

# Is Schumpeter's Vision of Capitalism's End Still Relevant?

BY VÁCLAV KLAUS

**M**r. President, Ladies and Gentlemen:  
 It is really a pleasure for me to be here. I mean it seriously.  
 Thanks to Fred Smith for proposing an inspiring topic for my speech which, I must confess, I wouldn't have chosen myself—"Schumpeter and his Vision of the End of Capitalism."

It is interesting that you came up with the name Josef Alois Schumpeter (to intentionally use the Czech pronunciation). I don't expect all of you to know that this great economist was born in 1883 in the territory of my country, the Czech Republic, in the small Moravian town of Třešť, belonging at that time to the Austro-Hungarian monarchy. He became an Austrian economist after he had completed his university studies in Vienna and an American economist after he fled Europe in the Nazi era. He was the only economist who could, in the first half of the 20th century, compete with John Maynard Keynes in international prominence.

I probably have to add that I was the first one to get the Schumpeter Prize from the *Schumpeter Gesellschaft* in Austria at the beginning of the 1990s—my very first international award—and



Czech President Václav Klaus delivers the keynote address at CEI's 2008 Annual Dinner.

that I am proud to be the Honorary President of the Czech Schumpeter Society, which, among its other recent activities, helped to rebuild the house where he was born.

When I started my formal economic education in the late '50s, in the very dark Communist days, Schumpeter was not on the agenda. I myself discovered him in the mid-60s, when, during my postgraduate studies, I was lucky to have been forced to devote several weeks of my time to his great book *History of Economic Analysis*. With all the irrationalities of Communism, this was possible in Prague in our, at that time in many respects, already relatively soft and not consistently functioning system.

Schumpeter's book helped me to understand the true substance as well as the enormously wide-ranging domain of economic analysis. His

expertise seemed incredibly large, unimaginable and beyond reach for normal human beings.

At that time, more than 40 years ago, I worked at the Institute of Economics of the Czechoslovak Academy of Sciences. We tried to get acquainted with, explain, and popularize non-Marxist economic

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**>>FROM THE PRESIDENT**


## Thoughts on Revolution

By Fred L. Smith, Jr.

**O**ur theme for our dinner this year was *Revolution*. Revolutions can be bloody or peaceful, tyrannical or liberating, physical or intellectual.

Our revolution is against political correctness, conventional wisdom, ossified hierarchies, and expanding bureaucracies. We seek a revolutionary expansion of freedom, and of the institutions of liberty that make it possible.

The 20th century witnessed many intellectual revolutions. Unfortunately, most of them were collectivist in nature—from Communism and Nazism to socialism, left-liberalism, and environmentalism. Initially, the collectivists argued optimistically: Give up freedom and we will create Heaven on Earth. Today's gloom-and-doom alarmists still want to take our freedom but now promise only to fend off Hell.

Our challenge is to mount a revolution that will expand our freedoms. Charles Dickens's framing of the French Revolution is still relevant: "[I]t was the age of wisdom, it was the age of foolishness...it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair."

Where, today, do we find wisdom, light, and hope? Where do we find foolishness, darkness, and despair? You find the first wherever man is free and markets work, wherever technologies arise and flourish on their own merits. When you look at the realm of state action, you find foolishness, darkness, and despair 24/7.

Economic globalization has done more to help the world's poor than any government relief program ever has. But global trade is under attack and global government is on the march. Technology has opened fantastic new vistas. But even as technology advances, government control advances even faster. Rationales for government control grow faster yet.

Our emcee Jonah Goldberg warns of all this in his bestselling new book *Liberal Fascism*, quoting de Tocqueville: "[I]t is especially dangerous to enslave men in the minor details of life." Yet our politicians, those presumed worthy of wearing the mantles of our Founders, have decided to...ban the incandescent light bulb!

We are still trusted to choose our candidates at the polls, but are no longer free to choose our light bulbs at the hardware store. This is the embodiment of what Goldberg has labeled "the totalitarian temptation" to micromanage every detail of our lives. CEI's job is to intellectually smack down this lunacy.

We aim to demonstrate that man's ingenuity is the brightest hope for prosperity; that man's freedom is the best way in which to empower that ingenuity; and that the institutions of a free market—property

rights, free trade, the rule of law—are the best framework for these modern miracles.

CEI does all this and more, championing the

technology revolution, focusing on how the risks of technological innovation pale in comparison to the risks of technological stagnation.

We must mount a revolutionary counter-offensive—to craft and expand a freedom through a global alliance of entrepreneurs and intellectual activists. The future of freedom, of civilization itself, may well hinge on the success of such a program.

Can we succeed? Joseph Schumpeter's warnings notwithstanding, can capitalism survive? For a partial answer, let me borrow from a fellow Southerner, William Faulkner. In his 1950 Nobel Prize speech, he lamented, "Our tragedy today is a universal physical fear expressed in only one question: When will I be blown up?"

I was a kid then. Nuclear holocaust was a truly frightful question. Compare that concern to the supposedly central questions we face today. Will the Earth warm up another degree? Paper or plastic, which leaves the larger carbon footprint? These arguments for global controls just aren't quite as persuasive.

Faulkner ended his speech by stating, "I believe that man will not merely endure: he will prevail." Amen. At CEI we believe that capitalism will not merely prevail but that it will flourish. But believing is not enough; we must work toward that goal. I hope that you will join us and support that effort.

**“We aim to demonstrate that man's ingenuity is the brightest hope for prosperity.”**

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## Schumpeter's Vision, continued from page 1

theories among the general public. We were impressed by—among many other concepts and theories—the Schumpeterian doctrine of innovation and entrepreneurship, as well as by his concept of “creative destruction.” According to Schumpeter, innovation, entrepreneurship, and creative destruction represent the real basis of capitalism and the moving force behind economic development.

Reading his *Capitalism, Socialism and Democracy*, which was published in England in the 1940s along with books such as Hayek's *The Road to Serfdom* and George Orwell's *1984*, one comes across a slightly different story, which is his evolutionary theory of *the demise of capitalism being based on its very success*. His main argument—as I remember it—was that innovation would become a matter of routine, progress would be mechanized, problems would be “simply solved” by means of reason and science, entrepreneurship would be replaced by mere calculation, individual motivation would subside, a collectivistic mentality would prevail, and the growing importance of teamwork in modern large corporations would lead to the gradual obsolescence—and in the end disappearance—of the crucial player (or perhaps mover) of capitalism: the entrepreneur. That was his vision of the end of capitalism.

We lived in a world where the official doctrine was socialist revolution and



**“Now, it will take centuries to come up with a convincing proof that the planet has not been destroyed or does not find itself on the brink of destruction.”**

central planning, not spontaneous evolution or private initiative, and where the end of capitalism was expected to happen due to its failure and ever-deepening crisis. You will probably not find it heroically courageous here and now, in the relative safety of Washington, D.C., but I must say that *to argue, in a Communist country, that capitalism would eventually come to an end due to its own success was a heresy of unheard-of proportions*. To say that sufficiently loudly was possible in my country only in the relatively promising atmosphere of the second half of the '60s, in an era which culminated in the well-known Prague Spring of 1968 and was very soon brought to an end by the Soviet invasion and occupation.

How to look at it now? At first sight,

this theory seems to be too pessimistic. The first problem is its connection with reality, because the world has not followed Schumpeter's predictions. We do not have centuries of experience so far, but more than six decades have passed since the moment Schumpeter formulated his futurist scenario.

*Capitalism—that is, a free market economy based on private property—not only exists, but flourishes* in more countries of the world now than at any time in the past, and its process of “creative

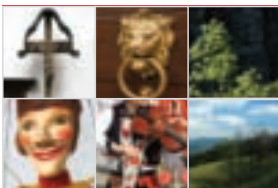
destruction” and the endless flow of innovation are as strong as ever.

The second problem is theoretical. We should also look at the Schumpeterian argument from an economic theory perspective and raise due questions. Was the whole idea of innovation a theory at all? Wasn't it only a colorful description of a more or less well-

known and easily observable phenomenon that ought to be explained? Should it instead be taken as an explanation of such a complicated and multidimensional process as the dynamics of capitalism?

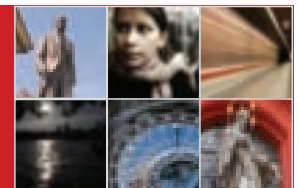
Nowadays, we should pay attention to other factors and processes, by means of which capitalism could be brought to an end, such as the traditional, but in the current “brave new world” of post-democracy, enormously expanding and growing disbelief in the ingenuity of man and in the advantages of the market process. It is, of course, not new because there have always been radical attacks on the market system, but I see a difference now. In the past, the market was

*(continued on page 9)*



**CEI'S 2008 ANNUAL DINNER**

*Recap and photos on page 6*



# Unfairness DOCTRINE

POLITICIANS SEEK TO STIFLE THE FREE MARKET IN IDEAS

BY CORD BLOMQUIST

Justice Oliver Wendell Holmes famously wrote that the best test of truth “is the power of the thought to get itself accepted in the competition of the market.” Yet today many are turning away from this ideal, calling for greater government intervention in media ownership over the perceived lack of fairness in the press. As Sen. Byron Dorgan (D-N.D.) recently proclaimed, “We really do literally have five or six major corporations in this country that determine for the most part what Americans see, hear, and read every day.”

Unfortunately for the Senator’s powers of analysis, we do not. According to Ben Compaine, author of *Who Owns the Media?*, from 1985 to 1995 the top 10 media companies went from raking in 38 percent of media revenue to . . . 41 percent—not exactly the kind of mass consolidation that some pundits would have you fear.

But revenues—the traditional means for measuring media market diversity—are not the best way to gauge the diversity of opinion in the American media marketplace. With the growth of the Internet and blogging as the new national pastime, media revenue models are being completely redrawn.

The *Huffington Post* claims to draw in 4.7 million unique users a month (Nielsen estimates show about 1.5 million), and *Fortune* has quoted

an unnamed source estimating that the site can expect its team of less than 50 staffers to haul in \$7.5 million this year.

Compare that to the other *Post*—*The Washington Post*. The Washington Post Company reported that in 2007 the paper took in a comparatively whopping \$496.2 million in advertising revenue. Yet its average daily circulation totaled 649,700, half of Nielsen’s conservative estimate of *The Huffington Post*’s reach.

Lean, Web-based companies—which have much lower operating costs and use far fewer dead trees to disseminate their ideas—are underrepresented in current media market measurement for no other reason than their relative efficiency. If we substituted eyeballs reached for dollars spent, the already robust picture of media market diversity would show even less cause for concern.

Still, many believe there is need for regulation because Americans continue to receive the bulk of their news over the airwaves. Senate Majority Whip Dick Durbin (D-Ill.) has said that broadcasters should be required to give both sides of political issues to listeners, while Sen. Dianne Feinstein (D-Calif.) has said she plans to look into reviving the Fairness Doctrine.

The doctrine, abandoned in 1987, placed political speech by broadcasters under the scrutiny of the Federal Communications Commission (FCC), which mandated broadcasters to “make reasonable judgments in good faith” on how best to present all sides of controversial issues.

Free speech advocates and conservative lawmakers have banded



together to oppose such a revival of the doctrine, while pundits have railed against reinstatement of the rule, citing the 1984 Supreme Court decision that found that the Fairness Doctrine had a “chilling effect” on speech.

While it is true that the Fairness Doctrine did result in many broadcasters shying away from political speech altogether, few have been quick to point out the obvious flaw in Sens. Durbin’s and Feinstein’s reasoning. Replacing the marketplace of ideas with a board of overseers will not rid the world of bias, but only empower the bias of the overseers.

James Buchanan, who won the 1986 Economics Nobel Prize for his keen observation that human beings do not check their self-interest at the door when entering the halls of Congress or the offices of any of Washington’s many bureaucracies, rightly notes that commissioners and congressmen alike act to advance their position, accrue more power, and expand the mission of their respective offices.

This is especially true of the FCC. The commission, created 80 years ago to regulate the fledgling radio industry, now regulates nearly all electronically disseminated media to varying degrees. But the recent explosion of choice in the media marketplace has left the commission grasping at straw men.

Worse yet, its most recent round of regulations seek to solve its own bad rules with additional layers of rules. Rather than freeing the airwaves from restriction after restriction, and thereby increasing broadcast competition, it seeks to dictate what can be said and who can say it. Instead of opening up the Internet to more service providers, it seeks to micromanage the global network.

Were the FCC given the power to police political speech for any lack of fairness, it is safe to assume that violations would be found in droves—because that is the agency’s reason for being. And with a Democratically controlled Senate and potential Democratic White House in 2009, current commissioner Michael Copps may soon hold the title of chairman, giving the FCC a three-to-two Democratic majority.

This should be pleasant news for Sen. Dorgan, who Copps said has “[s]truck a blow for localism and diversity in a media environment crying out for more of both.” Copps is half right. Consumers are crying out for diversity and local content and getting more of both *in spite of* government regulations.

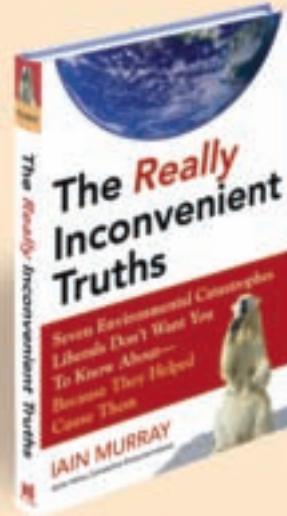
A Chairman Copps is the last thing the American media market needs. Instead, it needs an Alfred Kahn for the digital age. Kahn dismantled the ossified, anti-consumer Civil Aeronautics Board (CAB), earning him a coveted place in history as the final chairman of an unnecessary agency.

Channeling Justice Holmes, Kahn once remarked when speaking about his victories at the CAB that, “The key point is that the market decides, not a bunch of know-it-alls in Washington.” That is true for airlines and doubly true for free speech.

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*Cord Blomquist (cblomquist@cei.org) is a Technology Policy Analyst and Online Editor at CEI. A version of this article appeared in The American Spectator.*

## Al Gore Is Bad For The Planet . . .



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**With his hypocritical lifestyle** and alarmist rhetoric, Al Gore does more damage than good to the Earth—talk about *really* inconvenient truths. That’s just one of the many you’ll find in Iain Murray’s rollicking exposé about environmentalists who create more problems than they fix. Did you know that the Endangered Species Act actually *endangers* species? Or that the Left’s campaign to replace oil with ethanol is largely responsible for the recent food shortages and skyrocketing prices at the grocery store? Murray, a witty and conservative environmental analyst with a long record of skewering liberal hypocrisy, has dug up seven of the all-time great environmental catastrophes caused by the Left—in a book Al Gore would rather burn than read.

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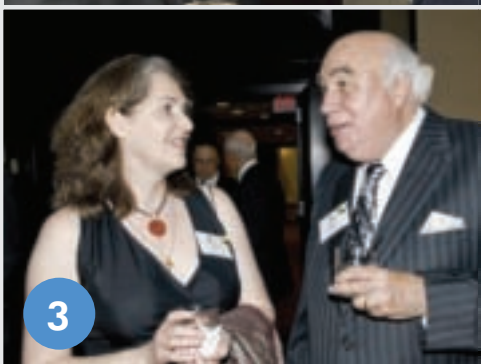
1. Foreground: *Wall Street Journal* editorial board member Stephen Moore (left) and Czech Republic President Václav Klaus; background: CEI Senior Fellow Christopher Horner (left) and Klaus presidential aide Jiří Brodský



2. Left to right: CEI President Fred Smith, Catherine Niskanen, Cato Institute Chairman William Niskanen, and DUNN Capital Management President and CEI Board Member William Dunn



3. Victoria Ebell, staffer for Rep. Terry Everett (R-Ala.), and Murray Energy Chairman Robert Murray



4. CEI President Fred Smith addresses the crowd



5. Canadian Ambassador Michael Wilson (left) and Czech Republic President Václav Klaus

# CEI'S ANNUAL

For the first time ever, the Competitive Enterprise Institute's Annual Dinner hosted a sitting head of state, as both keynote speaker and recipient of the Julian Simon Memorial Award—President Václav Klaus of the Czech Republic.

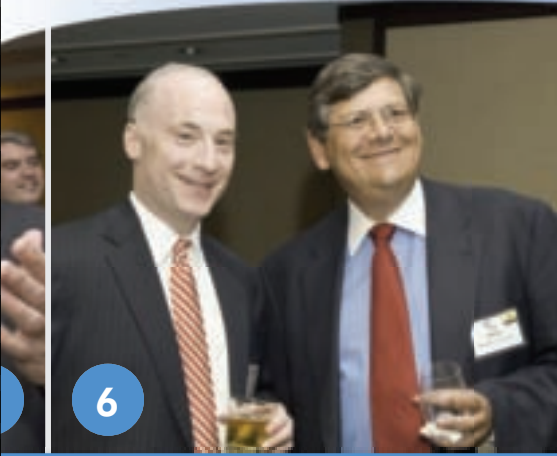
In his dinner speech, President Klaus noted the continuing relevance of the insights of his fellow countryman, the great economist Joseph Alois Schumpeter—and that we ignore those insights at our peril (see p. 1 for an excerpt of the speech).

Dinner guests each received a copy

6. National Beer Wholesalers Association Vice President Paul Pisano (left) with Coca-Cola Bottlers Association Executive Director and CEI Advisory Council Chairman Tom Haynes



7. Left to right: CEI President Fred Smith, American Enterprise Institute John G. Searle Scholar and CEI Board Chairman Michael Greve, and Comcast Senior Vice President for Corporate Affairs Kerry Knott



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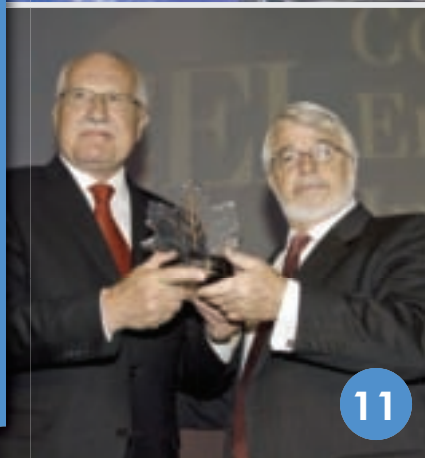


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# 2008 DINNER

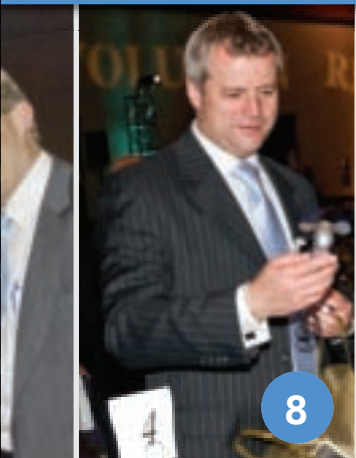
of President Klaus's new book, *Blue Planet in Green Shackles—What Is Endangered: Climate or Freedom?*, which is published in English by CEI, and was unveiled at a National Press Club luncheon the day before (the book event was carried live on C-SPAN).

Jonah Goldberg, *National Review* columnist and author of the *New York Times* number one bestseller *Liberal Fascism: The Secret History of the American Left, From Mussolini to the Politics of Meaning*, served as master of ceremonies of the May 28 Annual Dinner.



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- 8. Czech Republic Ambassador Petr Kolar tries out a party favor from the "Revolution in a Bag" gift bags
- 9. Czech Republic President Václav Klaus signs a copy of his book for Rebecca Dunn
- 10. *National Review's* Jonah Goldberg, master of ceremonies at CEI's 2008 Annual Dinner, addresses the crowd
- 11. CEI President Fred Smith presents the 2008 Julian L. Simon Memorial Award to Czech Republic President Václav Klaus



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**BUREAU CRASH**



**Embassy Crashing with New Friends**

In May, we joined forces with other organizations, including the Hispanic American Center for Economic Research, to crash some stops on embassy row. We held a crash outside the Argentine embassy to protest the harmful redistributionist and protectionist policies of that nation's populist president, Cristina Fernandez, which have already produced massive local unrest. We joined with others outside the Zimbabwean embassy to register our strong disapproval of the murderous, famine-causing Mugabe regime. These and other activist exploits are available on Bureaucrash TV ([www.youtube.com/bureaucrash](http://www.youtube.com/bureaucrash)).

**New T-Shirt Designs**

Bureaucrash Contraband just unveiled two new shirt designs—Gold Bug and Stop Statism. We are requesting crasher feedback on the redesign of our Anarcho-Capitalism shirt. We will hold a weeklong poll and print the design with the most votes.

**New Media Outlets for Bureaucrash**

New Crasher-in-Chief Pete Eyre has been busy. He co-hosted the show "Lighting the Fires of Liberty," on We The People Radio Network with former Libertarian Party presidential nominee Michael Badnarik. He also shot the video "Policing the Police: Arlington Justice" in which Eyre caught one of Arlington's finest flouting the same traffic law he was charged with upholding. The video was picked up by the popular blog The Agitator, helping to drive traffic to it and expose more individuals to Bureaucrash and the message of freedom.

**Activist Award: LSS**

Bureaucrash recently awarded its Activist Award: LSS, the first-ever scholarship to the 2008 Liberty Summer Seminar, held every summer in Orono, Ontario. This year's first place winner is Jonathan Sussman, a student at Brandeis University. In his winning essay, Jonathan wrote:

*"Despite the pleadings of politicians of all stripes, the government cannot give freedom, only take it away. The cornerstone of true liberty lies in personal autonomy and private property; without these bedrock principles, individuals have all the freedom of marionettes."*

The first place award includes roundtrip airfare to the Liberty Summer Seminar in Canada as well as the registration fee.

Second place in the contest went to Adam King, a policy analyst at the Tennessee Center for Policy Research. His prize includes five Bureaucrash t-shirts of his choice.

Congratulations to these freedom activists!



*Bureaucrash Contraband's new t-shirt designs—Gold Bug and Stop Statism*



## Schumpeter's Vision, *continued from page 3*

attacked mostly by means of socialist arguments and with the slogan about “the immiseration of the masses.” Now, it’s been replaced by a more dangerous slogan: *the immiseration (or perhaps destruction) of the planet.*

It has many similarities but one important thing is different. The evidence that people are better and better—not worse—off could have been amassed in a shorter time, in a time—to turn Keynes’s famous dictum upside down—when we all are not yet dead. Now, it will take centuries to come up with a convincing proof that the planet has not been destroyed or does not find itself on the brink of destruction.

Free riding this new horse is therefore much easier. The ambitious politicians who try to mastermind the world and their fellow citizens have been dreaming for decades of finding such a marvelous, immune-to-reality doctrine. Years or decades of cold weather will not disprove it—to my great regret. It is almost religious. My certainty that this ideology would become the main vehicle for the destruction of the free market was the main reason for writing the book, which was introduced here yesterday.

Schumpeter was, hopefully, wrong in his predictions. And, in addition to it, he has been dead now for almost six decades. Al Gore is, however, very much alive.

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*Václav Klaus is the President of the Czech Republic and author of the recently released Blue Planet in Green Shackles. This speech was given at the 2008 CEI Annual Dinner (see page 6).*

# Is the Truth Powerless?

**Before his speech at CEI’s Annual Dinner, President Václav Klaus spoke at the National Press Club in Washington, D.C., on the subject of what drove him to write his new book, *Blue Planet in Green Shackles*, recently published in English by CEI. Below are excerpts of that talk.**



My...thinking is substantially influenced by the fact that I spent most of my life under the Communist regime which ignored and brutally violated human freedom and wanted to command not only the people but also...nature. To command “wind and rain” is one of the famous slogans I remember since my childhood. This experience taught me that freedom and rational dealing with the environment are indivisible. It formed my relatively very sharp views on the fragility and vulnerability of [a] free society and gave me a special sensitivity to all kinds of factors which may endanger it.

...I see the current danger in environmentalism and especially in its strongest version, climate alarmism. Feeling very strongly about it and trying to oppose it was the main reason for putting my book together, originally in Czech ... in the spring of 2007. It has also been the driving force behind my active involvement in the current climate change debate and behind my being the only head of state who, in September 2007, at the U.N. Climate Change Conference in New York City, openly and explicitly challenged the [on]going global

warming hysteria.

...My deep frustration has been exponentially growing in recent years by witnessing the fact that almost everything has already been said, that all rational arguments have been used and that global warming alarmism is still marching on. It could be even true that, [as Ross McKittrick wrote], “We are now at the stage where mere facts, reason, and truth are powerless in the face of the global warming propaganda.”

...I don’t aspire to measure the global temperature, nor to estimate the importance of factors [that] make it. This is not the area of my comparative advantage. But to argue, as it’s done by many contemporary environmentalists, that these questions have already been answered with a consensual “yes” and that there is an unchallenged scientific consensus about this is unjustified. It is also morally and intellectually deceptive.

...You may find some of my arguments concerning these issues in this book. I can only wish you some enjoyment when reading it.



## THE GOOD

### Ireland Votes Down Terrible Treaty

In a June 13 referendum, Irish citizens unexpectedly voted down the European Union's (EU) Lisbon Treaty, which would have centralized significantly more power in the body's Brussels-based bureaucracy. The EU has poked its nose into everything from the shifts of bus drivers to how much bust barmaids are allowed to show to disallowing dogs at bed and breakfasts.

Ireland was the only nation to hold a referendum on the body's expansion. After France and the Netherlands rejected the earlier EU Constitution treaty in 2005, most European politicians were not taking any chances. The Lisbon Treaty—a stripped down version of the EU Constitution—was put to a vote in Ireland only because the country's constitution explicitly requires a public vote on all amendments to the nation's constitution. Editorial Director Ivan Osorio predicts that Europeans should not "expect to see too many more proposals to expand the EU's reach put up to a vote." For now, he suggests, "the Irish deserve a toast, with a pint of Guinness." What, you were expecting Budweiser? (See *End Notes*.)

## THE BAD

### Google Flirts with Regulatory Evil

Internet giant Google was accused in June of a minor violation of California's privacy laws. The violation? The company had failed to link to its privacy policy from the front page of its popular search engine, though users could get to it with a few simple clicks. However, rather than challenge this regulatory silliness, Google responded to the flap by endorsing a nationwide privacy law.

Here's hoping this is not in keeping with the firm's lobbying strategy in other cases. Research Associate Ryan Radia explains, "Google, looking to further its ad-driven business model, managed to convince the FCC to impose open-access rules" on an auction for spectrum rights that it then let rival Verizon win. However, "The open-access conditions demanded by Google devalued the airwaves, squandering innovative wireless applications based on proprietary, closed networks."

## THE UGLY

### Farm Bill Dishes Out the Pork

In May, Congress's latest Farm Bill passed easily with over 75 percent of Representatives and 80 percent of Senators voting for it. The bill provides nearly \$300 billion over five years for farming interests. To his credit, President George W. Bush made good on his pledge to veto the bill, but Congress promptly overrode that veto.

Adjunct Fellow Frances B. Smith explains that the Farm Bill passed so overwhelmingly because it "simply paid off every special interest. Farmers got their direct payments, their counter-cyclical payments, their price support loan amounts, their disaster funds, etc." Many farming groups that were not subsidized before—such as berry and livestock producers—were awarded some sort of compensation to grease the legislative wheels, including funds for research and development that will lead to more subsidies in the future.

# MediaMENTIONS

Compiled by **Richard Morrison**



**Senior Fellow [Eli Lehrer](#) reminds Florida residents of the precarious financial position in which their governor has put them:**

Florida's state government easily could end up bankrupt this year unless the Legislature and Governor Charlie Crist change the state's homeowners' insurance laws.

The situation is pretty simple: If a storm—even a minor one—were to hit the wrong area of Florida, Citizens Property Insurance Corp. and the Florida Hurricane Catastrophe Fund could quickly run up bills topping \$30 billion.

To pay them, the state would plan to sell bonds—as much as \$30 billion worth—all at once. Yet no state has ever sold more than \$11 billion in bonds at one time, so it's highly unlikely that today's skittish bond markets would buy that much debt from a storm-battered state with a sluggish economy and shrunken tax base...

Florida would be faced with some unenviable choices: massive tax increases, deep service cuts, or most likely, some sort of federally supervised bankruptcy.

-*Ocala Star-Banner*, May 11

**Senior Fellow [Iain Murray](#) revisits the origins of the modern environmental movement—and its consequences:**

Is there an advert on TV that doesn't claim the product or company involved is "doing its best for the planet" or something like that? I feel like I'm drowning in a sea of green every time a program goes to a commercial break. Yet the recent stories of food riots all over the world and wildfires in California should remind us that there's a downside to environmentalism—a pretty big downside. It's a downside I explore in my new book, *The Really Inconvenient Truths: Seven Environmental Catastrophes Liberals Don't Want You to Know About—Because They Helped Cause Them*.

The problem is the way liberal environmentalists work to achieve their policy aims. It's based on a model that goes back to 1962, when Rachel Carson

wrote *Silent Spring*.

What she did was take a genuine environmental concern—the thinning of the eggs of large predatory birds caused by inappropriate use of the chemical DDT—and turn it into a moral fervor. Environmental groups like the Environmental Defense Fund were founded to press for laws banning even appropriate uses of the substance. By exaggerating the effects of DDT, in particular by alleging a non-existent cancer risk from mere contact with it, she fomented a zealotry that cast any who opposed such measures as uniquely evil.

-*Pajamas Media*, May 9

**Energy Policy Analyst [William Yeatman](#) takes Oregon's junior Senator to task for his pro-hunger energy policies:**

Sen. Gordon Smith (R-Ore.) has long been a champion of America's hungry. He is a charter member of the Senate Hunger Caucus, formed in 2004 to focus Congress's attention on "food insecurity," a bureaucratic term for American households that struggle to afford enough food to eat. Almost a third of the Senate has joined the caucus, including both Oregon senators...

Despite his evident concern for the hungry, Smith supports an energy policy that threatens the very constituency his hunger caucus was created to help. In both 2005 and 2007, he voted to expand the production of ethanol because it furthers American energy independence by displacing gasoline made from foreign oil. Unfortunately, it also causes the price of food to increase.

-*Portland Tribune*, April 22

**Director of Risk & Environmental Policy [Angela Logomasini](#) explains the environmental angle of the perennial supermarket dilemma of paper or plastic:**

For those "environmentally" conscious consumers who walk to the grocery,

the durability of plastic makes even more sense as plastics don't fall apart easily—not even in the rain! Plastic is also much less likely to carry cockroaches into your home, which can be a problem with paper bags. Common to supermarkets, cockroaches feed on the glue in paper bags and easily can hide in the crevices of paper bag.

Then there is the issue of energy. Believe it or not, plastic bags are incredibly energy efficient. This very green attribute is probably the main reason they were winning in the marketplace to begin with—because lower energy costs mean lower costs for supermarkets and everyone else. Studies have shown that paper bags require as much as 40 times more energy to make and transport, which is reflected in their price.

-*Bellingham Herald*, April 18

**Senior Fellow [Marlo Lewis](#) points out that higher gas prices have failed to curb greenhouse gas emissions in Europe:**

In Europe, consumers pay up to \$9 a gallon for gasoline, in part because European Union governments tax gasoline at rates of \$2 to \$3 a gallon and more. What most people don't realize is that gasoline taxes are implicit carbon taxes. Taxing gasoline at \$1 a gallon is roughly equivalent to taxing the carbon dioxide emissions from gasoline at \$100 per ton. So, European motorists are paying carbon dioxide penalties of \$300 or more per ton. That's about six times higher than the maximum estimated carbon permit price under the Warner-Lieberman cap-and-trade proposal.

Yet where in Europe is the miracle fuel to replace petroleum? Where are all the zero-emission vehicles? Europe is not one mile closer than we are to achieving a "beyond petroleum" transport system. In fact, from 1990 to 2004, EU transport sector carbon dioxide emissions increased by almost 26 percent.

- *The Wall Street Journal*, April 12

### Hopping Mad over Hops Sale

The Belgian brewer InBev is offering to purchase all outstanding shares of Anheuser-Busch, the maker of Budweiser, Busch, Michelob, and that cheap college favorite Natural “Natty” Light. The offer came as good news to stockholders of the American beer maker, as news of the offer temporarily boosted the price of Anheuser stock. But some power-drunk U.S. politicians want to kill the buyout buzz. Missouri Governor Matt Blunt said he was “strongly opposed to the sale of Anheuser-Busch” and called the InBev offer “deeply troubling to me.” The governor directed the Missouri Department of Economic Development to see if it could find some way to take the foam out of the deal.

### Two Green Thumbs Down

As if the Weather Channel were not enough to feed the voracious doomsday news appetite of enviro-alarmists, now comes along Planet Green, a new Discovery Channel spin-off. *Slate* magazine television critic Troy Patterson explained that the channel was the answer to the age-old question, “If a tree falls in the forest, and there is no one there to talk about deforestation, does it represent a missed marketing opportunity?” After reviewing the new channel’s first week’s worth of shows, Patterson warned that “until Planet Green quits its annoying mix of condescension and pandering, watching it will be an unforgivable waste of energy.”

## ...END NOTES



### Attack of the Killer Tomatoes

In early June, several Salmonella infections across the United States were linked to fresh tomatoes. The scare led to a near-ban on tomatoes, as most restaurants and supermarkets stopped carrying them, and the Food and Drug Administration launched a so-far fruitless investigation. Many are now questioning if this was all a bit much. The Associated Press ran a story asking if food sellers overreacted, and answered with a qualified yes. *Asheville Citizen-Times* columnist Nancy Williams observed that government oversight tends to come in two modes: “slow-mo action (no do) and hyper-reaction (overdo).”

Thanks to our litigiousness, Americans “lean more toward the overreaction... We go full-bore, wide-open, into immediate Defcon four, exterminating ants with sledgehammers. The alarm is sounded so often and about so many things, I don’t know what to be concerned about.”

### Always Be Prepared...for Exploitative Lies

The Center for American Progress responded to the recent tornado-caused deaths of four boy scouts at a camp in western Iowa by pinning the tragedy on...global warming. There is of course no evidence for this charge. Tornadoes have been a problem since before Dorothy discovered she wasn’t in wind-swept Kansas anymore. Yet the facts, or common decency, are no obstacle to a good ideological harangue.



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