Louise Slaughter (D-N.Y.) introduced legislation to require consumers to pay a \$10 fee on new computer purchases to fund a nation-

wide e-waste recycling program. While the fee may seem insignificant, there is little reason to believe it would remain low for long; the cost to recycle a single computer is six times that amount.

On March 3, Sens. Ron Wyden (D-Ore.) and Jim Talent (R-Mo.) introduced the Electronic Waste Recycling Promotion and Consumer Protection Act (S. 510), which would authorize EPA to ban all computer monitors, laptops, and TVs from landfills three years from its enactment. It would also set up a national recycling program by providing tax credits to the recycling industry and to consumers who send their tech trash to a "qualified" recycler. The legislation's sponsors naively

vated by the belief that the growing amount of electronic waste reflects the ills of a "throw-away" society and that recycling e-waste to achieve "zero waste tolerance" is a moral obligation. Among the myths bandied about are that e-waste is growing at an uncontrollable, "exponential" rate; that, in the words of Sen. Wyden, "growing amounts of e-waste are clogging our nation's landfills;" and that heavy metals contained in computers are leaking out of the landfills, poisoning our the soil.

In reality, e-waste has remained at only 1 percent of the nation's total municipal waste stream since EPA began calculating electronics discards in 1999. Furthermore, the annual number

Mandated recycling is not the answer. The costs, ultimately passed on to consumers, are staggering—\$500 per ton of e-waste to recycle versus \$40 per ton to landfill.

assume that tax credits are enough incentive to establish an infrastructure large and strong enough to handle all of the country's computer and TV discards. Furthermore, the bill, if passed, would be disastrous for the nation's numerous voluntary reuse programs. The bill's focus on rewarding recycling would undercut successful and important efforts to refurbish computers for reuse, which has been found to be five to 20 times more energy efficient than recycling. Reuse also makes home computers more affordable.

This rush to enact some form of costly recycling legislation is the result of a swirl of misinformation spread largely by powerful eco-activist groups—moti-

of obsolete home computers is expected to level off at 63 million this year. While that may sound like a lot of computers, it's not an unmanageable amount. If you took all the United States' trash for the next 1,000 years, including e-waste, it would fit into a 120-foot deep, 44 square mile landfill. That's less than one-tenth of 1 percent of the land in the U.S.

Furthermore, landfill capacity is not diminishing but remains constant, according to the EPA. While some landfills have been closing due to stringent federal regulations, they are being replaced with new ones 25 times larger.

Finally, there is no scientific evidence that e-waste in landfills presents health risks. Landfills are built today



with thick, puncture-resistant liners that keep waste from coming into contact with soil and groundwater. Timothy Townsend of the University of Florida, a leading expert on the effects of electronic waste in landfills, conducted tests in 2003 on 11 landfills containing e-waste from TV and computer monitors mixed in with municipal solid waste. He found concentrations of lead far below the safety standard—and less than 1 percent of what EPA’s lab tests had predicted. “There is no compelling evidence,” says Townsend, that e-waste creates a risk in landfills.

His conclusions are consistent with findings of other recent studies. A year-long, peer-reviewed study by the Solid Waste Association of North America released last year concluded that, “extensive data...show that heavy metal concentrations in leachate and landfill gas are generally far below the limits... established to protect human health and the environment.”

The real problem is that a growing number of state and local regulators, based on misplaced fears, are rushing to ban TVs and PCs from municipal landfills, artificially creating the problem of where to discard them. Mandated recycling is not the answer. The costs, ultimately passed on to consumers, are staggering—\$500 per ton of e-waste to recycle versus \$40 per ton to landfill. “Eco-design” requirements like California’s and Maine’s will cripple technological innovation, and substance bans will unleash a host of unintended health and environmental risks.

Thankfully, there is good news. Manufacturers are recycling their products on their own, and they’re doing it better and cheaper than government. Hewlett-Packard, Dell, Gateway, and IBM are just a few of the many manufacturers operating their own recovery programs, recycling over 160 million pounds of e-waste a year. Equally as promising is eBay’s new “Rethink Initiative” to provide guidance to consumers on recycling, donating, or even selling their used machines online.

How to make these efforts even more successful? Keep government’s nose out of the e-garbage.

Dana Joel Gattuso is an Adjunct Scholar with CEI.

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Regulatory Reform Need not be a Pipe Dream

by Marlo Lewis, Jr.

Tax reform and Social Security reform are laudable and necessary components of President Bush's economic growth agenda. But a complete growth agenda must also include a program to rein in the hidden tax and spending burdens of federal regulation. Estimates of regulation's compliance costs vary widely, but they are certainly large—in 2003 the Office of Management and Budget (OMB) said the total cost of all federal rules could exceed tenfold its estimated cost of major rules issued during the previous 10 years (\$36 billion to \$42 billion), while in 2001 the Small Business Administration (SBA) put the total price tag at \$843 billion. Indirect costs—the impacts of regulation on consumer prices, output, and innovation—are harder to assess, but are likely

current process requires or even allows elected officials to make explicit choices about how much of the public's resources regulatory agencies should control, or how regulatory authority should be allocated among alternate uses of the same resources.

2. Americans live under a constitutionally dubious regime of regulation without representation. Most regulatory decisions are made by bureaucrats—officials over whom We the People have little, if any, control.

3. Agencies have the final say in scoring the costs and benefits of their own proposals. This creates a classic

A complete growth agenda must include a program to rein in the hidden tax and spending burdens of federal regulation.

even larger.

For instance, Federal Communications Commission (FCC) rules promulgated under the 1996 Telecommunications Act contributed to and prolonged the recent recession. The FCC imposed price controls and mandated sharing of telephone networks on an industry that helped drive the 1990s economic boom. The FCC rules stifled investment in new facilities, depressing the market for new telecom equipment. They also subsidized the entry of new firms into local markets, creating an unsustainable bubble of too many companies chasing too few customers. The result was a wave of bankruptcies, massive layoffs, and trillion-dollar losses in shareholder value.

With stakes this high, lawmakers should review the current regulatory system's problems and develop a reform agenda for the future.

Regulatory System's Key Flaws

Regulatory reform may be difficult, but it need not be a pipe dream. Identifying the fundamental problems can point to the solution. Today's regulatory regime has three main flaws.

1. Regulatory costs are unbudgeted. Nothing in the

conflict of interest, because agencies have an obvious incentive to skew analyses in favor of rules that expand their regulatory scope and power.

Guiding Reform Principles

Regulatory reform has a long and generally disappointing history. However, reforms are more likely to win public support and work effectively if they clearly embody one or more of the following principles:

1. Cost disclosure
2. Political accountability
3. Competition

Consider two recent quasi-success stories.

The 1995 Unfunded Mandates Reform Act (UMRA) enables any member of Congress to force the House or the Senate to debate and vote on whether to consider a bill with intergovernmental mandates estimated to cost \$50 million a year or more. UMRA embodies two key principles: cost disclosure and congressional accountability. It not only requires the Congressional Budget Office (CBO) to estimate the cost of mandates in new legislation, it forces Congress



to take some responsibility for those costs. This is critical, because members of Congress, unlike agency personnel, are accountable to the regulated public at the ballot box.

The Regulatory Flexibility Act (RFA) and subsequent related reforms require the Small Business Administration's Office of Advocacy to play a wide ranging role in regulatory development, enabling SBA, in some measure, to check and balance other agencies. The RFA-related reforms embody another key principle: competition. Those reforms empower SBA to scrutinize agency analyses and offer real alternatives, providing partial relief from the monopoly each agency otherwise maintains over its own rulemaking process. As in any market, competition tends to improve quality and lower cost. SBA reports that, in FY 2003, its multi-stage interventions in numerous rulemakings saved small entities more than \$6.3 billion.

Proposals for Reform

A new CEI report, *Reviving Regulatory Reform: Options for the President and Congress*, offers several reform

from the rulemaking agency, but also from experts in industry, state agencies, and the non-profit sector.

- **Require Congressional approval before new rules are effective.** This will give Congress greater motivation to consider economic impacts when drafting regulatory statutes, and to insist that agencies consider low-cost and non-regulatory alternatives. Regulations are implicit taxes that have the force of law. To most Americans, it is obvious that no one except their elected representatives should have the power to make laws or raise taxes.

- **Conduct pilot projects for establishing regulatory budgets.** The ultimate goal of regulatory reform is to make agencies act more like households. However devoted to the health and safety of their members, households face inevitable trade-offs in the use of their resources and, consequently, have strong incentives to set priorities and economize. A similar

Regulations are implicit taxes that have the force of law.

To most Americans, it is obvious that no one except their elected representatives should have the power to make laws or raise taxes.

proposals based on one or more of those principles. Here are four proposals, ranging from the purely administrative to the boldly visionary:

- **Publish an Annual Regulatory Report Card.**

The Office of Management and Budget should produce an annual Report Card consolidating vast amounts of quantitative information already available in agency databases. Congress and the interested public would be able to see at a glance whether the number of rules affecting small businesses and localities is going up or going down, the minimum cost of recently adopted major rules, and whether regulatory activity at the top rulemaking agencies is primarily driven by statute or agency initiative.

- **Make agencies compete for the right to score regulatory impacts.**

Agencies enjoy an exclusive right to score the impacts of their regulatory proposals. This creates an obvious conflict of interest, because agencies have an incentive to skew regulatory analyses to justify their agendas. OMB—and the General Accounting Office, if Congress approves—should hold a competition to determine which analysis of each major regulatory proposal is best, reviewing cost-benefit analysis not only

decision framework should inform regulatory choices—but does not now. What is most critically lacking in the regulatory arena is a budget process enabling elected officials to decide what size of regulatory burden relative to the economy to allow and how to allocate scarce resources among myriad regulatory objectives. Congress should authorize OMB to conduct pilot projects to explore the estimation, tracking, and enforcement issues policymakers would need to resolve before setting statutory limits on regulatory costs.

Conclusion

Regulatory reform is an enterprise fraught with political risk. But the regulatory status quo is also a source of considerable risk, as the regulation-induced telecom meltdown shows. If budget caps serve to constrain spending agencies, they should also constrain regulatory agencies. Elected officials should take more responsibility for regulatory decisions. And agency analyses should have to compete for public approval with analyses prepared by non-agency experts. If war is too important to be left to the generals, then regulation is too important to be left to the regulators.

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Ponzi's Scheme

The True Story of a Financial Legend

by Mitchell Zuckoff

Random House, 2005, 416 p.

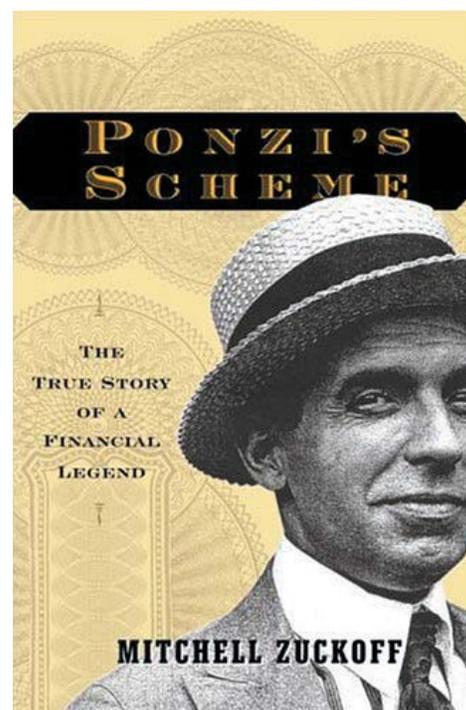
Book Review by John Berlau

Many have heard of Charles Ponzi, the 1920s flim-flam man whose name is now synonymous with con artistry. The Oxford English Dictionary defines a "Ponzi scheme" as "a form of fraud in which belief in the success of a fictive enterprise is fostered by payment of quick returns to first investors from money invested by others."

Sound familiar? That phrase also happens to describe the structure of Social Security. Politicians can wax eloquent about the "guaranteed benefit" made possible by the program's "trust fund." Yet Social Security administrators recently mailed a statement to workers laying bare the facts: Today's Social Security checks "are funded by today's workers," and "in just 14 years we will begin paying more in benefits than we collect in taxes." After that, "there won't be enough younger people working to pay all of the benefits owed to those retiring." The promise of today's Social

Scheme: The True Story of a Financial Legend, the author, a journalism professor at Boston University, paints a fascinating portrait of America's most famous swindler, as well as the people he duped and those who brought him down. Zuckoff doesn't mention Social Security anywhere in his book—though he could well have written a compelling epilogue on Ponzi as the great uncle of today's Social Security crisis. But then again, many others already have made this link: A recent search of the Westlaw database reveals more than 1,300 articles published since 1985 that contain the terms "Social Security" and "Ponzi scheme."

For all the people who have heard of Ponzi, however, few can describe the exact nature of his hoaxes. Some aspects of it seemed quite plausible. He proposed a form of currency speculation in foreign postage stamps. When that didn't work, he put some of his custom-



received. He seemed to believe he could make his plans work if only he somehow got lucky with the right investments.

What made Ponzi's scheme a scam rather than a mere speculative venture was his guarantee to customers of a 50-percent return in 45 days. When he couldn't make these payments, he simply repaid old investors largely from the money contributed by new ones. That's exactly how Social Security operates, with young workers generating payroll taxes to subsidize the retirement of old folks.

Writers for *The Boston Post* and other publications eventually exposed Ponzi. Banks refused to extend him credit. He went bankrupt, served time in prison, and ultimately was deported to his native Italy. He died in a Brazilian charity hospital in 1949. Many of Ponzi's investors got back just a fraction of what they put in. Others lost everything.

As we listen to the debate over Social Security reform, we will do ourselves a favor to bear in mind the rise and fall of this notorious schemer—and the havoc he wreaked on many people's savings.

A recent search of the Westlaw database reveals more than 1,300 articles published since 1985 that contain the terms "Social Security" and "Ponzi scheme."

Security system working like a well-oiled machine into the far future is as illusory as Ponzi's famous rip-off ruse.

That is what makes Mitchell Zuckoff's new biography so timely. In *Ponzi's*

ers' cash into other investments.

Zuckoff portrays Ponzi as a complex character. Although he spent lavishly on himself and his wife, he never took the option of fleeing with the money he had

John Berlau (jberlau@cei.org) is the Warren T. Brookes Journalism Fellow at CEI. A version of this review appeared in The Washington Examiner.



CEI Interview with Whitney Ball



In a year of record growth for DonorsTrust—the sole donor-advised provider dedicated to promoting a free society and serving donors who share in that purpose—CEI caught up with its Executive Director, Whitney Ball, to ask a few questions on behalf of CEI donors.

What is DonorsTrust and how does it work with CEI?

DonorsTrust is a public charity that facilitates charitable gifts to CEI and other liberty-minded charities that promote limited government, personal responsibility, and free enterprise. We offer donor-advised funds—or what you might call “charitable bank accounts”—for people who want to be thoughtful, efficient, and strategic with their charitable funds during or after their lifetime. Donor-advised funds have also proven to be useful financial planning tools for saving on annual or estate taxes.

What are common financial oversights donors make when giving to charity?

One of the most common oversights I see happens when donors give from their cash reserve rather than from their appreciated securities. If they would give appreciated securities, they’d avoid taking a hit from capital gains taxes. It’s better to invest your cash in securities and give your appreciated securities to charity.

Another common oversight is donors failing to establish a thoughtful estate plan. Or, if an estate plan is put in place, donors often default to naming their alma maters in their wills rather than organizations dedicated to liberty, like

CEI. If donors put liberty-minded organizations first, they could make highly-leveraged gifts that would really make a difference in promoting a freer society for their grandchildren. Unfortunately, colleges and universities have a much larger market share than that of groups like CEI.

What is some basic planned giving advice you can give CEI donors?

It is never too early to consider how to distribute your assets after your lifetime. After you’ve considered your own needs, think about which assets you would like to use to fund your giving. Do you have appreciated assets or privately-held stock, a 401(k) or IRA, or trust distributions? If the assets are available now, consider giving directly to CEI or choose to set up a donor-advised fund. A fund will economize your giving—allowing you to save both time and taxes while growing your charitable dollars through investments.

If the assets are available after your lifetime, consider setting up a bequest that directly benefits CEI. Or if you’d like to support several nonprofits or projects, simply create a donor-advised fund at DonorsTrust to receive the bequest. Then express your wishes in writing to DonorsTrust or appoint a trusted friend or family member who can carry out your grant requests after your lifetime.

How does a gift to CEI work through DonorsTrust?

If you choose to set up a donor-advised fund, you may easily request a grant—either anonymously or with full recognition—to be made from your donor-advised fund to CEI. DonorsTrust will handle the paperwork and the check writing and will inform you when the grant is made. If you choose to be recognized for the gift, CEI will send you an acknowledgement for the gift. It’s really quite simple.

What do you count as the successes of DonorsTrust over the last five years?

We have received more than \$44 million in contributions from donors who are dedicated to preserving a free society. From that \$44 million, DonorsTrust has granted out over \$10 million to more than 200 organizations recommended by our client donors. The remainder of the funds will be thoughtfully granted out over time as each donor requests. DonorsTrust will never allow any of the funds to drift to organizations on the Left.

www.donorstrust.org • 703.535.3563



The Good, the Bad, AND THE UGLY

The Good: Congress Moves Closer to Opening ANWR to Oil and Gas Exploration

Congress recently moved closer to opening Alaska's Arctic National Wildlife Refuge (ANWR) to oil and gas exploration. On March 16, the United States Senate voted 49-51 to reject a measure that would have effectively closed ANWR. Since 1980, Congress has considered opening 2,000 acres of ANWR's Coastal Plain—a little over 1 percent of the 1.9-million-acre refuge—for oil and gas exploration. In 1995, Congress authorized oil and gas exploration under the budget process, but President Clinton vetoed it. However, the 2004 election brightened drilling prospects with the election of several pro-drilling Senators, who inserted a provision in this year's budget resolution anticipating oil lease sales in ANWR. Sen. Maria Cantwell (D-Wash.) tried to strip the amendment, but failed. Then, on April 13, the House Resources Committee voted down an attempt by Democrats to remove opening ANWR from the House energy bill 30-13.



P.R. Newswire Photo Service

While exploration can begin only after either the House and Senate reach a budget accord later in the year or the full Congress passes an energy bill, the two votes mark a major step toward the development of a sound national energy policy. ANWR oil and gas exploration is now moving on two tracks in Congress; and the Senate budget bill cannot be filibustered.

The decision to open ANWR could not come at a more critical time. As CEI Director of Global Warming and International Environmental Policy Myron Ebell notes, with the declines in domestic oil fields' production and new technologies that make drilling cheaper and cleaner, drilling in ANWR makes perfect sense. Therefore, "making ANWR's reserves available is an important part of a pro-consumer energy policy."

The Bad: U.S. Telecom Sector No Longer Number One

On March 9, the World Economic Forum released its fourth annual Global Information Technology Report, which ranks countries by how well they exploit information and communications technology (ICT) developments. After three years in the top spot, the United States fell four places to number five, surpassed by Singapore, Iceland, Finland, and Denmark.

Although the report's authors emphasize that the U.S. did not drop in the rankings because of "actual erosion in performance," but because of "continuing improvements by its competitors," the fall does highlight an alarming trend. While America remains number one in several categories, including business readiness and the quality of its research institutions and business schools, Singapore was number one in the quality of its science and math education, affordability of telephone connection charges, and government prioritization and procurement of ICT. In contrast, the U.S. telecom sector today languishes under obsolete telecom laws that are nearly a decade old.



Feature Photo Service

If Congress cannot reach consensus on telecom reform, the U.S. will continue to fall behind other countries. As CEI Technology Counsel Braden Cox notes, the 1996 Telecommunications Act, which "was meant to stimulate competition," is actually preventing us from moving forward, as "companies are unwilling to invest and take chances in an industry that is subject to outdated laws and regulations."

THE UGLY: GREENS TRY TO FORCE THEIR AGENDA ON COMPANIES

Over the past few months, activist shareholder groups have introduced resolutions designed to force corporations to address the "problem" of global warming. Activists have introduced these resolutions under the banner of "corporate social responsibility" (CSR), a concept whereby green activists and other leftist zealots seek to force companies to adopt their agendas. The 2005 proxy season has already seen the filing of 30 resolutions by labor, foundation, religious, and institutional groups—a record that already exceeds the 22 filed the entire previous year. Included in the list of targeted companies are Unocal, Chevron Texaco, Ford Motor Company, and ExxonMobil. Automobile manufacturers and energy companies are not the only targets, however, as Dow Chemical and Wachovia shareholders will also vote on global warming resolutions this spring.

Adopting CSR could adversely impact companies' production and performance, leaving shareholders—and ultimately everybody—poorer. As former OECD chief economist David Henderson writes in his recent book, *The Role of Business in the Modern World*, which is published in the U.S. by CEI, "the adoption of CSR carries with it a high probability of cost increases and impaired performance." And even worse, "for the economy as a whole, CSR points the way to anti-competitive tendencies and over-regulation."



Warren Brookes Fellow John Berlau explains the rent-seeking potential of corporate governance “reform”:

Early this year, an unusual full-page ad appeared in *The Wall Street Journal* and other financial newspapers. The ad attempted to refute claims from businessmen about the costs imposed by the mandates of the Sarbanes-Oxley Act.

The ad’s message itself was not unusual... But what this newspaper ad shows is that not all corporate chieftains oppose this law. The expensive ad was not paid for by a pension fund or another group representing the investors the law was intended to serve: Its sponsor was, rather, PricewaterhouseCoopers, the multi-billion-dollar accounting firm making a bundle in fees for doing all the audits the law has ended up requiring of business. By creating so many hurdles for public companies, the law has birthed a golden goose for those who audit them.

- *National Review*, April 11

Adjunct Analyst Steve Milloy calls out a leading energy company for selling out consumers:

Duke Energy, a leading U.S. electricity and gas utility, announced this week its support for a global warming tax—essentially a consumption tax on consumers of gasoline, oil, natural gas, and coal.

Duke calls it a “carbon tax,” but we might call it the “Greenpeace tax” in honor of the various radical environmental groups...pushing global warming hysteria and supporting such a tax. But we could also call it the “corporate appeasement tax” in honor of businesses like Duke Energy that are stumbling over themselves to curry favor with the greens.

- FoxNews.com, April 8

Senior Fellow Iain Murray takes a rational look at the hysteria over mercury exposure in schools:

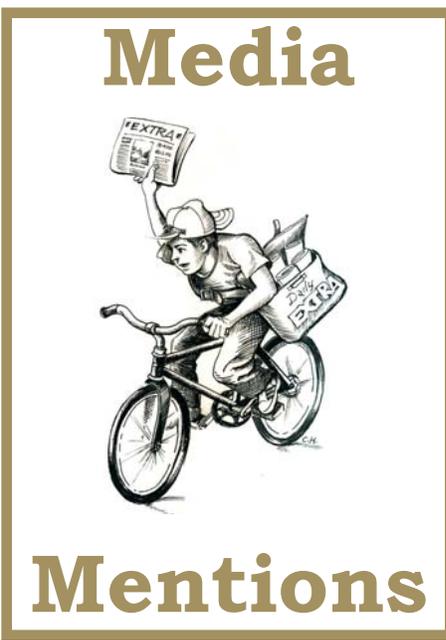
Mercury is all over the news these days, which is appropriate for an element named after the messenger of the gods. At some Maryland high schools, hazmat teams rush in to remove mercury that had gone unnoticed. In Washington D.C., a broken thermometer causes a school to close. And across the nation, environmental groups denounce the Environmental Protection Agency’s new proposed rules for reducing mercury emissions from power plants as inadequate to protect children.

All this seems rather odd to those of us who played with mercury in science lessons at school. The fact is that the health effects of mercury have been dramatically overblown.

- *The Washington Examiner*, April 7

General Counsel Sam Kazman reveals the real problem with “discount” pharmaceuticals from across the border:

Imagine that our country had a strange law under which



foreign citizens were entitled to rent homes here at bargain prices. For a while, our housing market operates relatively well despite this law. While foreign citizens take advantage of it, their numbers are small compared to the masses of Americans who continue to pay market rates, and those rates are high enough to encourage the construction of needed new housing.

A quirk is discovered in the law that allows foreigners to sublet their rent-controlled units to Americans. In fact, they can rent and sublet limitless numbers of units in this manner...Soon this form of renting takes over the entire rental housing market. At first it seems like a great deal for American tenants, but eventually it does what all price controls do—it destroys the incentive to produce more goods.

The drive to legalize drug reimportation is surprisingly similar to the imposition of rent control after World War II. There are currently several proposals to legalize the growing consumer practice of purchasing drugs from abroad at lower prices that what they sell for here. These cheaper prices do not result from lower production costs or economies of scale. They result from the fact that most foreign countries impose price controls on these drugs, and those controls are often backed up by the threat of breaking the drug’s patent if its manufacturer objects.

- *Tech Central Station*, March 31

Adjunct Analysts Henry I. Miller and Sandy Szwarc review the most efficient way to go after reductions of mercury in the air:

Government regulation is sometimes like the old shell game, in which trying to guess where the pea is can be devilishly difficult. An example is the nation’s first set of regulations to control mercury emissions from power plants, announced March 15 by the Environmental Protection Agency.

[T]he rule imposes nationwide caps to reduce emissions 70 percent by 2018, while giving individual power plants the flexibility to adopt new technology as it becomes available and determine the best way to meet the new limits.

Environmentalists’ main objection to the “cap-and-trade” plan announced by EPA—which allows facilities to trade and sell emissions allowances while technology is being implemented—ostensibly is concern it could create ecological “hot spots” of mercury in parts of the country. But that won’t happen, according to an analysis by the Electric Power Research Institute, a nonprofit energy and environmental research firm in Palo Alto, Calif., because most mercury comes from sources other than power plants, which contribute little to the areas of highest deposition in the U.S. In fact, the EPA’s plan produced greater overall reductions than the environmentalists’ plan.

- *The Washington Times*, March 30



Celebrities: Key to Credibility

Nothing enhances a commercial ad campaign like a celebrity spokesperson. So does the same apply to political causes? Some green activists seem to think so. In Burbank, California, a recent "vigil" outside a parking lot full of electric cars intended for recycling brought out such environmental experts as Ed Begley, Jr., Woody Harrelson, and former "Baywatch" actress Alexandra Paul. The actors and other activists hoped to convince manufacturer General Motors to sell the cars, even though they never gained much popularity, and selling the vehicles would entail assuming a

costly legal obligation to maintain them. In London, Friends of the Earth (FoE) is enlisting "stars from stage, screen, and the music world," including the band Radiohead, for an anti-trade all-night party. "It's an overnight 'happening,'" says Radiohead frontman Thom Yorke in the FoE press release. "I'm going to be with a sleeping bag and a paint brush and maybe even a guitar if I can get it in the suitcase."

Bias? What Bias?

In March, David Yarnold, editor of *The San Jose Mercury News*, announced he is leaving the paper to head the green advocacy group Environmental Defense.

Thank Heavens for Global Warming

A recent climate study by a University of Virginia research team credits warming due to human activity with preventing an ice age. "Instead of driving us to the brink of disaster, human intervention will be seen as vital activities that have

...END NOTES



unintentionally delayed the onset of a catastrophic ice age," write the authors of the study, which was published in the journal *Quaternary Science Reviews*.

Chirac: Google, Go Home!

French President Jacques Chirac wants to stem the cultural invasion of France—by the search engine Google, which plans to put online millions of texts from American and British university libraries. Chirac asked his culture minister, Renaud Donnedieu de Vabres, and Jean-Noël Jeanneney, head of France's Bibliothèque Nationale, to undertake a similar project for French texts,

with a French search engine, even though Google is used for 74 percent of internet searches in France, according to *The Economist*. Donnedieu de Vabres told the newspaper *Le Monde*, "I do not believe that the only key to access our culture should be the automatic ranking in popularity, which has been behind Google's success."

What Politically Motivated Prosecutions?

Jacques Chirac isn't the only one getting headaches from Google. On April 6, New York Attorney General Eliot Spitzer pulled a "Spitzer for NY Governor" ad from Google. The ad, which linked to www.spitzer2006.com, appeared in searches for AIG, the acronym for insurer American International Group, one of Spitzer's prosecution targets. "It wasn't appropriate and as soon as Mr. Spitzer found out about it, he had it removed as soon as possible," said Spitzer spokesman Darren Dopp, who suggested that a low-level campaign staffer may have been to blame. Oh, those overzealous staffers!



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