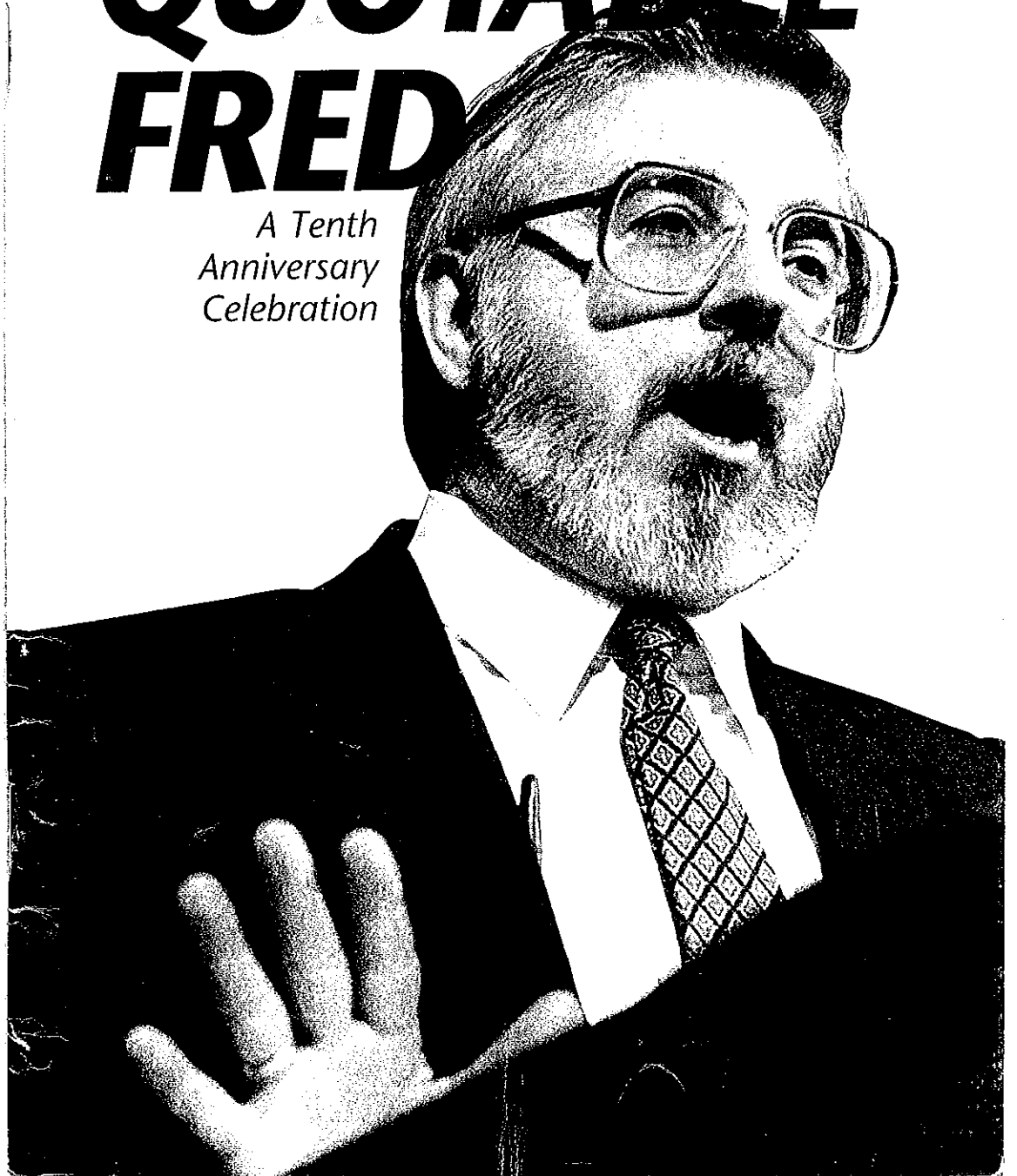


THE QUOTABLE FRED

*A Tenth
Anniversary
Celebration*



This Volume is Dedicated to the Memory of Warren Brookes

Warren was not like any other man, nor was he like any other columnist. He was a one of a kind.... Whereas other columnists would typically spew forth great gushes of rhetoric and the catch phrases that ring through the air, Warren provided the factual underpinnings for forceful arguments. Whereas other columnists attempted to persuade through their manipulation of words, Warren could overwhelm with a torrent of data that no force could resist. Given Warren's immensely prolific nature—averaging three-plus columns a week—his immeasurable contribution to the cause of free-enterprise and limited government was priceless. When Warren was on the prowl the truth could not hide.

—Fred L. Smith, Jr.
(CEI Update, January 1992)

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Foreword

I first met Fred Lee Smith, Jr. in 1982 at a reception for the now-defunct Council for Competitive Economy. Fred came up to me and started arguing with me. I had never laid eyes on this person before, wasn't aware of the issue he was arguing about, and found it particularly strange that he seemed to think that we were in the middle of the argument. "Damn those Republicans," I thought, "for letting these people out of those institutions where they belong." Over the years, of course, I've come to realize how wrong I was. I'm glad they let him out.

To this day, Fred will start talking to you as though you're in the middle of a conversation already. Fred Smith's on the line:

"Hi, Fred."

"So why do they think they're going to get the funding if they don't even have the votes in subcommittee?"

"What? Back up, Fred. What funding and what subcommittee?"

I've concluded that the deal is that Fred talks 24-hours-a-day. The rest of us just pass in and out of his conversations. Which is okay, because Fred always has interesting things to say. The only person I've ever seen deal effectively with Fred's eternal monologue is his sainted wife, Fran, head of Consumer Alert. If there's a group at dinner, say, and Fred launches into some diatribe on the relationship of CAFE standards to SAT scores (complete with a wink and knowing chuckles as though anyone in the group has a clue as to what the hell he's talking about), Fran will lean over, give him a patronizing little tap on the wrist, say "Yes, dear" with a smile, and turn to the others with a look that says it's okay to resume the real conversation.

Those who don't know Fred will think the above is an exaggeration, but those who do know him know it's right on. Which makes it all the more difficult to ascertain why Fred Smith is one of the most beloved figures in Washington. The man has a cult following. The loyalty of Fred's friends (myself included) is legion. A former liberal turned market-liberal, Fred brings a fervor and energy to the ongoing policy debate inside the Beltway that is awe-inspiring to friend and foe alike. He calls himself the "despairing optimist," but one senses that the "despair" part is simply a facade to cover

the fact that Fred is hopelessly optimistic. He doesn't just think he can sell freezers to Eskimos, he thinks he can sell Medical Savings Accounts to Hillary Clinton.

The beauty of it all is that his enthusiasm is driven by a genuine love of liberty. That's one reason why even those who disagree with him admire him so much. His enthusiasm for the ideas that drive him is, if not contagious, wholly honest and admirable. Now, the truly interesting thing about this despairing optimist is that he is very, very smart. I'd say brilliant were it not for his table manners.

Fred's insatiable curiosity extends over numerous disciplines — history, science, literature, anthropology, and mathematics — where he invariably finds new linkages that enrich our understanding of the free society. You don't mind joining him in the middle of a conversation you were unaware you were having, because his insights are so remarkable. You always come away from a meeting with Fred with a little better understanding of how the world works, even if you did have to occasionally pull him back from a verbal precipice to keep the conversation on track.

The Competitive Enterprise Institute is to be commended for making this publication available on the occasion of its tenth anniversary. The Quotable Fred sparkles with the humor, insight, and commitment of one of America's most innovative policy analysts as he dissects issues ranging from philosophy to strategy, elephants to antitrust. This volume demonstrates clearly why Fred Smith has been an inspiration to his colleagues at CEI and to a growing network of market-liberal admirers from around the globe.

—Ed Crane
October 10, 1994



Principles & Visions

50 Years on Hayek's Road

How far have we traveled down Hayek's "Road"?

As a despairing optimist, I am of two minds. As an optimist, I am elated that the forces of collectivism have suffered great setbacks in the last 50 years. The Evil Empire has collapsed. America's progressive-era economic regulatory structure has gradually been dismantled. Perhaps, most importantly, Hayek's embattled band of Mont Pelerin classical liberals has blossomed into a world-wide free market movement.

Yet, as a realist, I fear that freedom — in America at least — continues to retreat. Fifty years ago, the Constitution and American culture still restricted the scope of government. Those promoting the federal government's higher education and highway construction programs felt it necessary to rationalize such programs on "national defense" grounds. Today, the constitutional legitimacy of, say, politically managed health care is not even debated or questioned. Taxes have increased in severity. Government credit and insurance schemes are more intrusive and create more mischief than in 1944. Federal welfare programs have done as much harm to minority families as anything since slavery.

Too often conservatives have focused only on one threat at a time — national defense, economic deregulation, constitutional restraints on spending — while statist forces have found other routes to their goals. As one statist rationale has been destroyed, they've quickly advanced another. American statist were very creative, inventing the modern regulatory state which retains the appearance of "private" enterprise while destroying the reality. Outright government ownership would be most honest, after all. Government agencies — say the Postal Service — are held somewhat responsible for their performance, while regulatory agencies exercise vast power but evade such accountability. America has moved steadily down the road toward even greater regulatory controls. The gains of economic deregulation were real but they have been more than offset by the losses associated with social, health and environmental regulations. Such regulatory programs entail vague goals, universal scope, and massive delegations of authority to bureaucrats.

Environmental issues are a prime example. As the economic rationale for statism faded, arguments that we must regulate the economy to protect our planet have advanced. The results have been disastrous. A nation that once went to war to protest the uncompensated “quartering” of troops in private homes now meekly submits to regulators “taking” private property to host “endangered” wildlife. Other bureaucrats impose costly unfunded mandates on small businesses and municipalities. The EPA has become the most powerful economic regulator in America’s history. The intellectual and moral counter-attack has barely begun.

Hayek’s metaphor of a road is somewhat misleading, as Hayek certainly realized. The war for freedom has many fronts, and friends of freedom must be careful to think strategically — not to allow themselves to be deluded that victory on one front is decisive or that victory is ever permanent. Today, the main road to serfdom is paved with green bricks rather than the red bricks of yesterday. No one, however, should be confused; all statist roads lead to the same dreary totalitarianism end-state — and we are fast approaching the point of no return. (“Serfdom USA,” Policy Review, Summer 1994, pp. 20-21)

Man and Nature

Man is a special part of nature — we have both an intellectual capability and a moral sense. Properly employed these work to make man a far less stressful force in nature than our earlier arguably “more natural” counterparts. Intellectually, man employs his senses to find better ways of doing older things. As we exhaust richer sources of minerals and energy, we find more creative ways of serving the same function with less rich ores, with fewer materials. Modern man is rapidly moving away from materialism itself as a basis for civilization. We use less and less material to do more and more — a handful of plentiful sand to transmit more messages via fiber optics than were once carried by tons of scarce copper. As we have dug deeper, we have replenished the void with the one truly non-depletable, ultimately renewable resource — the fruits of our intellect, science and technology. Knowledge is the one resource that is not consumed by use. Employed properly, man’s intellect permits true sustainability — that is, our ability to ensure that as we use resources, we use our intellect to multiply the effective supply of those remaining. (“Business and the Environment: The Quixotic Quest for Free Market Environmentalism,” speech, 25 May 1994, p. 27)

Free Market Environmental Vision

America has long been known as a nation where private homes and backyards are beautiful but politically managed parks and streets are a mess. For some the answer is to raise taxes to better support the "cash starved" public sector. For others the answer will be found in stringent regulations covering every aspect of modern society. A better approach would be to discover what makes homes and backyards beautiful and apply the lessons to problem areas. Rather than bureaucratize the environment, we should privatize our efforts to protect the environment...One might say that trees should not have legal standing, but behind every tree should stand a private steward, a private owner, willing and legally enabled to protect that resource....This vision of an America engaged in creative ecological privatization may be radical, but it offers great promise of lasting success in dealing with the ever-changing circumstances of human interaction with the natural world. Not only is this vision applicable to environmental protection, it is compatible with the traditional American respect for individual liberty. (with Kent Jeffrey, "A Free Market Environmental Vision," David Boaz and Edward H. Crane (Eds.), *Market Liberalism: A Paradigm for the 21st Century*, Cato Institute, 1993, p. 389)

Property and Religion

Kellogg goes on to inveigh against...the economists' failure to recognize the "intrinsic value" of the environment....To...Kellogg, "environmental cleanliness is next to godliness," the return of the wolf to Yellowstone is a "partial repayment of a spiritual debt..." A property rights approach, he argues, cannot honor such non-economic values.

Kellogg seems ignorant of America's history of advancing non-economic values. In Europe, Protestants and Catholics spent many hundreds of years arguing for political resolution of "sacred value" questions. Both sides viewed individual choices and voluntary arrangements as totally inadequate to resolve such dilemmas: after all, infinite values were at stake. Why Protestants might refuse to recognize the Virgin Birth! Catholics might insist upon a celibate clergy! Much blood flowed before such theocratic demands were removed from the political arena. In America, religious as well as a wide range of other non-economic values are honored and respected but not politically supported. We each individually determine our own religious values and decide for ourselves what level of support we wish to provide. In America, the cathedrals

of God are built on private property and are financed privately under America's traditional concept of separation of Church and State.

There is no reason why those who believe in the intrinsic or even sacred value of nature cannot advance their beliefs in this manner as well. After all, environmental groups now spend hundreds of millions annually advancing their values politically. Were such funds invested in the private sphere, much private conservation would be possible. Kellogg seems to want special status for the eco-theocratic values he supports — for the Spotted Owl but not for the Holy Ghost! That is wrong. (“Market Approach or Market Socialism,” Letter, Regulation: The Cato Review of Business & Government, 1994, Number 3, p. 7)

Pollution and the State

The abolitionists were not opposed to work itself; they were fighting against involuntary servitude. Forced labor was considered a violation of an individual's rights, but freely contracted labor (even if it consisted of the identical tasks) was clearly legitimate. In similar fashion, pollution should be seen as the individual's right to be free from trespass rather than an evil in and of itself. The situation could be contemplated in advance and adequate contractual arrangements developed to avoid the involuntary introduction of a foreign substance to the property of another. As long as the parties to the actual agreement properly manage the by-products of their activities, there is no reason for the state to become a senior partner in every business. The goal of state intervention should be to prevent or correct coercion of innocent parties. (“A Free Market Environmental Vision,” p. 395)

Antitrust and Liberty

Individuals have the right to use their property as they wish. Liberty is a neglected aspect of antitrust discussion. Why should a businessman not be free to restrain his own trade if he wishes, alone or in combination with others? The activities prohibited under antitrust laws are invariable peaceable activities — whatever their merit under an efficiency standard — and thus should be allowed in a free society....[I]n general, the Chicago School's case for antitrust policy — and its opposition to price fixing in particular — rests solely on economic efficiency, as if rights had nothing to do with the matter — as if business had no right in principle to dispose of its property as it sees fit, but only a conditional freedom so long as it helps maximize some social

utility function. That is to say, no business is entitled to its property if that property can be redeployed so as to expand output. With “conservative,” “pro-business” economists taking this view, who needs social democrats? (“Why Not Abolish Antitrust?” Regulation: AEI Journal on Government and Society, January/February 1983, p. 25)

Bankruptcy and Freedom of Contract

Bankruptcy law contravenes the rights of individuals to enter into voluntary agreements. No third party — not even the courts — can “forgive” debts without abrogating the rights of the lender. Yet the bankruptcy courts can and frequently do rewrite debts and other forms of contractual arrangements....Under a Chapter 11 bankruptcy reorganization, some extraordinary events occur. At once all actions against the corporation are stopped. Despite explicit contingency agreements to the contrary, all contracts judged “burdensome” to the survival prospects of the corporation are nullified while contractual terms favorable to the corporation may not be terminated....

The bankruptcy laws are typical of modern political paternalism. When consequences of corporate or individual decisions are painful, someone — the courts, Congress, a bureaucracy — is supposed to intervene and see that things are put right. The fact that the marketplace is characterized by risk, by profit and loss, is immaterial — it’s up to government to correct the unfairness of economic change. The fact that property rights and contract rights are violated is also irrelevant — it’s the group interest that must be protected. (“Corporate Bankruptcy Needs a Fresh [Market] Review,” Competition, September/December 1983, pp. 8, 9)

Politics

Baptists and Bootleggers

Businesses have found the environmental laws useful devices to restrict competition. The laws make it far harder to build a new plant, introduce a new product, or even use an old product in a new way. Such competitive innovations are inhibited by environmental laws: the new, the novel must demonstrate its virtue; the old, the familiar is accepted, warts and all. ("What Environmental Policy?," David Boaz (Ed.), *Assessing the Reagan Years*, Cato Institute, 1988, p. 334)

More and more in the U.S. today we encounter an unholy coalition: vested economic interests seeking to protect themselves from competition, joined by anti-business ideological groups who use environmental considerations to advance their shared power agenda. During Prohibition, there was a similar relationship between bootleggers, who economically gained from the ban on the sale of liquor, and Baptists, whose religious ideals coincided with the more worldly view of the bootleggers. The bootleggers gained monopoly profits because the Baptists demanded perfect behavior from the public. Today, environmental policy suffers from this same "bootlegger and the baptist" problem — a situation in which economic and ideological special interests join forces. ("Protecting the Environment — Market Alternatives to the Bureaucratic State," *A Natural Resources Policy Agenda for the '90s*, American Legislative Exchange Council, 1991, p. 399)

George Bush

That Bush lost was no surprise. Like many in the Republican Establishment, Bush acted as if holding office was akin to housesitting — in a liberal household. In such a situation, a proper houseguest doesn't offend. After all, if one doesn't throw parties, rearrange the furniture, or change anything — if they won't even know you've been there — maybe you'll be invited back again. With that view of governance, it is not surprising that we at CEI found few in the Bush Administration supporting our efforts to reform financial service, environmental and risk management policies...Bush argued, lukewarmly, that he would do more to keep government off our backs. Yet he

became passionate only when speaking about his success in expanding government (the Americans with Disabilities Act, "no net loss of wetlands," the Civil "Rights" Act). And, while he (more or less) admitted that his tax hike was a mistake, few voters believed he wouldn't do it again. Those favoring limited government could find little to commend in a President who saw the Clean Air Act as a brilliant policy initiative. (Despairing Optimist, 30 November 1992, p. 1)

Business Lobbying

Something is rotten with the state of business lobbying. Firms and industry trade groups spend ever-greater sums successfully purchasing "access" and "influence" in Washington, but still manage to lose ground over the long run....The competitive economy on which business prosperity ultimately rests is gradually being eroded. It is being replaced by a system of "managed capitalism," with its permits, penalties, subsidies and displacement of control from stockholders and their proxies to bureaucrats and lawyers....How this trend has developed can be seen by observing a familiar Washington scenario. A business group is threatened by some new rule or piece of legislation. However, rather than fighting the measure in a principled strategic fashion, the group proceeds to adopt without consideration the tactics of compromise and accommodation. The group accepts the handicap, asking only that the measure be assigned uniformly to all its competitors. A "level Playing field" rather than economic freedom becomes its rallying cry. ("What's Wrong with Business Lobbyists," Wall Street Journal, 16 January 1987)

After harvest, the first act of a wise farmer is to set aside enough seed corn to ensure next year's crops. Successful American entrepreneurs might consider setting aside sufficient reserves to ensure the competitive conditions that have fostered their success. As Schumpeter warned years ago, a capitalist society must be accepted as legitimate; a continuous educational effort dedicated to that end is therefore required....

Corporations cannot win this battle alone. In today's world, anyone having an obvious economic stake in a policy area is seen as suspect. Drug companies have little standing in any dispute with the Food and Drug Administration; oil and chemical company research is rejected when questions of human health arise; automobile companies are seen as profiting from killing off their customers. If capitalism is to be effectively marketed, I believe, market-oriented businessmen must develop creative new arrangements with their ideological

friends in the free market community. Just as a firm seeks third-party endorsement to market its products, it will need such independent supporters to advance its policy interests. As in other situations, allies will be vital in the war for economic freedom. ("Two Cheers!," *The World & I*, March 1988, p. 393)

Too often business finds itself highlighting current waste generation levels, then discussing how much better it is doing, and how much better it intends to do tomorrow. Let me suggest that there are dangers in this approach. Such approaches implicitly accept the view that firms are engaged in the business of producing wastes, of harming the Earth. Business sometimes seems to have adopted a wife beating defense; yes, we beat our wives but we've cut back considerably over the last decade and our plans call for almost totally eliminating this activity by the year 2000. Then they step back expecting applause. ("Business and the Environment," p. 14)

...business is often its own worst enemy on environmental matters. Most CEOs hate the Washington scene.— they want to resolve once and for all the political problem and get back to business. Thus, they direct their media departments and environmental specialists to handle the problem. This rarely works. After all, can one expect such people to challenge the rules of the game — knowledge of which makes it possible for them to earn such high salaries? Environmental VPs, after all, owe their status, power and salaries to their understanding of the nuances of arcane regulations, the details of legislation, the names and values of their regulatory overlords. These people benefit from expanded political controls. ("Business and Sustainability," *Update*, August 1994)

Failing to know its own value, American business lends itself as an easy target for a vast array of anti-consumer and anti-capitalist laws, which have forced industry to create large internal bureaucracies to comply with the new rules. Over time, these bureaucracies have grown in power and influence, and their preeminent concern is less the survival of the company than the promulgation of the anti-business laws to which they owe their prominence and power. Like ticks on the dog, they wax as the dog wanes. ("In Defense of Business," *Update*, August 1991)

Carpe Diem

The Tendency to Dawdle — The "When the Right Time Comes, I'll Take a Stand" Bias. Like all fallacies, this viewpoint has an element of truth. One

cannot fight every battle, every day. An unprepared stance can undermine one's ability to gain an audience. Nonetheless, the valid risks of occasional instances of excessive aggressiveness should not blind one to the far more common Washington trait of excessive caution.... In practice, this dictum could be best thought of as the political equivalent of the "Not now dear, I have a headache" rule of marriage. In politics, one often hears the statement, "This year is an election year (or soon to become an election year) and thus is not a propitious time to rock the boat." Since some special circumstances can be ascribed to just about every year, time passes while action languishes. The perfect "moment" to start the reform ball rolling rarely announces itself, and can easily pass quietly, never to return. Nothing is ventured, and nothing is gained. Another "conservative" year goes by with nothing accomplished. ("Learning the Washington Game: Political Strategy and Tactics," Robert Rector and Michael Sanera (Eds.), *Steering the Elephant: How Washington Works*, Universe, 1987, p. 43)

Coalitions

Many conservatives handicap themselves with the knee-jerk attitude that any overtures to liberal groups simply strengthen the latter's credibility. We need to be more confident of our abilities to convert past adversaries on one issue at a time whenever the opportunity arises. The payoff from imaginative coalition building is richly rewarding. First, we can gain valuable allies who know what they are doing on the tactical level, add specialized skills to the battle, and may provide protective coloration ("How bad can a conservative policy be if liberal groups are backing it for different reasons?"). Second, it helps generate a bandwagon aura of widespread support. Third, we keep liberals busy working on our agenda, diverting energy and resources from their own projects. ("Learning the Washington Game," p. 49)

Compromise

One of the most common and serious mistakes made by the newcomer to the Washington scene is to pre-compromise. A young analyst asked to review a specific issue swiftly realizes that current policy is absurd and prepares a recommended shift. At that point, however, he begins to think of the political context in which he operates. He thinks of how *The Washington Post*, the liberal activists, and the congressional review committees might react to such a strong reversal of policy and thus elects to water down —

however slightly — his original paper. His boss receives only this “final draft” of the original paper and, in turn, often goes through the same reasoning. An even more bland product is passed up the intellectual food chain. Eventually, the diluted recommendation reaches the desk of an official able to do something, but he notes its close relationship to the current situation and decides that a fight for such small stakes would be irrational...

The short-sighted tendency to pre-compromise policy should be fought at all times. The initial policy analyst should perform objective analysis and present the policy alternative that best serves the public interest. That is what he is paid to do. He needn't worry; the ideas will have plenty of opportunity to be compromised at all levels even if the analyst continues to fight for “unreasonable” changes. (“Learning the Washington Game,” pp. 42, 43)

Conservatives

Conservatives in general remain ambivalent about politics. Too often, they view political activities in the same way that the Victorians regarded sex — a messy necessity that should not be openly discussed and certainly should not be enjoyed. This genteel view of politics handicaps its practitioners in the tug of war over government policy. If you don't like politics, you probably aren't going to be very good at it. (“Learning the Washington Game,” p. 41)

Endangered Industries

The demographics of America and the vast improvements in mining, agricultural, forestry and other extractive technologies means that very few people are engaged in these activities. Few Americans have even seen a mining or timber operation; very few have grown more than a tiny fraction of their food supply. Thus, the romantic idea that America doesn't “need” so much mining, oil development, and large farms gains currency. Even western states are urban — in the sense that most of their populations are engaged in activities other than those traditionally associated with the West. As a result, look for a return of the Babbitt proposals. (Despairing Optimist, 4 August 1993)

Consider the experience of the petroleum industry. That industry willingly paid very dearly to obtain leasing rights to explore and develop oil in off-shore regions. Yet, the oil industry was soon evicted. The off-shore bans were soon followed by bans on exploration in Alaska and throughout the nation. The domestic oil exploration industry has been devastated — the oil industry

has lost some 500,000 jobs over the last decade, perhaps half due to such policies. Using the economic rhetoric of grazing fees and royalties, Babbitt and company aim at eliminating economic activities from the Western lands. (Despairing Optimist, 1 September 1993, p. 4)

"Crisis"

Perhaps the most significant obstacle to the adoption of alternatives to centralized control over the environment is a widely held, if greatly exaggerated, fear of impending ecological catastrophe. In a crisis, real or perceived, people have a natural tendency to demand emergency accommodations. As mentioned earlier, preying upon the natural concern parents have for their children has become a major preoccupation of the environmental movement in recent years, from the Alar-treated apple hoax to the end-of-the-world global-warming fantasies. In each case, the concern is not so much for the present as it is for some indeterminate future. Because it is extremely difficult to refute vague assertions of far-off disaster, new panics can be manufactured much faster than old ones can be laid to rest. The result is a layer cake of half-baked statist policies made according to a market-socialist recipe. ("A Free Market Environmental Vision," p. 396)

Environmental Lobbies

To many environmentalists, economic growth necessarily leads to environmental hardship. Therefore, economic growth must be restrained if nature is to be preserved. Because the environmental lobby has become a major force on the political scene (the combined budgets of the leading environmental groups greatly exceed those of the Republican and Democratic parties), they have been very successful at enacting their agenda into law. Indeed, if the metric is legislation, the environmental lobby has been an overwhelming success. During the 101st Congress, some 27 pieces of environmental legislation were passed. This hardly presents a rosy scenario for the future of free enterprise. ("Environmental Quality, Economic Growth, and International Trade," speech, 20 May 1992, p. 2)

Environmental Protection Agency

In fact, the EPA has suppressed information suggesting that environmental problems pose less of a threat than previously thought. Examples of this are

numerous: Delaying release of urban air pollution statistics (illustrating dramatic improvements) until after passage of the Clean Air Act; blocking the release of the National Acid Precipitation Assessment Project which suggested minimal harm from acid rain; refusing to clarify the risks from dioxin (the "carcinogen" justifying many of EPA's control programs). Promoting irrational fears through disinformation, after all, is in the EPA's interest — it is the surest way to increase its budget. An EPA that reassured the American people, that sought to alleviate irrational fears might well face major cutbacks. ("Europe, Energy and the Environment and the Case against Carbon Taxes," speech, 27 January 1992, p. 4)

Gore and the '60s

Mr. Gore is a true product of the 1960s. Then, political intellectuals were on the vanguard of economic central planning. The "best and the brightest," we were told, would find a way to eliminate poverty, flatten the business cycle and fine-tune the economy into full employment and rapid economic growth. The result was an utter disaster. If Mr. Gore remains true to his own past, he will want to replicate these central planning mistakes under an ecological banner. ("Al Gore, Reactionary Environmentalist," *The Wall Street Journal*, 17 July 1992)

Ideas

Regulatory changes are political changes. What are the factors that make such change — for good or bad — possible? Certainly, at least in western democracies, ideas matter; ideas do have consequences. Without a compelling vision of why change is vital, few are likely to seek it. However, the political process is not changed by ideas alone. In our heterogeneous culture, there are many competing visions. Build a better policy mousetrap — and do nothing more — and you are likely to end up a superior (but unsold) policy mousetrap. To prevail, ideas must be marketed, championed in the policy process. ("Learning from the Past: Freeing Up the Future — The Political Economy of Regulatory Change," speech, June 1994, pp 2-3)

Free market groups have had little impact on policy to date. That failure is not due to the quality of our policy ideas but rather to the lack of staff and funds to market these ideas effectively. Papers are critical but papers alone can no more change policies than sex manuals can produce babies. We need the resources dedicated to policy implementation.... Thus, the next time you're asked, if we're so smart, why are we losing, just answer that we lack

troops....a successful fight will require that some way be found to link the resources of the business community with the enthusiasm and credibility of the free market movement. ("Our First Newsletter!" Update, April 1988)

Breakthrough Issues

In warfare, much has recently been made of the tactics of mobility and focused force in contrast with the view of battle fronts as monolithic entities that should be attacked uniformly at all places and all times. Actual success occurs when one achieves a breakthrough and is able to exploit that breakthrough. The NASA disaster, for example, offers a unique opportunity to consider the value of private space alternatives; the Imelda Marcos shoe collection brings into question the whole debate over the efficacy of foreign aid; the PATCO strike provided a brief window of opportunity to consider the privatization of air traffic control. Be alert for opportunities — or be prepared to create that opportunity. In any event, when something fortuitous happens, don't be hesitant about discontinuing operations on fronts offering major resistance and redeploying your time and energy to the breakthrough. ("Learning the Washington Game," p. 48)

The Long War

Many conservatives, free marketeers, and libertarians have sought a "magic bullet" that would allow a decisive battle to be waged and won. Then, they hope, they could abandon policy and politics forever. Liberals know better. Like Jefferson, they realize that political gains are always ephemeral, to be won anew each generation. Left-liberals have developed a massive support infrastructure which has allowed them to mount such a sustained effort. To date, we have not. As a result, history may find that the crusade to liberate Europe was an easier task than will be that of liberating humanity from the coercive utopians. (Despairing Optimist, 16 June 1994, p. 2)

One of the greatest mistakes made by the German army in Russia was its failure to prepare for a multi-year campaign. Similarly, conservatives tend to think of issues in terms of an occasional burst of energy rather than a sustained effort. This summer-soldier approach is unlikely to win many battles....Significant policy initiatives may require a decade of research, discussion, and public education before the time becomes ripe for actual change; the President's 1981 tax cut had a legislative history that could be traced back a half-decade or more. Since there is likely to be a correlation

between the significance of change and the length of time needed to prepare for it, policy development should not be ignored simply because the prospects for change are not immediate. Liberals have mastered this long-term process; many conservatives seem to barely know it exists. ("Learning the Washington Game," p. 48)

Media Bias

In discussions of scientific research, the sensational story dominates the mundane. Headlines are made by tales of impending doom, not by calm reassurances. Thus every Chicken Little gets thrust into the spotlight for fifteen minutes of fame, while cool-headed observers are relegated to relative obscurity. The results are quite predictable. Recent polls indicate that 70 percent of people already believe that global warming is real and warrants serious action. This is despite the fact, as previously discussed, that there are serious scientific objections to the theory's validity. Given the way such stories are covered, this should come as no surprise. "Don't Worry, Be Happy," rarely generates headlines, and almost never sells papers. ("Science and Science Policy: Can Environmental 'Science' Inform Environmental Politics?" speech, 6 June 1991, p. 8)

Nose-Under-the-Tent Statism

That short term gains may be threatened by long term procedural changes is not well understood by conservatives or businessmen....In contrast, left-progressives seem to focus on building long-term infrastructure to influence policy — regardless of short-term losses. Consider, for example, the histories of the following programs: the Legal Services Corporation, the Aid to Families with Dependent Children legislation, the National Endowments of the Arts and the Humanities, "public" participation grants, citizen suit provisions in legislation, "study" commissions, the use of legal transaction accounts funds for "public" programs, the success of the Public Interest Research Group (PIRG) negative check-off programs at colleges across the United States, and "public" radio — all of these began as small "neutral" programs to advance some desired goal and soon were used to advance the statist agenda....

NAFTA represents another example of this strategy. As Green NAFTA proponents have proudly noted — the legislation represents a "sea change" in the way trade is conducted between nations. In the future, all trade will be

evaluated on environmental as well as economic criteria. That evaluation will be done by groups and agencies having little sympathy for economic liberty and little respect for the gains made possible by technical and economic growth. To focus on the trade gains of NAFTA and to ignore the risks posed by this strategic redirection of trade policy is dangerous....(Despairing Optimist, 1 November 1993, pp. 3-4)

The [World Trade Organization's] preamble already incorporates hortatory requirements that trade be compatible with government-defined environmental goals and that it encourage "sustainable development." America's experience with environmental laws provide good reasons to take such rhetoric seriously. The 1972 Clean Water Act gives the federal government regulatory authority over the navigable waters of the United States. Who could have dreamt that "navigable waters" would one day be interpreted so broadly as to allow the EPA and the Army Corps of Engineers to impose land use controls on hundreds of millions of acres of private property under the guise of protecting "wetlands"?

Radical reinterpretations of such clear language have characterized most domestic environmental statutes — the Endangered Species Act, various hazardous waste laws, recycling mandates, etc. Why should we believe that free marketeers will be any better at stopping encroachments on "clear language" in the future than they have in the past?" ("Trading Away Free Trade," *Liberty*, November 1994, p. 23)

Dead Hand of the Past

A free society is not stable. There is always a tension between those groups enjoying power and prestige and those emerging forces of change. The status quo forces always seek to preserve the old regime, using political means to that end. Since politicians naturally respond to the visible present rather than the promised future, politics generally supports the past against the future. The historic result is that the conditions for a free society have rarely been met and even more rarely sustained for any length of time. Only unusual conditions — an open frontier, strong restraints on government, commitment by significant groups of intellectual and moral leaders to decentralization and free markets, a vigorous and independent business sector, a growing and diverse population, rapid technological change, war or some other chronic disruption undermining the status quo — have permitted the dynamism that is necessary (but of course not sufficient) for a free society. ("Two Cheers!" p. 381)

Ross Perot

Perot was interesting — but he seems to have seen the U.S. as simply another large company, requiring firm management, a misconception that has generally made businessmen lousy politicians. That the role of government is to create a framework to ensure that each of us can advance our own agendas — rather than to do things “for us” — that government faces far fewer reality checks (bankruptcy, consumer acceptance, liability) than a private firm — never seemed clear to Ross. Still, Perot did represent the only way to vote against Politics-as-Usual and that was a net gain. Had the Libertarian candidate (Andre Marrou) had Ross’s financing, we might actually have had a choice this November! (Despairing Optimist, 30 November 1992, p. 1)

Green Protectionism

Environmentalists once again demonstrate their strategic brilliance; they understand that domestic regulations are increasingly stringent, that firms might well elect to move abroad, to rely on trade rather than production for future growth....However, if the environmental establishment can gain control over foreign policy — over trade and diplomatic policy — then this escape route can be closed off. Firms will find themselves facing the same insane regulations abroad that they now face at home. (Despairing Optimist, 9 February 1993, p. 2)

Nation states seek to restrict, control, regulate the activities of such firms, but are constrained by global competition. The nation that unduly cripples its industries will find capital and entrepreneurial talent fleeing to more attractive political environments....The major factor that is now encouraging a reconsideration of U.S. environmental policy is the relative impact it is having on the competitiveness of our industries. If that external check is weakened — the inevitable result of globalization — the prospects for reform dim. Must we endure 100 years of green regulation before reform is possible? That is the issue which should motivate a deep review of the globalization of protectionism....(“Learning from the Past,” pp. 14-15)

Regulatory Deception

Both [Clinton] and Capitol Hill seem aware of the public’s distaste for “tax and spend” policies. As a result, political activists are increasingly shifting to regulatory means to advance their goals. National health care, for example, is

far more likely to take the form of mandated benefits (rules requiring employers to provide services) rather than direct federal programs. Regulations can be far more costly to the economy, but their political saliency and thus political costs are often lower. For example, America is very resistant to higher gas taxes but a recent "oxygenated fuel requirement" was enacted without a murmur even though the costs were in the 5 to 10 cents a gallon range! Regulations, unlike the traditional "tax and spend" policies, are a less honest and less visible way to interfere with the economy. Taxes are a relatively honest and open way for government to drain blood from the economy rather like leaches; they create direct pain and political opposition. Regulations are akin to internal bleeding — the damage and blood loss are real but far less observable and far more difficult to rectify. (Despairing Optimist, 30 November 1992, p. 2)

William Reilly

It took a great deal of effort for the environmental establishment to misrepresent the American record on energy and the environment, but "ambassador" Reilly made no attempt to set the record straight. Allowing William Reilly to set the terms of America's environmental agenda has been an unmitigated disaster. Sending him to Rio to moderate the green agenda is akin to appointing W.C. Fields to curb the use of alcohol. ("Virulent Green Growth," *Liberty*, September 1992, p. 22)

Republicans

Senator Phil Gramm of Texas working closely with Senate minority leader Bob Dole has stated eloquently that government spending won't and can't "create jobs!" If this keeps up, the Republicans may be worthy of support. (Despairing Optimist, 8 April 1993, p. 2)

Shareholders vs. Stakeholders

One of the issues that is increasingly bothering me — and I suspect many of you — is the effort by progressives to blur the distinction between those who actually own shares in a business (and thus gain or lose depending upon the wisdom with which that firm is managed) and everyone else in society. Arguing that a firm is a "social" construct and thus must be held "socially" responsible, activists have succeeded in gaining power over many business

decisions. Shareholders, of course, should be involved in a firm's policy decisions. Modern wisdom, however, suggests that so also should "stakeholders" — a term which seems to encompass anyone, anywhere, who might be interested in that specific business action....

"[P]ublic participation" and "stakeholder" requirements translate into shifting power from owners to ideological and economic outsiders willing to devote the time and energy needed to affect policy. Public utility hearings, siting of virtually any project anywhere, transportation decisions — all have become nightmares wherein crazed arguments are raised by strident marginalists. In this process, mainstream Americans are effectively disenfranchised....The shareholder/stakeholder debate is a debate over private vs. political control. Members of the public are already engaged, in the role of consumer/purchaser; they already decide business policy. The Edsel didn't succeed after all. To shift citizen power from the market to the political world is to shift power from consumers to "consumerists," from responsible Americans to political activists. That some would favor this shift is obvious; that anyone in the business community would do so is insane. (Despairing Optimist, 17 August 1994, pp. 3-4)

Socialism, American Style

Perhaps I should have stayed in France — at least there socialism is honestly labeled. Tom Miller recently completed the 1992 Competitive Enterprise Index (enclosed in the last Despairing Optimist letter) and found that Representative Bernie Sanders, the only formal socialist in the U.S. House and Senate, scored higher on free market votes than some 160 of his fellow members of Congress. All this should remind us that America has no need for a formal socialist party — our Democrats and Republicans do quite well. (Despairing Optimist, 1 November 1993, p. 1)

Culture

Automobility

Among the well-educated and well-to-do, nostalgia for train travel and paeans to subways are as common as complaints about traffic congestion. But those who prescribe subways for America's cities rarely hold the jam-packed trains of Tokyo up as a paragon; the Washington Metro, whose modern cars often travel all but empty, is a more appealing model. And those who sing the praises of mass transit are the first to complain about crowded airplanes. One begins to suspect that the problem with automobiles is that they're too democratic: They let too many people on the road....

The automobile offers not only personal mobility but personal space; ensconced within their cars, drivers may sing along with the radio, avoid panhandlers, hang fuzzy dice on their rear-view mirrors, put on makeup, and otherwise behave as if they were in their own homes. Early car proponents noted that automobiles, as opposed to public transit, preserved women's modesty, protecting them from pawing or unsavory gazes from strangers. Of course, automobiles from the beginning also provided convenient sites for lovemaking....

By giving individuals control over when and where they go, automobiles render impossible the planned world so desired by the coercive utopians — those well-meaning despots who seek to stifle human nature and thereby save humanity. As Brock Yates, former author of "The Dream Machine" column in the *Washington Post*, has noted: "The ownership (of cars) is discouraged in totalitarian societies. A mobile population is a population essentially out of control of centralized government." ("The Liberating Benefits of a Safer, Cleaner, and More Mobile Society," *Reason*, August/September 1990, p. 22)

The Fugitive

In essence, the film was a basic chase movie with no evident ideological bias. Yet, the plot required a villain. Any type of villain would have worked well — a corrupt politician, a jealous wife, an individual trying to hush up a scandal, a public interest crusader. But, of course, these were passed over in favor of Hollywood's preferred stock villains — the bent scientist (the head

physician at a research hospital) and the evil businessman (in this case a multi-billion dollar pharmaceutical firm)...

O.K., someone had to be a villain, and researchers and businesses do sometimes engage in nasty activities. True, but the nature of the villain described in the movie made no sense. The plot had the doctor and the firm co-conspiring to rush to market a new product that would harm large numbers of users. That a reputable firm (and respected researchers) would gain from such action is idiotic — and both the company and the researcher/scientist were portrayed as establishment figures. They (and their assets) are likely to be available for lawsuits for many years to come. In today's litigious society they would be doing everything possible to ensure that the new product wasn't released. In the real world, capitalists don't profit when they kill off their customers! (Despairing Optimist, 25 January 1994, p. 2)

Immigration

America has historically been the refuge of the hopeful and aspiring; it is the melting pot of the world. Radical egalitarians and reactionary nativists aside, most of us are pleased that this process has produced a rich mulligan stew of citizens of different cultures, races and creeds, and not the bland conformity of a plain-vanilla caricature. Out of the most heterogeneous of inputs, America has produced an industrious and diverse citizenry. That process continues today. The aphorism "America doesn't lose wars, it gains cuisines" is indicative of the varied contribution, both economic and cultural, that new immigrant groups have made to this nation.

Today America's golden beacon to the world is dimmed by the growing forces of protectionism and nativism. The Americans of today seem troubled by the Americans of tomorrow. My Daddy used to talk about this, saying our people have had trouble with newcomers ever since we got off the boat three generations ago. Such tribal sentiments are commonplace, but they must not become a motivating force in public policy. Uncertainty about the economic future increases anxiety — anxiety that is easily transformed into fear and hostility of that which is alien. In times such as these, the urge to close America's borders and retain America's "cultural heritage" swells.

America has — or at least once had — informal rules that encourage hard work and individual responsibility. The Horatio Alger mythos defined what it meant to be an American success. Adherence to the "Protestant ethic" —

diligence, thrift, innovation, and responsible risk-taking — was rewarded in the free market system. For this reason America has always attracted the world's "huddled masses yearning to breathe free."

Alas, things have changed... Today's immigrants are greeted with entitlement forms rather than job applications and some succumb. The problem is not immigration, it is the welfare state. While some fear foreign hordes unversed in the rules of capitalism, the real threat comes from America's home-grown statist ideologues that have poisoned the system from within. If immigrants are lured to this country with the prospect of liberal welfare benefits, then the problem is a political system that provides that incentive, not the people who respond. Blaming immigrants for the welfare state is blaming the victim — to borrow a popular phrase. Instead, we should be blaming the system. (Update, "The Huddled Masses," November 1993)

Poetry and Public Policy

In many instances it is the stories we tell about ourselves, not reality per se, that determine cultural perspectives.... America, once the "can do" land of entrepreneurial achievement, is becoming a "nervous nelly," increasingly frightened by improbable fears of unknown dangers.... This results, in large part, from the myths society has adopted — myths that encapsulate and reflect society's ever changing attitude toward innovation....

On the one hand, there is the wonderfully heroic figure of Prometheus, described in detail by Aeschylus in *Prometheus Bound*. Here is the innovator as savior, providing society with the tools of survival. On the other hand, there is Dr. Frankenstein, the amoral scientist pursuing knowledge and power for his own sake who unleashes a terrible threat on an unwitting society....

A society that views the scientist as a Dr. Frankenstein will demand far more restrictions than one which sees a Prometheus. Our modern age lacks the conviction to adopt either view completely, and instead portrays a more confused picture toward change and those that direct it. ("The Image of the Innovator in Literature: Prometheus and Frankenstein," speech, 8 October 1991, p. 1)

Rio Conference

Given the press reports before I left for the conference, I should have known what was in store. In preparation for the conference the Brazilian

government spent \$37 million building a highway and a new conference center — a sum greater than Brazil's budget for rainforest conservation. Moreover, both were built upon wetlands, and the need for rapid construction of the highway induced Brazil to wave the requirement of an environmental impact statement. Then there was the World Conference of Indigenous People, held just outside of town at an insane asylum. As the Financial Times reported, "the inmates were amused." Were anything else on the Rio conference agenda but the end of Western civilization, I might also have cracked a smile.

Once the conference began, the insanity only increased. Brazil's President, Fernando de Collor de Mello, was accused of corruption by his brother, who later recanted, claiming the accusation was triggered by a nervous breakdown. There were charges that Paulianho Paiacan, an Indian chieftain of the Caiapo nation (celebrated by rock star Sting and recipient of the Global 500 award for environmental citizenship), had raped an 18-year old girl and had done business with companies engaged in logging the rain forests. No one seemed particularly upset by the first charge, but the second prompted several environmental organizations to sever their ties with the native leader. Finally, several journalists were horrified that they would be forced to suffer through the indignity of being assigned rooms with a view of Rochina, Brazil's largest slum. Heaven forbid that they be reminded of the world's more pressing human concerns....

It was quickly apparent that nothing new was in the offing at the convention. So I went to the Global Forum, home to the plethora of non-government organizations (NGO's) attending the conference. If the Rio conference was a circus, then the Global Forum was a Mardi Gras in full swing. Half ecological Woodstock and half New Age extravaganza, complete with Shirley McLaine, the Dali Lama, and a star-studded "Concert for Life," this was the holistic leftist's dream. Here, among booths set up by every conceivable group to hawk wares and antique ideologies, one could find every angle on the environment, from the "essential role of women" in pursuing sustainable development, to the need to give animals complete dominion over the Earth. There was even a selection of homoerotic art on display. I suppose this was one community's attempt to address the purported problem of overpopulation. ("Virulent Green Growth," pp. 21-22)

Capitalism & Socialism

Capitalism and Posterity

Capitalists care about the future because they care about today's bottom line. Market economies have created major institutions — bond and stock markets, for example — which respond to changes in operating policies that will affect future values. A firm that misuses capital or lowers its quality standards, a pet store that mistreats its stock, a mine that reduces maintenance, a farmer that permits erosion — all will find the value of their capital assets falling. Highly specialized researchers expend vast efforts in ferreting out changes in management practices that might affect future values; investment houses pay future analysts very well indeed to examine such questions. ("The Market and Nature," *The Freeman*, September 1993, p. 355)

Socialism and Waste

Barry Commoner was wrong — socialism does not do a good job economically or environmentally. Indeed, as the Iron Curtain has opened, we are finding that capitalism has proven far more successful than socialism in protecting environmental values. Eastern European nations use far more energy and raw materials to produce steel, incur greater mileage in transporting goods, use more pesticides and fertilizers to produce wheat. The reasons are clear. Waste in a socialist economy costs everyone; the costs are spread over large numbers. In contrast, waste in a capitalist economy effects directly the parties involved; free markets create more targeted incentives and this translates into a more effective and efficient economy. ("Free Market Environmentalism: Expanding Rights and Responsibilities," speech, 1 March 1990, p. 3)

"Market" Socialism

Socialist planners recognized that their economies were failing, and they recognized the advantages of market economies. Seeking to retain political determination of the economy's direction, they sought to introduce incentives and restraints to replicate the efficiencies of their western counterparts. Yet their efforts still failed...because markets without property rights are a grand illusion. Without the system of decentralized control — private parties

revealing their values through voluntary choices — the information to select meaningful environmental goals and the incentives to see that they are implemented are lacking. Markets cannot be designed out of whole cloth, they evolve from the numerous interactions of a free people expressing their choices as to how their properties are to be used. That fact is not well understood even by free marketeers. (“Case against Carbon Taxes,” p. 8)

Just as the market decides continuously whether society’s interests are best advanced by the production of more bread or coal or motion pictures, so also, we must somehow decide whether resources should be devoted to reducing nitrogen oxides or expanding elephant populations or reducing plastics in the waste stream....Unfortunately, politics isn’t very good at setting priorities, maintaining a program over time or allowing experimentation (especially when many of these experiments will fail)....

When environmental amenities are determined politically, we have no way to determine how much is enough or what mix is appropriate. How do we know the relative valuation of the various competing environmental programs: should we have less air pollution or cleaner rivers or more elephants or reduced levels of pesticides residues? The political process has no way of assessing these questions. Only if we find ways of integrating environmental values into the market system can such questions be addressed sensibly.

Socialists hoped to resolve this problem by creating the “New Man” who would be motivated by public rather than private concerns. That hope produced the nightmares of eastern Europe. Yet, today, there is considerable talk of modern education producing the “ecologically sensitive person.” (“Expanding Rights and Responsibilities,” p. 9)

Would anyone argue that agricultural policy has been advanced by the use of tradeable tobacco production quotas, that the taxi cab medallion system in New York City represents sensible policy, or that Bureau of Land Management water pricing policies have encouraged efficient use? In practice, alas, politics and politicians, not analysis and analysts, determine the design of such market mechanisms. Powerful special interests able to garner special treatment under regulatory regimes will also be able to benefit from tax or quota schemes. The forces that encourage mis-prioritization today will not disappear under a market socialist regime. (“Market Approach or Market Socialism,” p. 5)

Schumpeter's Pessimism

The economist Joseph Schumpeter noted a critical instability in capitalism. Capitalism, he argued, contained the seeds of its own destruction. Not, of course, that capitalism would produce a vast impoverished proletariat class which would rise in revolt but rather that capitalism would create massive wealth. Such wealth would make possible a vast expansion in the numbers of people free to ponder the meaning of life, the morality of society. These people ("intellectuals") would resent entrepreneurs ("if we're smarter, why are they wealthier?") and rationalize their envy in ways that would undermine the legitimacy of capitalism. Capitalists aren't really deserving of such rewards — their wealth is based on the non-sustainable exploitation of the poor, women, minorities, the Third World or (today's favorite) the environment. Capitalism fails — political intervention is necessary — and the intellectuals (at lucrative GS-14 salaries) staff the bureaucracy! A frightening scenario and one that has largely become reality in the West. Capitalism creates and sustains its worst enemies. (Despairing Optimist, 25 January 1994, pp. 1-2)

Economics

Airline Deregulation

The comfort and convenience of traveling at 600 mph disappear quickly when one is stuck in a parked aircraft in the broiling sun. Air travelers have every right to be upset. Their ire, however, should be focused on the bottlenecks that are the inevitable result of a politically-controlled system of airports and air traffic control....This problem is produced not by deregulation, but by a failure to deregulate enough.

Under a hub and spoke system, airplanes all fly into one hub city, exchange passengers and then fly out again. This strategy lowers flying costs by reducing dramatically the number of crews and planes required to link cities....At the same time, however, it places major demands on the hub airport. The airlines can move their planes and crews to the hub, but they can only appeal to the DOT to make the comparable reallocations of air controllers and investment funds.

Politics makes this harder to do; customers may not be flying to the same locations represented by powerful senators or congressmen....When people fly from Chicago to Los Angeles, they rarely go through Washington — but their ticket tax does. More than \$3.5 billion annually flows into the Airways and Airport Trust Fund. These funds are allocated in response to political incentives — what the legislators want — not in response to where we're flying. [Article appeared in The Baltimore Sun, title and date unknown.]

Anti-Trust

Today's government policies are often preoccupied with "enhancing" the competitiveness of the market. Various market innovations, we are told, are "anti-competitive." Thus, political hacks and Washington bureaucrats rush to the rescue. As is to be expected, neither consumers nor entrepreneurs benefit from such beneficence.

A recent example of this insanity dressed as public policy is the House of Representatives' passage of legislation to regulate airline computer reservation systems (CRSs). CRSs — the massive software systems designed by airlines

and used by travel agents to reserve and purchase airline tickets — are the supermarkets of the air travel sector. The “shelves” of the CRS are the computer screens that list the various flights between destinations. The “anti-competitive” claim against CRS rests on the presumption of “bias” in the ordering of flights within the systems.

“Shelving” policy — deciding what products to display and where — is one of the most complex problems solved by the market. Air travel markets involve hundreds of choices — time of departure, class of service, intermediate hubs, and so forth. All of these choices cannot possibly be stocked on the same “shelf,” and so some are on subsequent screens. The antitrust regulators claim such actions are “unfair” as the CRS operators sell their own products — tickets on their own flights — along with those of their competitors. This charge is just silly!

Giant and Safeway (to take the two dominant Washington area supermarkets) also sell their own brands in competition with competing brands and set their own shelving policies. Should some government bureaucrat second-guess their ordering of priorities?...Computer reservation systems are also advertising devices. A supermarket places some products at eye level, others in flamboyant kiosks at the end of aisles; other products are relegated to the bottom shelves. Naturally, an airline would prefer that its products are “stocked” and “advertised” in the most prominent locations — but these locations are scarce and must be rationed....

Regulators will always seek to suppress what they do not understand. Of course, the new and unfamiliar will rarely be understood. Institutional innovation, marketing innovations, technological breakthroughs — all disrupt traditional business practices in highly complex ways, creating both winners and losers in the marketplace....Innovations — technological or institutional — are ways of making it easier — less costly — for people to reach agreements and provide for their needs. Government will rarely improve this process, though it can easily frustrate it. The CRS interventions illustrate this fact all too well. (“Enhancing’ Competition,” Update, September 1992)

Ronald Coase

One can only sympathize with this brilliant economist who seems always to be quoted, never to be read....His work focused on how lighthouses were

provided privately hundreds of years before [blackboard]-style analysts proved that this was impossible, how firms are restructured to manage externality problems, how nuisance law often resolved pollution disputes. Coase was well aware that property rights approaches required that one solve complex problems of fencing, boundary crossing detection, monitoring, enforcement, policing, and so on. His work, however, demonstrated that resolving such problems was the major function of voluntary arrangements, that creative solutions to “market failure” difficulties could be found everywhere in the real world, and that, certainly, the mere existence of transaction cost realities did not mean that politics would necessarily improve the situation. (“Market Approach or Market Socialism?” p. 6)

Foreign Aid

There is much irony in the advice we are now giving Russia. They must, we assert, move aggressively to adopt free market policies! To assist them, we will provide massive infusions of political aid! The record of foreign aid (aid from politicians to politicians for politicians) is well recorded — almost always it provides leaders an excuse to defer, to postpone painful reforms. Russia needs private investment and that is possible only if Russia creates an environment that encourages such investment (secure private property, enforceable contracts, a stable political climate). These are reforms that will not be encouraged by political aid. (Despairing Optimist, 4/8/93, p. 3)

The World Bank, IMF and other “credit doctors” supposedly force such nations to take the bitter medicine of economic reform, with the “sugar-coated” encouragement of new loans. But this only starts the vicious cycle of unsustainable lending once again. In reality, Third World leaders will undertake rational reform only when they are pressured by fundamental economic facts of life. The history of international development makes clear that the “patients” don’t get well with the World Bank’s medicine. They instead become junkies who refuse to pay back their dealers. American taxpayers should not be forced to underwrite this addiction. We must cut off the supply at its source. (“Zero Tolerance for the World Bank GCI,” Update, June 1988)

International Monetary Fund

The function of the banking industry is to allocate funds to valuable purposes while taking into account the actual risks, costs, and benefits involved. If a

financial institution believes that its own risks are reduced by the IMF, it is likely to commit resources to purposes that will fail to realize an adequate return. Resources will be diverted from areas of higher social return. The waste inherent in such an imprudent loan policy is serious in our own domestic economy; thus loan-guarantee programs are receiving increasing scrutiny in Congress. Such imprudent loan policies, however, are far more serious in the Third World. The United States is a rich nation, where wasted resources imply "only" lower growth rates and reduced standards of living. The Third World is poor, and encouraging imprudent lending there means higher death rates, malnutrition, and destroyed dreams. ("The Politics of IMF Lending," *Cato Journal*, 1984, pp. 218-219)

Managed Trade

There is little reason to believe that a trade bureaucracy would work any better than the postal bureaucracy characterized by a flashy new logo but horrendous performance. A trade bureaucracy would handle trade taxes the way the postal bureaucracy handles stamp prices — by steadily raising them. ("NAFTA is a vehicle for political control of trade," letter, *Washington Times*, 10 November 1993)

Market Failure

For too long, short-comings in the market...have been seen as adequate proof of the need for political interference. George Stigler, the Nobel Prize economist, has noted that this presumption is akin to a singing contest in which there are two singers: the first sings and is critically assessed by the judges, her problems noted in detail; then, without any further ado, the prize is awarded to the second. Stigler suggests that in the real world, we compare the actual performance of markets and political approaches rather than assess markets against some utopian ideal. Such a comparative institutional analysis will generally show that whereas markets are sometimes out of tune, the political process is very often tone deaf. ("Expanding Rights and Responsibilities," p. 8)

S&L Debacle

Today deposits have become risk-free, encouraging speculators to rush funds to whatever institution offers the best interest rate. Speculators no longer

need even to broker their total investments to fit within the \$100,000 limit since, in practice, the FDIC and FSLIC now frequently protect all deposits regardless of size.

All this has created a major "moral hazard." Pending regulatory action, troubled financial firms are free to raise their yields and attract funds from better managed or more fortunate institutions. In principle, such reverse runs (from sound to failing banks) would be blocked by federal regulators. But regulators wear conflicting hats. While their mandate is to protect the safety and soundness of the banking system, this requires that they close some failing institutions having powerful political sponsors. Political agencies remain responsive to political pressures. Little surprise that regulators have postponed action (through "forbearance") in the hope that events — such as a rise in real estate or energy prices on which problem loans are based — will render unnecessary costly and painful closures. In the meantime, the failed institutions play the long shots — with taxpayer guarantees. (with Melanie S. Tammen, "Plugging America's financial Black Holes: Reforming the Federal Deposit Insurance System," *Consumer Finance Law Quarterly Report*, Winter 1989, p. 45)

Technology Policy

Technology policy is always pushed by those who believe they can predict future economic needs. Yet this approach assumes that politicians and bureaucrats have a special insight as to what industries or technologies will be important in the future. Does anyone remember the Synthetic Fuels Corporation? Or perhaps the Clinch River Breeder Reactor? The political process hardly chose winners with these projects.

The difficulty of picking the proper winners and losers is a point stressed by the University of Pennsylvania's Edwin Mansfield, one of my former professors. His research demonstrates why bureaucracies are ill-suited to be technological king makers. In the past three decades, the developments of improved thread and stain removers have done more for the American economy than any high-tech wonder. As the *New York Times*' Michael Weinstein notes, "By driving down prices of consumer goods, these innovations raised living standards for millions of Americans." Still, it is unlikely that government bureaucrats would push a research program into enhanced stain removal process, nor should they.

It is not only a matter of what gets funded, but who receives the funding. Who, after all, is more likely to receive a check from the political establishment, established industries with political clout, or young go-getters bristling with new ideas? How likely is it that the political process would have encouraged Bill Gates?...

There are also lessons to be learned from an honest account of Japan's experience with its Ministry of International Trade and Industry. MITI is much-heralded in the American media, but its successes have been modest, at best. Consider the case of the automobile. MITI fought the creation of more than one Japanese automaker in the 1950s, believing the Japanese economy could sustain no more than two or three automakers. Japan now has nine — in spite of MITI's efforts, not because of them. Indeed, the competition provided by the additional firms has done more to enhance the competitiveness of the Japanese automakers than MITI ever could.

The lessons should be obvious: Bureaucracies aren't well-suited to the messiness, the unpredictability, the inherent risks of advancing technology and nascent industries. Bureaucracies — political or private — are motivated by doing better what has already been done; toward static efficiency and doing the tasks of the past somewhat better than they have been done before. Technological progress depends upon breaking this mold, and is therefore stifled — never encouraged — by bureaucratic control....Only if politicians develop a sense of humility about their ability to manage the economy will government's influence in this area be curbed. Yet in Washington today, "humble politician" is an oxymoron. ("Clinton's Fatal Conceit," Update, May 1993)

World Trade Organization

The Clinton administration fought to establish a WTO Committee on Trade and the Environment at the insistence of Sen. Max Baucus (D-MT) and other congressional environmentalists. It will develop modifications to WTO policies in order to support "sustainable development," including economic instruments, pollution charges and environmental taxes, compulsory recycling, regulation of processes and production methods, packaging and labeling requirements, and "public participation" rights. It may review any trade-related issue, including carbon taxes, levies on fossil fuels, and transportation restrictions.

Thanks to French and American pressure, a general committee will address how the WTO can ensure “basic rights” for workers — i.e., labor laws that produce unemployment....

The late nineteenth century was the era of robber-baron capitalism and rapid economic growth. For the first time, many firms were operating at a national level. The interstate commerce clause prevented balkanization, while the lack of any federal political entity able to “protect” a specific firm, to “regulate” commerce, made cartelization impossible. Competition was inevitable and the nation prospered.

Neither business nor politicians nor the “public” interest community were happy about this. In the late nineteenth century, economic interests (railroads out to suppress competition) and ideological interests (progressives) pushed for a federal body able to restrain competition. Together, this Baptist-Bootlegger coalition succeeded in creating the Interstate Commerce Commission (ICC), which suppressed transportation competition for almost 100 years under the guise of harmonizing and ordering the patchwork of state and local regulatory regimes.

In the late twentieth century, firms operate in a global economy. Without a global political entity to restrain trade, to “harmonize” regulations, to create a “level playing field,” special interests and ideological groups lack the means of restricting competition. The value of trade and the mobility of capital create the functional equivalent of the interstate commerce clause that protected internal trade in the United States before the railroads and the Progressives managed to establish the ICC.

Today, economic interests (major multinational corporations) stressed by global competition join with ideological interests (a powerful environmental movement) to create the global equivalent of the Interstate Commerce Commission — an agency that could restrain trade to ensure that it is “sustainable.”

None of the other Bretton Woods institutions — the World Bank, the IMF, or the old GATT — can play this cartelization role. Nor could the U.N. But the WTO might. (“Trading Away Free Trade,” p. 26)

Science and Risk

My first job after graduating from college was as an operations research analyst at the Cornell Aeronautics Laboratory. We were conducting analyses of a new military strategy for the United States Navy. As one would expect, this entailed having several navel officers present at the lab, assisting and overseeing much of the research. When the first results started coming in, the impatient Captain demanded a report on the implications. "Lieutenant," he barked, "what will your analysis show?" The Lieutenant, having only plotted the first few results, responded, "Captain, what do you want my analysis to show?"

What was intended as objective analysis of important data became tailored to the desires of its audience, in this case the navy Captain. Far from being a rare case, or a phenomenon that only occurs in the ranks of the military, such occurrences are frequent, in fact, too frequent, particularly at the intersection of science and politics. When science becomes important in the making of public policy, this type of doctoring of data is more the rule than the exception. Those scientists that wish to be "relevant" to the political process learn very quickly what the political players want to hear, and that pleasing that audience can make all the difference in a career..."Politically correct" thinking dominates the press releases, the executive summaries, and the policy reports of such once respectable "scientific" institutions as the National Academy of Science (NAS), the Office of Technology Assessment (OTA), and the [American Association for the Advancement of Science] AAAS. As science becomes increasingly intertwined with politics, science policy is becoming increasingly political and more and more anti-scientific. ("Science and Science Policy," p. 1)

Acid Rain

Perhaps the most significant effort to date to bring science to bear on public policy has been the National Acid Precipitation Assessment Project (NAPAP). "Acid rain" had become a highly controversial political issue, but great confusion existed over the reality, extent, causes, consequences and what, if anything, should be done about such occurrences. As a result, Senator Moynihan — concerned over the fury of the debate and the lack

of hard information — prodded Congress to create NAPAP. Over the last decade, NAPAP has spent over \$500 million and produced over 6000 pages of findings. Ironically, NAPAP, had almost no influence on the 1990 Clean Air Act Amendments. As reported in *Science*, NAPAP was ignored because it “strove for scientific perfection and lost policy relevance in the bargain.” The apparent lesson: Scientists should pay more attention to political realities when drafting reports for popular consumption — to hell with the facts. If people think the world is flat, then gosh darn, respect the democratic process! (“Science and Science Policy,” p. 3)

Airline Deregulation and Safety

Airline deregulation also improved safety. It lifted thousands of intercity travellers off the ground and into the air, an inherently safer form of transportation. Every billion passenger-miles so transferred saves some 35 lives. Since deregulation increased air travel by an estimated 16 percent in 1985 alone, deregulation could well have saved more than 10,000 lives over the past decade. (Article appeared in *The Baltimore Sun*, title and date unknown.)

Chemophobia

When I was a kid, people were convinced that evil forces were adding poisonous substances to the water supply — and people still believe that. But, in those days, the villains were the Communists, the substance was fluorine, and the charges were brought by the John Birch Society. Today, those same fears exist, but the villains are American business, the substances are a vast array of “toxic” chemicals and the charges are brought by the Greenies. The major difference, however, is that when I was a kid, few believed the Birchers, but today, the greenie charges are treated as gospel by even our Vice President. (Despairing Optimist, 24 March 1994, p. 4)

Death by Regulation

For too long, regulatory agencies have had it easy. Regulators have been the White Hat champions of less risky products, a safer workplace, a cleaner environment, in short, the advocates of a better world. Their Black Hat opponents, the OMB regulatory cost-cutters, are miserly green-visored

accountants eager to place price tags on human life and precious ecosystems. In the political arena, there is no contest; the benevolent regulators always win....

Suppose, however, that we reframe the debate. Suppose that instead of discussing regulatory costs, we focus on regulatory risks; instead of pricing regulatory decisions, we personalize them. By focusing on previously unrecognized regulatory victims, rather than on unwisely spent dollars, we may clarify the policy debate, encourage a more balanced role for science and economics, and shift the focus toward rational discourse on risk.

CEI's "Death by Regulation" project has attempted this in its analysis of the FDA's drug approval process, Corporate Average Fuel Economy (CAFE) standards, and other similar issues. However, we must now move from direct "Death by Regulation" — as with CAFE [which increases auto fatalities by forcing automakers to produce smaller, less crashworthy cars] — to its indirect counterpart. We must now analyze how impoverishing a society in attempts to eliminate risk leave individuals with less resources to provide for their own health and safety in their everyday lives. ("Wealthier Is Healthier," Update, May 1992)

EPA's Priorities

EPA has certainly failed to establish environmentally defensible goals. An internal study, entitled *Unfinished Business*, found that the EPA's current priorities were almost the reverse of any rational ranking of environmental risks. These criticisms were echoed in the study *EPA: Asking the Wrong Questions*. That study noted that EPA had spent vast sums on cleaning up "hazardous" waste dumps, through the Superfund program, despite convincing evidence that the risks posed by such dumps were negligible. It noted that Superfund was a priority program because it addressed popular fears, provided "free" money to local committees, and contained few objective criteria. ("Case against Carbon Taxes," p. 4)

Global Warming

The story of global warming is simple. On the one hand, there are several uncertainties. We are not sure that warming is occurring; we do not know whether warming would be harmful or beneficial; and, we do not know what it would take to prevent such a warming from taking place. On the other

hand is what we know for certain. We know that carbon dioxide (CO₂) levels are indeed increasing, in part from human activities; we know that the immediate impact of such increases is to increase agricultural productivity; we know that reducing CO₂ emissions through coercively curtailing the use of energy will entail massive costs; and, we know that many politicians and bureaucrats are sure to use these phenomena as a pretext to expand their power over the world economy. ("Case against Carbon Taxes," p. 5)

Al Gore: Lysenko Redivivis

This politicization of science is extremely dangerous. Witness the plight of Russian scientists during the Stalin era. Lysenko, a leading scientist and Soviet counterpart to America's Amory Lovins, knew that technology could achieve great results if properly directed; Stalin endorsed his views. The outcome was that Soviet scientists sought to "teach" wheat to better endure the Siberian winters. Soviet wheat proved a poor student and the Soviet biological sciences were devastated by this political control....

America's version of the Lysenko era is now upon us. Gore is aggressively seeking to make science a tool of his political agenda....The extent to which Gore has carried his politicization program is illustrated by his attempt to persuade ABC's Ted Koppel to attack Fred Singer, Patrick Michaels, Richard Lindzen and other global warming dissenters on Nightline. The heavy-handedness of this effort appalled even Koppel, who, to his credit, used the show to illustrate that not everything is known — and that the dissenters have the better side of the argument. Moreover, Koppel criticized the ad hominem nature of Gore's attack, suggesting that science — not politics — should resolve factual disputes. (Despairing Optimist, 24 March 1994, p. 3)

Gresham's Law

The distinctive, and most fateful, consequence of environmental regulation has been a complete transformation of public expectations regarding risk. We expect private insurers to mitigate the effects of unfortunate events, not to prevent their occurrence....Not so with governmental risk managers: We have come to expect that the EPA — and, for that matter, the Food and Drug Administration (FDA) and other "social" regulatory agencies — will eliminate risk....The result is an environmental version of Gresham's law: Utopian but horribly flawed regulatory schemes drive out more realistic, imperfect, but acceptable, policies. ("Conclusion: Environmental Policy at

the Crossroads," Michael S. Greve and Fred L. Smith, Jr. (Eds.),
Environmental Politics: Public Costs, Private Rewards, Praeger, 1992, p. 179)

Lead Paint

EPA's agenda has long been dominated by concerns — trace elements in water, minor risks of air pollution, an aesthetic preference for recycling at any cost, a desire for all species to be preserved — that have little relevance to the poor. The poor, at home and around the world, are threatened far more by bacterial water contamination than by the trace chemical contaminations now receiving EPA's attention....Inner-city residents may face a serious threat from lead but it is not found in paint....

The risks of lead removal proposals, however, are obvious and serious. Testing alone — at around \$400 — is a major cost for lower income Americans; lead controls and removal are even more expensive, typically costing several thousand dollars. What is more, improper or incomplete removal can even increase the environmental risks posed by lead. In this way, America may be about to repeat its experience with asbestos....

Were the poor to receive the \$400 for testing, or the \$7000 or more required for "remediation," they might find that lead removal was the most important use of these monies, but I doubt it. We must take care that environmental paternalism does not reinforce the debilitating welfare paternalism that has already proven so harmful to the poor. The poor may lack resources, but they are not stupid. They can and do care for themselves and their children within their strained circumstances. To force these people to invest vast sums in "remediation" or even "testing" is to force on them a priority of the Yuppie Environmentalists. (Testimony before the House Energy and Commerce Committee's Subcommittee on Health and the Environment, 25 February 1992)

Market-Based Regulation

As the inefficiencies of command and control regulation and centralized ecological planning become more evident, proposals have proliferated to replace planning with more flexible, market-based approaches, such as pollution taxes and tradeable emissions rights....In principle, such market-based schemes do offer several advantages....Regulators need determine only the overall price or quantity of pollution; the pollution sources themselves then decide which firms would clean up to what degree....

Still, market-based schemes have serious flaws, which stem from the fact that all such schemes embody the fundamental assumption that socially desirable level of pollution must be determined politically....Thus, the initial allocation of pollution entitlements or taxation levels will be subject to the very same political influences and systemic biases that now distort government decisions on risk....

In the end, market-based regulatory schemes....are the ecological equivalent of the Eastern European experiments with market socialism during the 1970s and 1980s, which also sought to attain politically determined objectives by means of incentives and without establishing private property rights....Market socialism failed to invigorate innovation and productivity; eventually, it proved only marginally more efficient than Soviet-style command economies....Market-based environmental regulation is an effort to produce environmental goods in the way in which Hungary produced shoes two decades ago. ("Conclusion: Environmental Policy at the Crossroads," p. 188-89)

Natural Disasters

Government's role is not merely wasteful — the number of federally declared disasters has begun to proliferate at a fantastic rate — it also increases the magnitude of the disasters themselves. Consider government subsidized flood insurance. Reducing the cost of risks to those most directly affected creates a moral hazard. People insulated against the potential impacts of floods are more likely to choose to live in floodplains. As a direct consequence, more property and lives will be exposed to floods than would have otherwise. In effect, the scope and scale of disasters will increase as a result of political risk subsidy.

Also troubling is the preemptive impact of political intervention. American voluntary relief organizations continue to play a major role in national disasters. But the willingness to contribute labor and financial resources to the victims of misfortune is eroded by federal intervention. More and more Americans believe that "they gave via their taxes," and that they therefore have no reason to offer additional assistance. ("Natural Disasters," Update, August 1993)

Richer Is Safer

The United States has storms. Bangladesh has storms. In the United States, no one dies. In Bangladesh, many thousands of people die. It is not because nature is different in those two environments, it is because the U.S. has a

freer society and therefore has developed more ability to absorb whatever cards nature deals to us. We should free the world, not regulate it into oblivion. ("Balance Problem," Rocky Mountain News, 16 August 1992)

Good Science Is Not Enough

Business also often places undue faith in "good science" and/or "good analysis" in the hope that this will rationalize the policy process....

An agency such as the EPA is charged with reducing some anthropogenic risk — for example, pesticide residues on food. The natural inclination is to seek out data that suggest the need and value of eliminating pesticides. That arbitrary reductions in pesticides might increase the costs of food or increase the quantities of natural pesticides is never considered.

If the agency has no reason to seek out such information, better science will not help the situation. Good science used in an institutional setting that considers only the risks of technology — not the risks created by the absence of technology — is all too likely to make a bad situation worse. ("Business and the Environment," p. 17)

Superfund

Love Canal was an area near Buffalo, New York, in which the Hooker Chemical Co. had once discarded toxic chemical wastes. As chemical substances from the waste disposal site began to leach into the water table and infiltrate the soil in the surrounding residential community, the national media learned of the event and the "Love Canal Disaster" was born....Once more (so it appeared), a private firm motivated only by short-term profits had sought to economize by dumping deadly waste on an innocent and unsuspecting citizenry....

[But] Hooker Chemical had no direct control over or responsibility for the incident. In 1953, Hooker was forced, under threat of eminent domain, to deed over the site to the local school board, which wanted the land for a new school. Hooker protested the land transfer. It argued that a hazardous waste disposal site was no place for a school. The company gave way only after further pressure from local officials and acknowledgment in the deed transfer document that the school board had been warned of the chemical wastes buried on the site....

Thus, the board began its school, but soon found that declining school populations required less land than originally anticipated....Despite Hooker's repeated warnings that the site contained potentially life-threatening materials and should not be used for residential housing, the board eventually found a local realtor unaware of the controversy and swiftly transferred the hot potato to him. Unlike Hooker, neither the school board nor the unaware new owner was concerned about preserving the integrity of the landfill. Much of the clay cap [that Hooker had laid down] was scraped away, at first during construction of the school and then again for a housing development....

The real facts of Love Canal contradict the "evil capitalist" myth. When a private company (Hooker) owned the property, it was seriously concerned about the long-term consequences of its activities, and justifiably so, since it expected to be around for many decades and was fully aware of potential legal claims that could be brought against the firm. On the other hand, political officials obsessed with the short run (holding down tax assessments) and having little concern over possible financial liability proved irresponsible guardians of public safety.

The neglected lesson of Love Canal is that it actually showed how private property rights encourage considerations of low-probability, long-range risks. But the "conclusions" promoted by Superfund advocates and the national media were that the free market had failed to handle the hazardous waste threat and a major new federal program was essential. ("Superfund: A Hazardous Waste of Taxpayer Money," *Human Events*, 2 August 1986, p. 2)

Wealthier Is Healthier

To the politician, safety consists of positive actions imposed by government—seat belts, mandatory sprinkling systems, "free" vaccinations and mine ventilation standards....In fact, much of what has made America so healthy cannot be tracked readily to such direct safety investments but rather to a general increase in wealth. A wealthier populace finds it easier to take positive steps — home ownership in safer neighborhoods, better diets, more frequent trips to doctors, vacations when stress mounts and so forth. Throughout all societies and all wealth levels, public health is improved by greater wealth....The impact of this fact is dramatic — all technology-forcing regulations involve costs and thus lower societal wealth. If the safety gains from these regulations are not greater than the reduced health associated with the lower wealth, then the regulation will reduce rather than improve societal

health! ("Better Living through Government Mandates?" AMC Journal, July 1993, p. 12)

Aaron Wildavsky

My last visit with Aaron in California led to a late dinner in a Korean restaurant. There he gave me a book: "Not a policy book, you read too many policy books. Read my book *Craftways* — you need to be more organized!" And, indeed, I did and do. *Craftways* (a book illustrating how Aaron was able to write more than most people read) is illustrative both of his productivity and his amazing range of interests. Aaron wrote on the budget process, risk management, culture, foreign policy, and even Judaic history....

Aaron's talents were vast, but it was his risk management work that was always of greatest import for CEI. In essence, CEI is pursuing the practical implications of Aaron's understanding of the American obsession with risk. "Why is the healthiest, safest society in history obsessed with risk?" he would ask. His answer: "Egalitarianism!" Aaron, as Alexis de Tocqueville before him, recognized that there is an egalitarian streak in America's cultural consciousness — a vast longing for a uniform society with no distinctions....Egalitarians seek a world in which all are safe....

Armed with his great intellect and generous temperament, Aaron was an invaluable asset in the fight for a free society; he was also a good friend. He will be missed. ("Remembering Aaron," Update, October 1993)

Property Rights & Natural Resources

Chickens and Passenger Pigeons

When Columbus discovered America, there were billions of passenger pigeons and no chickens — now there are billions of chickens and no passenger pigeons. What accounts for this dramatic demographic shift?

The chicken success story is straightforward. People owned chickens...Chicken houses were built to protect these vulnerable birds, and farmers would stay up at night to protect them from foxes and other predators. Researchers studied the tastes and nutritional needs of these birds, diseases were cured, and social pathologies (for example, the tendency of birds to peck one another to death) resolved....

In contrast, passenger pigeons were the “common heritage of all Americans”...Many people valued these birds, but they had no way to translate their values into effective action. By law, American wildlife is owned by “the people”...Not surprisingly, these birds were killed in massive numbers and the habitat for the bird shrank rapidly as America converted forests into lands suitable for chickens and other species that could be owned. (“Market Ecology vs. Socialist Ecology: Competing Strategies for Integrating Economic and Environmental Values,” speech, 19 July 1993, p. 4)

Coercive Conservation

The return to Carter-style energy conservation programs will exact a heavy toll. “Saving” energy can be very wasteful! Energy is consumed, after all, for a purpose. If that purpose is valuable, then why should it be artificially restrained? Computers, for example, now consume vast quantities of energy compared to say, 1950, when computers hadn’t yet been invented, but is this a “bad thing”? Computers, of course, use energy more efficiently than their predecessors — chips are vastly less energy intensive than were vacuum tubes. Thus, our increasing energy consumption is not indicative of a decline in energy efficiency. If we reject the computer, simply because it represents an increase in energy use from a generation ago, our overall efficiency will plummet!...

But, even energy efficiency can, at times, be inefficient! A sensible society will not conserve energy when other, more valued resources are better conserved....The costs of senseless "conservation" programs can be high, as indicated by this past winter. The season's ice storms brought blackouts and brownouts, closed businesses and schools, and diminished travel; all this "saved" energy but "wasted" wealth. The Japanese, we are told, are more "energy efficient" — indeed, if more Americans lived in tiny, high rise apartments, lacked cars, and jettisoned half our appliances, we too could become more energy efficient. The Japanese consumers seem scarcely pleased by their "successes" in this area, but, if America's gory greenies wish to live in cold, dark flats, they are free to do so, while the rest of us attend to more important things. (Despairing Optimist, 24 March, 1994, pp. 1-2)

Americans should be wary of such all-gain, no-pain diets. If conservation is really such an amazing source of energy, then dieting must be a major source of food, going barefoot a major source of shoes, and asceticism a major source of wealth! This is silly. Conservation means — or should mean — the use of less energy or material to produce the same or higher level of output. Energy and material are consumed to better mankind's lot — to treat such activities as detestable is insane. ("The Less Is More Mantra: The Greens' Growing Control Of American Energy Policy," speech, 16 January 1992, pp. 1, 7)

Diversity, Human and Biological

It's hard for government to keep its mind on even one or two things, yet by politicizing environmental policy governments are charged with preserving bio-diversity, and there are hundreds of thousands of plants and animals out there worthy of preservation. That task is going to be very difficult if we limit it to 150 governments worldwide. In contrast, 5 billion people acting as individual owners might well find it possible to protect a much broader array of species. We need a diversity of ideas if we are going to preserve a diversity of species, and governments give us very little of the former. ("Protecting the Environment — Market Alternatives to the Bureaucratic State," p. 399)

Even if it could be shown that a flood of biblical proportions was likely, we should avoid building a huge state "ark" to shelter politically preferred environmental amenities. Instead, America should become a land of millions of small arks, each tended by individuals or voluntary organizations and thus better able to preserve and protect the natural world.

For public agencies to deal with the full range of ecological niches and changing circumstances found in nature, constant fine-tuning of the bureaucratic mechanism is needed, yet bureaucracies are notoriously difficult to fine tune. In contrast, free markets are naturally self-correcting and every transaction is an act of fine tuning. ("A Free Market Environmental Vision," p. 396)

Dixy Lee Ray

With the deaths this year of Petr Beckman, Aaron Wildavsky and Dixy Lee Ray — and the death only two years ago of Warren Brookes — the difficulty of reforming environmental policy has become even greater. Dixy Lee Ray, our latest lost, was my intellectual and ideological teammate in our joint voyage to Rio de Janeiro (reported by Rush Limbaugh) for the Earth Summit. In Brazil, Dixy was an indefatigable fellow trooper moving from media interview to formal speeches to luncheon strategy sessions with vigor and verve. Dixy had been involved in public policy for many years but had lost little of her enthusiasm....Neither Dixy nor I swayed the Rio Conference but, as Aaron Wildavsky noted, in a world gone mad, often "Speaking truth to power" is perhaps all that can be done. Dixy's continued willingness to speak — even if few were listening — was an object lesson to all of us. Her voice will be missed. (Despairing Optimist, 25 January 1994, p. 3)

Ecological Adoption

Current American law...prohibits ownership of endangered species. This is the environmental equivalent of prohibiting the adoption of orphaned and abandoned children. ("Conclusion: Environmental Policy at the Crossroads," p. 192)

Ecological Central Planning

Environmental policy today is pursued exactly as planned economies seek to produce wheat. A political agency is assigned the task. It develops detailed plans, issues, directives, and the citizens comply. That process will produce some wheat just as environmental regulations produce some gains. However, neither system enlists the enthusiasm and the creative genius of the citizenry, and neither leads to prosperity. ("The Market and Nature," p. 352)

Eco-Imperialism

U.S. policies don't travel well....The U.S. environmental program has involved the expenditure of hundreds of billions of dollars, has relied on a technology-fix program requiring large numbers of technocrats in government and in industry, has required a civil service able to resist the major temptations available were they to favor one polluter over another, and has been policed by an external vigilant and aggressive private environmental movement. These factors are rare in the Third World. Money is scarce as are technically trained individuals, the civil service is often viewed as a legitimate source of patronage and opposition to government is not always favored. ("Expanding Rights and Responsibilities," p. 11)

The apparent goal of the Green establishment is to transform the Third World into a giant natural history museum; a world restricted to eco-tourism in which wealthy environmentalists will lounge on air-conditioned verandas, sipping chilled Chardonnay, while video-taping the smiling natives communing with nature below. ("The Less Is More Mantra," p. 5)

Eco-Tourism

Markets can be very powerful ways to reconcile our concern about living in a quality environment and our concern about living in a quality economy. How do we integrate these two things? In the case of the elephant, people often say, let's use tourism. The problem with tourism, as economists would put it, is that the marginal value of an individual elephant is not very high. There are 49,000 elephants in Zimbabwe. Suppose there were only 48,000. Would tourism drop very much? Tourists cannot see all 48,000 elephants. If you're only concerned with tourism, then you keep a herd of pet elephants and run them around the hotel at dinner time. The rest of the time you do not need them. The National Zoo in Washington has five elephants, and they attract an awful lot of tourists. The last elephant would be worth preserving for tourism. The question is, is the first elephant worthy of preservation? ("Protecting the Environment — Market Alternatives to the Bureaucratic State," p. 405)

Elephants

If the elephant has no value to the African native, then it becomes a "giant rat" and the extermination of rats is rarely viewed negatively. Private property

changes the incentives of people on the scene, encouraging natives to view elephants as cattle rather than as destructive parasites. Elephants kept alive today can be far more valuable tomorrow. Moreover, poachers are no longer tolerated or even encouraged. Robin Hood loses popularity when he shoots the livestock of the poor, rather than of the Crown. Marshall Murphree, an official of the Zimbabwean Conservation and Parks Department, recently noted the dramatic changes that transferring proprietorship to the local tribes has brought about. Once, he noted, the locals protested that “your” elephants are causing trouble; now, these same natives argue that “our” elephants must be preserved. (“Expanding Rights and Responsibilities,” p. 7)

Ends and Means

What we want, how to get it, and what costs it will impose are questions that remain unanswered in the environmental field. While many claim to know the answers, there is anything but a consensus. Differing groups have widely differing interests and expectations. Reconciling these diverse interests, motivating the search for better approaches, mapping out the unavoidable tradeoffs and assessing their relative values can only be achieved by creating real markets where both the means and the ends are determined through economic interaction. Our goal is not to achieve environmental objectives efficiently — it is to determine what environmental objectives are worthy of achieving in the first place. (“Case against Carbon Taxes,” p. 9)

Fencing and Fingerprinting

Would a political agency ever have created pooling and unitization arrangements such as those which have evolved in the oil industry? Would barbed wire ever have been invented had the federal government owned all western lands? Neither groundwater nor ocean resources — both politically managed environmental resources — have seen such successes. Is this an accident?

Certainly, technology may well reduce the transaction costs of protecting property — and private parties do seem eager to provide services that would achieve such cost reductions. One example discussed in a recent news article involved a private firm that proposed to contract with a Northwestern fishing association to police the North Pacific to detect and alert authorities to unauthorized fishing in U.S. waters. The firm intends to use infrared satellite surveillance and a computer “fingerprinting” technology that it believes will

allow it to uniquely characterize each ship operating in an area as under load (that is, hauling a net) or merely passing through. Technological and institutional changes which lower transaction costs are far more rapid when incentives (made by private property) encourage them — in a market economy, technological change is an endogenous, not exogenous, phenomenon. Static analysis misses the real value of such a property rights approach. (“Market Approach or Market Socialism,” p. 7)

A property rights oriented approach would emphasize the need to unravel the complex sequence of events that relate the generation of by-products to environmental damage. Tracers (odorants, coloring agents, isotopes) might be added to pollutants to ensure that damages were detected early where the costs of reduction were lower. Detection and monitoring schemes would evolve as environmental values mounted and it became appropriate to expend more on fencing.

There are exotic technologies that might well play a fencing role even for resources as complex as airsheds. For example, lasimetrics, a technology which can already map atmospheric chemical concentrations from orbit, might in time provide a sophisticated means of tracking transnational pollution flows. If that system were combined with a system under which each nation adopted some fingerprinting system to identify its major greenhouse gases (a type of chemical zip code system), it would become possible to trace pollution to its source and thus make it possible to make the polluters pay. (“Expanding Rights and Responsibilities,” p. 16)

Government vs. the Environment

The justification of a centralized decision making process is the assumption that individual humans will often make “wrong” choices, which will eventually create widespread ecological catastrophe. That argument more accurately applies to the governments of the world. Only governments possess the coercive force necessary to collect revenues for money-losing “development” schemes. Thus, capitalism has scarcely touched the great river systems of the world. Most major hydropower projects have been state sponsored. Even the pollution that flows into the rivers has been the result of the state’s neglect of its duty to defend private rights. Similarly, capitalists mostly ignored the tropical rain forests until state subsidies for clearing them were introduced. In fact, in those nations with secure property rights, capitalism plants far more trees than it cuts. The oceans’ living marine

resources are at risk precisely because governments deny private property rights to wildlife and fish. Those are not examples of the failure of existing markets; they are examples of the failure to allow markets to exist. ("A Free Market Environmental Vision," p. 392)

Industrial Impact Assessment

The United States' once flourishing nuclear industry is dead — in large part because of environmental hysteria....The oil industry — most specifically its domestic exploration divisions — has been devastated; over 500,000 jobs have been lost over the last decade. The president of Chevron, a major U.S. oil firm, noted in a bitter statement that his firm was not abandoning the U.S. — it had been exiled. And attacks on other sectors of U.S. industry are now underway.

Timber harvesting in the Pacific Northwest is now prevented by the Endangered Species Act....The U.S. mining industry is now faced with massive cost increases to continue operations on "public" lands, and mining itself is under increasing attack for its "rape" of the Earth. Bingham Canyon, a working copper mine in the state of Utah, has been declared a Superfund site!

The newest assault is on the chemical industry, where major environmental groups are now seeking to phase out chlorine chemistry. Since well over half of all chemical processes involve chlorine, this strategy would largely destroy America's chemical processing industry. ("Business and the Environment," pp. 6-7)

Market Failure Paradigm

The primary problem with the market failure explanation is that it demands too much. In a world of pervasive externalities — that is, a world where all economic decisions have environmental effects — this analysis demands that all economic decisions be politically managed. The world is only now beginning to recognize the massive mistake entailed in economic central planning; yet, the "market failure" paradigm argues that we embark on an even more ambitious effort of ecological central planning. ("The Market and Nature," p. 352)

Pets

...ownership links man and nature in ways that extend far beyond the strictly commercial sphere. People care for specific animals and are willing to devote

time and energy to protect them. Ownership makes it possible for that effort not to be wasted. I need not fear that my well fed and pampered parakeet will become my neighbor's Sunday lunch. Moreover, although the relationship between pet and owner is a subjective, non-commercial relation, a rich commercial sector — pet food companies, veterinarian hospitals, pet care and protection products — has evolved to serve owners and their pets. Indeed, the United States is now experiencing rapid growth in a profitable "gourmet" pet food industry...The point here is that markets are effective in protecting both commercial and non-commercial species as long as someone values them. ("Market Ecology vs. Socialist Ecology," pp. 4-5)

Pollution

Not all waste is pollution, but only that waste which is transferred involuntarily. Thus it is polluting to dispose of garbage on a neighbor's lawn, but not to store it on one's own property. The voluntary transfer of waste, perhaps from an industrialist to the operator of a landfill or recycling facility, is merely another market transaction. ("The Market and Nature," p. 355-6)

Property Rights

In England, where there are private fishing rights, the owners of the rights have some control over upstream activity that would pollute the water. In one famous law suit in England called the Pride of Derby case, the local fishing club enjoined an upstream municipality because its effluents were harming the fishing streams. The fishing club acted as soon as the economic value of its fishing rights was harmed. There was no delay in acting until the river caught fire, as had happened in the United States and the Soviet Union.

The point is that even partial property rights have value. Fish and other proxy species serve as "trip wires" for environmental quality. Property rights in such species enlist more of the population as pollution fighters. Property rights empower people to address pollution, with powerful results. ("Protecting the Environment — Market Alternatives to the Bureaucratic State," p. 406)

Recycling

As yet, Gore has shown no signs of rethinking anything, certainly not his theological approach to environmentalism. That is indicated by the pending Executive Order (EO) on Recycling. Recycling is a "good thing"

and will be encouraged despite the economics. My Daddy pointed out years ago that, despite popular opinion, one could make a silk purse out of a sow's ear — but it was a lot easier to start with silk! But Daddy never got to talk to Gore. Gore has spoken approvingly of the German Grune Punkt program, a truly crazed idea in which the manufacturer is assigned lifelong responsibility for all products. In effect, no one will buy anything — rather they will “lease” it. When the product is discarded, it remains the responsibility of the manufacturer to collect and reuse or recycle it. The Worm Oruburis will become the effective operating strategy of our new Green World. In the old days, the Corps of Engineers proposed to reverse the flow of the Mississippi — that would have been a trivial achievement compared to forcing total recycling on the world economy. (Despairing Optimist, 1 September 1993, p. 3)

...[T]his improvement in agriculture has been matched by improvements in food distribution and storage, again encouraged by natural market processes and the “profit-incentive” that so many environmentalists deplore. Packaging has made it possible to reduce food spoilage, reduce transit damage, extend shelf life, and expand distribution regions. Plastic and other post-use wraps along with the ubiquitous Tupperware have further reduced food waste. The United States uses more packaging, of course, than Mexico, but the additional packaging results in tremendous reductions in waste. On average, a Mexican family discards 40 percent more waste each day. Packaging reduces more waste than it creates. (“Making Sense of Sustainable Development: A Free Market Approach to Environmental Issues,” speech, 16 September 1991, p. 6)

Socialism and Environmentalism

If market forces were the dominant cause of environmental problems, then the highly industrialized, capitalist countries should suffer from greater environmental problems than their centrally managed counterparts. This was once the conventional wisdom. The Soviet Union, it was argued, would have no pollution because the absence of private property, the profit motive, and individual self-interest would eliminate the motives for harming the environment. The opening of the Iron Curtain exploded this myth, as the most terrifying ecological horrors ever conceived were shown to be the Communist reality. (“The Market and Nature,” p. 352)

Sustainable Development

The prophets of sustainability have consistently predicted an end to the world's abundant resources, while defenders of the free market point to the power of innovation — innovation which is encouraged in the marketplace. Consider the agricultural experience. Since 1950, improved plant and animal breeds, expanded availability and types of agri-chemicals, innovative agricultural techniques, expanded irrigation and better pharmaceutical products — all have permitted a massive expansion of world food supplies. That was not expected by those now championing “sustainable development.” Lester Brown, in his 1974 Malthusian publication *By Bread Alone*, suggested that crop yield increases would soon cease. Since that date, Asian rice yields have risen nearly 40 percent, an approximate increase of 2.4 percent per year. This rate is similar to that of wheat and other grains....Moreover, this has been achieved while reducing the stress to the environment. To feed the current world population at current nutritional levels using 1950 yields would require plowing under an additional 10 to 11 million square miles, almost tripling the world's agricultural land demands (now at 5.8 million square miles). This would surely come at the expense of land being used for wildlife habitat and other applications. (“Making Sense of Sustainable Development,” p. 7)



Bob Colonna and Fred Smith conducting on-site experiments
on the health benefits of moderate red wine consumption.
(Provence, France— Late August 1992)



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