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Ten Thousand and Counting

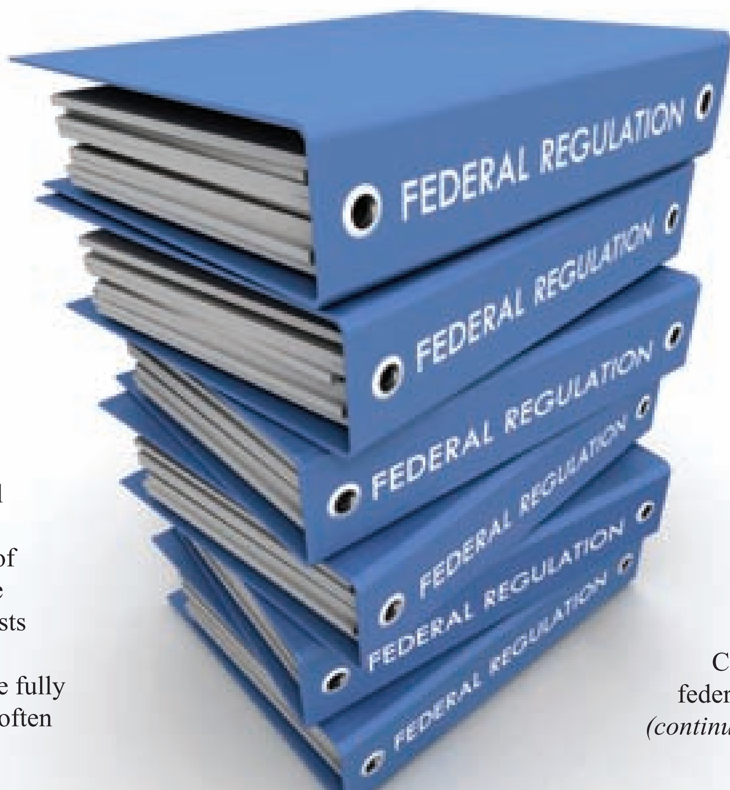
BY WAYNE CREWS

President George W. Bush's federal budget for fiscal year 2009 proposed $3.1 trillion in discretionary, entitlement, and interest spending. This was the first ever $3 trillion budget in United States history—but it certainly won't be the last.

President Bush was also the first president to deliver a $2 trillion federal budget, as recently as 2002. Many other countries' governments consume more of the national output than the U.S. government does. But in absolute terms, the United States operates the largest government on Earth.

Those costs are striking enough in themselves. But the government's reach extends well beyond the taxes Washington collects and the deficit spending at which it excels. Federal environmental, safety, health, and economic regulations cost hundreds of billions of dollars every year, over and above the costs of official federal outlays.

Firms generally pass the costs of some taxes on to consumers. Some business regulatory compliance costs trickle down to consumers as well. Exact regulatory costs can never be fully known—they are unbudgeted and often indirect—but scattered government and private data exist on scores of regulations and the agencies that issue them, as well as on regulatory costs and benefits.



Compiled and analyzed, these data can make the regulatory state somewhat more comprehensible. That compilation is one purpose of the annual *Ten Thousand Commandments* report. Some of the facts from this year's report are both eye-opening and distressing:

Consider: An estimate of the federal regulatory enterprise based on the work of economist Mark Crain shows that regulatory compliance costs hit an estimated $1.16 *trillion* in 2007.

Given that 2007 government spending stood at $2.73 trillion, the hidden tax of regulation now approaches half the level of federal spending. To add some perspective: Regulation costs more than seven times the $163 billion budget deficit, nearly matches 2005 corporate pretax profits of $1.3 trillion, rivals estimated 2007 individual income taxes of $1.17 trillion, dwarfs corporate income taxes of $342 billion, and absorbs about 8.5 percent of U.S. gross domestic product.

Combining regulatory costs with federal fiscal year 2007 outlays of $2.73

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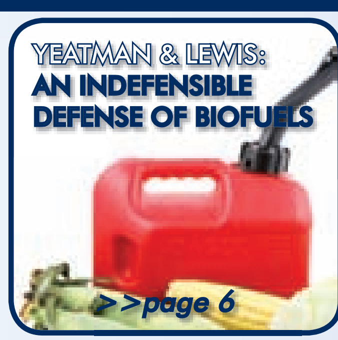

ALSO INSIDE:

>>FROM THE GENERAL COUNSEL

We're All Oil Addicts

By Sam Kazman

When cocaine prices shot up last year, White House Drug Czar John Walters touted it as "the best evidence" that the War on Drugs was working.

So with gas prices rising sharply earlier this year, we should have heard cheers from those who claim we're addicted to oil. They should have pointed to those record gas prices as a sign that we were winning the war on oil addiction. But instead of celebrating, they were gnashing their teeth.

President Bush isn't leaping for joy, even though he gave the "oil addiction" metaphor its highest imprimatur when he used it in his 2006 State of the Union speech. It is now everywhere, from the lips of politicians to the covers of national magazines. *New York Times* columnist Tom Friedman has a new documentary titled *Addicted to Oil*, and Texas oilman T. Boone Pickens uses the phrase to promote his windmill plan. But unlike the Drug Czar's reaction to high cocaine prices, these people express little joy over the high price of gas. Congress may have embraced the language of oil addiction, but it seems intent on keeping us poor addicts hooked—by trying to bring gas prices *down*.

Nor are environmentalists dancing in the streets over high gas prices. Al Gore's *We Can Solve It* campaign is running full-page ads about $5 a gallon gas—*bemoaning* the prospect. Gore himself probably favors high gas prices, but he plays both sides of the fence in his public pronouncements. On the one hand he wants to tax oil for its alleged environmental harms; on the other hand, he pushes plug-in hybrids as a way to quickly lower gas prices by reducing demand. Why is he so coy on the subject?

Opponents of our so-called oil addiction certainly spout enough rationales for their views: It's bad for the environment, it encourages urban sprawl, and it undermines local agriculture by bringing us out-of-season produce from faraway places at low cost. But if these people are sincere, then why don't they openly admit that high prices are the solution to these and other alleged problems? High gas prices push people out of large SUVs into cars, and out of cars onto mass transit. Isn't that exactly what environmentalists have been urging for years?

When the War on Drugs succeeds and cocaine prices rise, you don't see the Drug Czar proposing government subsidies for addicts. I don't like his mission, but at least he's honest on this point. He's not out there disrupting supplies one day and then helping addicts pay for their fixes the next.

Fans of cheap gas are honest too. They didn't hide their relief when gas prices recently dipped. Instead, consumers smiled, truckers breathed easier, and the stock market rose.

I smiled, too. I remember the last time I scored gas for under $2 a gallon. It was a sunny day in the fall of 2006, after a summer of what then seemed to be painfully high prices approaching $3. I came across a gas station near Centreville, Virginia, selling gas at $1.98. After all the incessant yammering about how "the era of cheap gas is over," filling up at that price was transcendentally lovely. I even celebrated by squirting a few drops at a colleague standing nearby. He didn't get wet, but he understood the gesture—it was a toast.

> ***"But if [opponents of our oil addiction] are sincere, then why don't they openly admit that high prices are the solution to these and other alleged problems."***

Dr. John R. Christy is a highly credentialed scientist and a longtime critic of global warming alarmism. He is also personally familiar with what it means for people to live without affordable energy. In his words, "My experience as a missionary teacher in Africa opened my eyes to this simple fact. Without access to energy, life is brutal and short."

If wishing for cheap gas and other forms of affordable energy makes us addicts, then more power to us.

A version of this article originally appeared in The American Spectator.

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Publisher
Fred L. Smith, Jr.

Editor
Jeremy Lott

Editorial Director
Ivan G. Osorio

Contributing Editor
Richard Morrison

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Phone:
(202) 331-1010

Fax:
(202) 331-0640

E-mail:
info@cei.org

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Ten Thousand, *continued from page 1*

trillion brings the federal government's share of the economy to 28 percent.

Regulatory costs dwarf the $150 billion "economic stimulus package" passed in early 2008—their rollback would constitute the deregulatory stimulus which the U.S. economy needs.

The Weidenbaum Center at Washington University in St. Louis and the Mercatus Center at George Mason University in Virginia jointly estimate that agencies spent $42 billion to administer and police the 2007 regulatory enterprise. Adding the $1.157 trillion in off-budget compliance costs brings the total regulatory burden to $1.2 trillion.

> "…considerable lawmaking power is delegated to unelected agencies. … Congressional accountability can be improved by requiring expedited votes on agency rules before they become binding. This step would fulfill citizens' expectation of 'no regulation without representation.'"

The annual outflow of nearly 4,000 final rules has meant well over 51,000 final rules since 1995—that is, since the Republican takeover and the recent Democratic recapture of Congress. While regulatory agencies issued 3,595 final rules, Congress passed and the president signed into law a comparatively low 188 bills in 2007. This means that considerable lawmaking power is delegated to unelected agencies.

In the 2007 *Unified Agenda*, the 50-plus federal departments, agencies, and commissions detailed 3,882 regulations at various stages of implementation. One hundred and fifty-nine of those are "economically significant" rules costing at least $100 million—and such "economically significant" rules increased by 14 percent between 2006 and 2007. The burden of these regulations will be felt by corporate shareholders and mom-and-pop entrepreneurs alike. Seven-hundred and fifty-seven of the new rules will affect small businesses.

The short-lived string of budgetary surpluses enjoyed from 1998 through 2001 was the first since 1969. But if regaining and maintaining a genuine surplus remain a priority, policy makers must control regulatory costs. Consider: The Congressional Budget Office projects no surpluses over the coming years until a speculative $87 billion in 2012.

Regulatory costs of more than $1.16 trillion clearly dwarf that amount, as well as dwarfing the $150 billion "stimulus package" of early 2008. Moreover, regulations and taxes can substitute for one another; a new government program entails increasing spending—or imposing new rules and regulations.

Thus, without better regulatory monitoring, deficit control may invite lawmaker preference for off-budget, private-sector regulations rather than new deficit spending. If regulatory costs remain largely hidden from public view, regulating remains attractive compared with taxing and spending.

To discourage this, regulations should be accounted for like federal spending. Whenever possible, Congress should answer for the compliance costs—as well as the benefits—of federal regulations.

Cost-benefit analysis of rules is the typical remedy proposed to police excess regulation. A problem with cost-benefit analysis is that it is largely a form of agency self-policing. Agencies that perform "audits" of their own rules would rarely admit that a rule's benefits do not justify the costs involved. Third-party review is needed.

Congressional accountability can be improved by requiring expedited votes on agency rules before they become binding. This step would fulfill citizens' expectation of "no regulation without representation."

Disclosure of rules' costs would remain important, however, even when Congress approves rules. Openness about regulatory facts and figures is critical, just as disclosure of program costs is critical in the federal budget.

Simple federal "regulatory report cards," similar to the presentation in *Ten Thousand Commandments*, could be issued officially each year to distill regulatory data, though don't expect most agencies to like this proposal. Nobody likes to receive failing grades.

Regulations dwarf the $150 billion "economic stimulus package" passed in early 2008. Their reform and rollback would constitute the *deregulatory stimulus* that the U.S. economy desperately needs. What is bad for the bureaucrats could be great for America.

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*Wayne Crews (*wcrews@cei.org*) is Vice President for Policy and Director of Technology Studies at CEI.*

Fannie and Freddie Boosters Laughed ...But I Was Right

BY FRED L. SMITH, JR.

There is now a consensus that Fannie Mae and Freddie Mac are at the heart of the systemic meltdown we are seeing in the mortgage market. They are costing taxpayers billions through their own bailouts and through their role in fueling an artificial mortgage boom.

But eight years ago, when I testified before Congress that Fannie Mae and Freddie Mac's "special privileges create a serious hazard to the market, to taxpayers (and) to the economy," my criticism of these sacred financial cows was met with ridicule.

At the hearing on June 21, 2000, before the House Financial Services Committee, I called the government-sponsored enterprises "strange organizations, neither private-sector fish nor political-sector fowl" and said that "as a result, no one is quite sure how these entities should be evaluated or held accountable."

I offered my opinion that the rapid growth of their debt portfolios and the new risks Fannie and Freddie were taking on—such as the purchase of various unproven mortgage instruments—"will certainly increase the likelihood of a Fannie-Freddie default."

Reviewing the hearing transcript, I see that some congressmen, notably Paul Ryan of Wisconsin and Richard Baker of Louisiana, shared my concerns. But to boosters of the mortgage giants from both parties, it was as if I—and others at the hearing offering similar warnings on behalf of the free-market National Taxpayers Union and Citizens Against Government Waste—were heralding an invasion from outer space.

"Mr. Smith, that is almost a fallacious argument," Rep. Paul Kanjorski (D-Pa.) said in pooh-poohing my testimony. He then proceeded to explain to me that the rapid growth of the GSEs' debt holdings was nothing to worry about, because it was simply reflecting "inflation and the growth of population" and economic growth itself. "Everything, proportionately, is that much larger."

Similarly, then-Rep. Marge Roukema (R-N.J.) touted the complex capital rules governing the GSEs, saying that "very few banks or S&Ls could, even in this day and age, even now, meet the stress-testing requirements which Fannie and Freddie are required to meet."

And Rep. Carolyn Maloney (D-N.Y.) offered a fairly typical response from GSE defenders to my concerns about the long-standing \$2-billion line of credit from the Treasury Department. "It is really symbolic, it is obsolete, it has never been used," she declared.

She asked, "Would you explain why it would be important to repeal something that seems to be of little use?"

I answered that, "as long as the pipeline is there, it is like it is very expandable." Then, in what even I thought might be a reach, I added, "It is only \$2 billion today. It could be \$200 billion tomorrow."

"Tomorrow," of course, arrived in early September. That's when Treasury Secretary Henry Paulson announced that the GSEs will be put into a government conservatorship, and that the Treasury Department will make routine injections into the GSEs of what is expected to be tens of billions of taxpayer dollars. Unfortunately, my estimate of a $200 billion taxpayer cost back then may yet turn out to be too low.

But out of every crisis comes opportunity. And this crisis presents the opportunity to ensure that Fannie and Freddie will never pose a risk to the taxpayer, or an even worse systemic risk to the economy, again.

While they are under the government conservator, policy makers should move forward on what is the only option that will guarantee a permanent end to these risks: an orderly liquidation.

Back in 2000, I urged Congress "to develop a divestiture or breakup plan for Fannie and Freddie." I suggested that lawmakers "create a liquidation plan that would plausibly avoid a bailout if and when the next economic crisis occurs."

The good news is that just in the past few weeks, the debate has largely moved beyond Fannie and Freddie's hybrid public-private structure. Across the political spectrum, there is recognition that the GSE privatization of profit/socialization of risk model is unsustainable.

As Sen. Barack Obama (D-Ill.) recently said on the campaign stump, "We can't have a situation in which, during boom times, management and investors are soaking up huge profits, taking extraordinary risks, and thinking to themselves that somehow the taxpayers are going to be there to bail them out."

The real question now is why we need any mortgage-buying entities—government, private, or in-between—of Fannie and Freddie's trillion-dollar size.

That housing is central to the U.S. economy, as Paulson and others stress, is a somewhat circular argument. Housing became so intertwined with the financial system because of Fannie and Freddie's privileges as well as other subsidies premised on the die-hard conviction of many lawmakers that *every* American should own a home.

Politicians call homeownership the "American dream," but there are many other "dreams" Americans pursue in the credit markets. There is no reason to distort this market in favor of housing above other economic activities. There are no Freddie and Fannie-like entities for auto loans and commercial real estate mortgages, yet financing in these areas has still evolved.

Notably, while these credit markets are now stressed, they have not faced a systemic collapse such as that of the home mortgage market. By virtue of their sizes, the GSEs helped create the very systemic risk they were created to protect the housing sector against.

In 2000, I argued that after a crisis occurs, the problem would be "too difficult to fix" because "the pain would be too great." On this point, I hope I was wrong.

Although the pain to taxpayers and the economy will be great, with the right policy focus, the GSE problem is still not too difficult to fix. We must realize, however, that the only way to really "fix" Fannie and Freddie is by breaking them up into eventual nonexistence.

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*Fred Smith (*fsmith@cei.org*) is President of CEI. John Berlau, Director of the Center for Entrepreneurship at CEI, also contributed to this article, a version of which appeared in* Investor's Business Daily.

An Indefensible Defense of Biofuels

BY WILLIAM YEATMAN & MARLO LEWIS

Biofuels advocates claim that ethanol mandates and subsidies protect our planet, enhance U.S. security, and ease our pain at the pump. In fact, ethanol policy hurts all Americans except for the tiny slice of the population that grows corn or distills it into ethanol.

What is ethanol? Basically, in the United States, it is moonshine derived from the starch in corn. You can drink it. Rowdy collegians have been known to mix one part ethanol with 40 parts fruit juice to make huge vats of punch for parties. Moonshine is in your gas tank because the corn and ethanol lobbies joined forces with defense hawks and oil industry bashers, and persuaded Congress to enact a Soviet-style production quota of 15 billion gallons of corn ethanol by 2015.

That was a colossal mistake. Government coddling of the ethanol industry makes our food more expensive, raises our taxes, and forces consumers to pay higher prices for motor fuel blends that deliver fewer miles to the gallon. It also contributes to the global grain inflation that is pushing millions of the world's poorest people to the brink of starvation.

Rising corn prices inflate the price of other staples, because all grains compete for customers—and for land. As high corn prices push more land into corn cultivation, less land is available for other grains, which pushes up prices for the other grains because of new supply constraints. Eggs, meat, and milk from corn-fed livestock also become more expensive as prices rise on down the line.

During the past two years, corn prices have tripled, wheat prices almost doubled, and rice prices increased by almost 150 percent. This rampant inflation in the price of basic staples threatens to push 100 million people back below the absolute poverty line—defined as a household income of $1 a day or less. This would wipe out nearly all the gains the poorest billion people achieved during the past decade.

United Nations World Food Program Executive Director Josette Sheeran, explains the dire consequences: "For the middle classes" in poor countries, the rise in food prices means "cutting out medical care. For those on $2 a day, it means cutting out meat and taking the children out of school. For those on $1 a day, it means cutting out meat and vegetables and eating only cereals." And those who subsist on 50 cents a day may not survive at all.

According to the World Bank, "Almost all of the increase in global maize [corn] production from 2004 to 2007 (the period when grain prices rose sharply) went for bio-fuels production in the U.S., while existing stocks were depleted by an increase in global consumption for other uses." The Bank also notes that, although biofuels supply only 1.5 percent of total motor liquid fuels, they accounted for almost half the increase in global consumption of major food crops during 2006-2007.

Ethanol boosters sometimes go to absurd lengths to dress up this economic ugly duckling. Ethanol's ablest defender is Robert Zubrin, author of the book *Energy Victory*, and a member of the pro-ethanol Set America Free Coalition.

Zubrin denies that ethanol policy inflates U.S. food prices or exacerbates world hunger, or that increased ethanol production could have these ill effects in the future. In an article in the latest *New Atlantis*, he writes, "At bottom, the entire food versus fuel argument boils down to a Malthusian conceit—that there is only so much that can be grown, so if we grow more of one thing, we must necessarily grow less of something else. But this is simply false."

Well, no, the underlying premise is not Malthus but Econ 101, in which we learn that resources are finite. Hence, changes in either demand or supply affect price. Zubrin argues as if the supply of farmland were practically infinite. He asserts that the United States has 800 million acres of farmland, of which only 280 million acres are being cultivated. This leaves "plenty of farmland in the United States that could be used to grow more corn...or more of the other staple crops needed to meet domestic or international demand."

Iowa State University economist Dermot J. Hayes retorts that "Zubrin's just wrong," because he must be counting areas that are totally inappropriate for cultivation, like "land in Wyoming where you couldn't get a tractor to work."

Good farmland is a finite resource. It can be expanded, and technology can make it more productive—but it is not free for the taking, not all of it is of equal quality, and most of the best farmland in the United States is already under cultivation.

Corn, soybeans, cotton, and wheat all compete for land. Thus, when corn plantings increased by 18 million acres from 2003 to 2007, soy plantings fell by 10 million acres, and cotton plantings by 3 million acres. U.S. farmers increased corn acreage by 18 percent over the past year but increased wheat acreage by only 1 percent. Corn is busting out all over in what used to be known as the "wheat belt."

The increase in corn is not going to meet food demands. Ethanol manufacture is consuming all the new corn and then some. The calories contained in one tank of biofuel gasoline are enough to feed one person for a year. This means the additional corn consumed by ethanol manufacture could feed over 235 million people a year. Instead, it is fueling SUVs and Priuses.

Zubrin argues that ethanol pushes down the price of oil, by augmenting the global supply of liquid fuels. He cites a March 2008 *Wall Street Journal* article in which Merrill Lynch analyst Francisco Blanch claims that global production of biofuels, by helping plug the gap between the demand for and supply of liquid fuels, keeps oil and gasoline prices 15 percent lower than they otherwise would be. Thanks to ethanol, Zubrin calculates, we are cutting OPEC's global revenues by $180 billion a year.

There are two problems with this assertion. One is that oil prices jumped from $102 a barrel, when the *Journal* article appeared, to $120 a barrel only six weeks later. In the interim there was no decline in biofuel production and none announced or planned.

Second, the *Journal* article he cites goes on to say that OPEC cut production by 400,000 barrels a day last year—about 100,000 more barrels per day of liquid fuel than biofuel production added to the fuel supply.

Zubrin also makes no mention of the fact that ethanol is more expensive than regular gasoline even with oil selling as high as $130 a barrel, because it gets about one-third fewer miles per gallon.

Zubrin really beggars belief when he claims that, "Adam Smith would love ethanol," because it provides such steep fuel savings for such a small subsidy—"only" about $4 billion a year. But that figure is misleading because it counts only one of many handouts enjoyed by the ethanol industry: the blender excise credit.

In fact, government support is provided at all stages of biofuel production and consumption, by both federal and state governments. According to the Geneva, Switzerland-based Global Subsidies Initiative, when all the subsidies are added together, ethanol will cost the American taxpayer between $9 billion and $11 billion in 2008, more than double Zubrin's estimate.

Federal subsidies increase with production. The blender's excise credit that costs "only" $4 billion now, when production is at 9 billion gallons, will cost $28 billion in 2022, when production is projected to reach 36 billion gallons. And remember, that is only one of the subsidies.

Undaunted, Zubrin wants to press on to "energy victory" over OPEC, with a bigger ethanol mandate, and a requirement for all new cars sold in the U.S. to have flex-fuel capability to run on gasoline or biofuels.

The results of U.S. ethanol policy have been dismal. Oil prices and OPEC's profits hit all-time highs, even as ethanol production reached an all-time high..

There is a better solution—market-driven innovation. Auto companies already have the strongest possible incentive to develop affordable automobiles that abolish pain at the pump—$130 oil. Unlike Zubrin's proposal, a market-driven drive to energy victory will not fleece consumers or lead to manufactured starvation.

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*Marlo Lewis (*mlewis@cei.org*) is a Senior Fellow at CEI. William Yeatman (*wyeatman@cei.org*) is an energy policy analyst at CEI.*

CEI DONOR SPOTLIGHT

Paul Glenn

Paul Glenn is the Creator of the Glenn Foundation for Medical Research and a Harvard Law alumnus. He resides in Santa Barbara, California.

Q. What is your occupation?

A. I am a private investor. I invest my own funds in securities and venture capital and commodities futures.

Q. What made you decide to become a philanthropist?

A. Bill Gates and others have talked about wanting to give something back to society. Having made some money in my younger days on Wall Street, I wanted to help extend a healthy human lifespan. I thought it might be possible have some benefit that may extend my own lifespan while helping extend that of the rest of humanity.

Q. What sparked your interest in the science of aging?

A. In 1951, there was an article in *Parade* magazine written by Thomas S. Gardner. He was a PhD from the University of Tennessee, and he was describing the fact that the human lifespan was not fixed, that the cause of aging was not understood yet. You have different lifespans for various species of dogs, mice, rats, worms, cats, and humans. There were genetic factors that determined them. He said we couldn't tell yet what the maximum human lifespan would be. The problem was that the answers lay in the field of molecular biology and that we were just beginning to develop tools in molecular biology at that time. So research on the aging process would develop more rapidly in the future when we have the tools to do that research.

I contacted him and he said that if I wanted to follow the field—he gave me some names of people who were involved in the research; there weren't many at the time—and said that I might want to stay in touch with them and follow the developments.

Q. Since then, how much progress has science made in pushing past the normal limits of old age?

A. Not a great deal. It has been rather frustrating. In 1935, there already was a good study of rats done by a man named Clive McKay of Cornell. He did an experiment taking rats of both sexes and all age brackets from young to old. He reduced the caloric intake of all by at least 25 percent, and he found that in every one of the groups, they had an extension of their lifespan. That indicates that caloric restriction somehow improved the lifespan and to this day we don't know why that it is the case.

Q. Speaking of fighting mortality, is there any truth that you jumped out of a coffin at your own 60th birthday party?

A. *(Laughs.)* Yeah. That is true. I decided to have a fun birthday party, and so at the local golf club the party began with me laid out in a coffin—and as the guests showed up for the party they had to pass by my coffin. Now, you can't imagine the lack of respect that was shown to the deceased by that group of human beings as they passed by the deceased. A good time was had by all, though I awakened from the coffin in a hurry upright when my emcee for the evening said that I was going to leave a million dollars to everybody who showed up that night. That brought me out of my repose.

Q. You have supported CEI for some time now. Why do you think it is important for people to contribute to groups such as the Competitive Enterprise Institute?

A. I think that Fred Smith is an outstanding man, and I think that your organization is a fine organization. I wish there were more of you.

Q. Any suggestions for what we could do better around here?

A. I would think that of the millions of government employees, you could easily have a piece in every issue highlighting some bureau or department that has been offset by history. There is all this talk about government waste in Washington, but CEI is in a position to give specific, well-reasoned examples of where the waste is.

LIBERTY SUMMER SEMINAR

BUREAUCRASH

Over the weekend of July 26, Canada's Institute for Liberal Studies held its eighth annual Liberty Summer Seminar (LSS) in Orono, Ontario—and Bureaucrash was there to help make the event a success. This year, Bureaucrash announced its first Activism Award, which provided round-trip airfare to the Seminar for the first place winner of an essay contest. Entrants were asked to explain why liberty is important to them, what they have done to advance our freedoms, and why they wanted to attend the seminar.

The winner, Jonathan Sussman, a student at Brandeis University, emailed Bureaucrash his sentiments after the Seminar's conclusion."Everybody that I met there impressed me with their thoughtfulness and passion for liberty," he wrote. "I am honestly the most energized about freedom than I've been since I became a libertarian in the eighth grade. … I hope to see you all next year!"

Crasher-in-Chief Pete Eyre joined an outstanding lineup of speakers, which included such notables as Mackinac Center President Lawrence Reed, Free State Project founder Jason Sorens, Canadian anti-drug prohibition activist Marc Emery, philosopher Jan Narveson, and University of Alberta law professor Moin Yahya.

In his speech, Pete gave a brief overview of Bureaucrash's innovative approach in creative activism for freedom. He addressed the need for each individual to internalize the ideas of individual liberty and responsibility, and gave tips on how to effectively communicate for liberty—to be humble, personable, and sincere.

Pete and his colleagues also used a trading game to illustrate the core principles of the free market. They made several t-shirts and placed each in a bag labeled "A", "B", "C", or "D." The bags were passed out to LSS attendees and each individual was asked to rank his or her level of satisfaction, on a scale of one to five—with one being the least satisfied and five being the most satisfied—relative to the t-shirt in each bag. These numbers were recorded and averaged, and then attendees were allowed to trade their t-shirts with those whose bag had the same letter. Again, happiness rankings were collected and averaged. In the third round the trading pool was increased, so that "A's" and "B's" could trade and "C's" and "D's" could trade. In the fourth round there were no trade restrictions. Without fail, the average level of satisfaction increased in every round—from 2.89, to 3.38, to 4.00, to 4.30—illustrating the concepts of subjective value, gains from trade, and property rights.

Drew Tidwell, the new Video Production Director for CEI Studios, accompanied Pete to film the seminar. In the video that Bureaucrash made from the event "Fountainhead of Freedom" (*http://www.youtube.com/watch?v=nyFeqBCuaA8*), Tidwell said, "The LSS was an amazing time. I have had a blast here. I have met so many good people. So many great ideas. I've learned so much. I'll definitely be back next year."

Indeed, Bureaucrash established new friendships and strengthened alliances at this year's Liberty Summer Seminar. But more importantly, LSS served as a forum for the critical analysis of ideas, of a place where advocates of freedom can go for a weekend discussing the ideas of liberty, of a place where, just for a couple of days, a real community dedicated to defending individual rights comes together, then going out energized to continue the fight for freedom.

THE GOOD

CEI Minority Report Victory

In mid July, the United States Climate Change Science Program (CCSP) released *Climate Change Impacts in the United States: Unified Synthesis Product Report*, a highly flawed document intended to be adopted as the official U.S. position on the science of climate change. In the course of synthesizing many controversial conclusions, the *Report* violates research standards established by the Federal Data Quality Act.

Despite a small window of less than 30 days to submit substantive comments on the 208-page report, a number of scientists and policy experts, including CEI Senior Fellow Marlo Lewis, managed to detail the alarmist bias, selective use of sources, and inappropriate policy advocacy. Lewis wrote that the paper's executive summary "is over-the-top advocacy, beginning with the caption: 'The Future is in Our Hands.' This is the bottom-line conclusion of a *science* report?"

After the onslaught of critical public comments, the CCSP agreed to reconsider the report. This move, though likely only temporary, is a victory for sound science and public integrity and a setback to the forces of global warming alarmism.

THE BAD

Ruling a Hard Cell for Innovation

On July 31, Alameda County, California, Superior Court Judge Bonnie Sabraw issued a preliminary ruling in a class action lawsuit that would stop cell phone companies from charging early termination fees in the state. If upheld, the ruling will force Sprint to pay $73 million in credits and refunds to customers. Verizon has already agreed to settle its own California class action suit for $21 million, and T-Mobile is facing a similar dilemma.

Research Associate Ryan Young defends the unpopular termination fees as necessary to drive innovation in cell phone technology. "Every year new features come out that make people's lives easier," he notes. Early termination fees make sure that people can have access to high quality cell phones while ensuring that the companies can recover their investments. "What would it take for all this progress to come screeching to a halt? Judge Sabraw has one answer." Hopefully it is not the final answer. Judge Sabraw retired in August with many twists and turns in the case still to come.

THE UGLY

SEIU Bullies Private Equity Investors

Service Employees International Union (SEIU) President Andrew Stern is on a search and destroy mission—targeting government investment in private equity firms. SEIU has now gone so far as to file a citizens' initiative with the Washington state legislature to limit state pension fund investments in these firms. Backers claim that the initiative would require fund managers to consider "social criteria" in their investment decisions for allegedly only the most high-minded reasons. Yet this looks suspiciously like payback for resistance to unionization at many private equity firms' portfolio companies.

Editorial Director Ivan Osorio warns that it would be "grossly irresponsible for state pension fund managers to take the approach SEIU is pushing. Union pension funds, which have in recent years become a tool for political activism at public company shareholder meetings, are today considerably underfunded, especially when compared to comparable private pensions." Perhaps some Seattle sage should call the union's proposal what it really is: *socialist* criteria.

Media MENTIONS

Compiled by Richard Morrison

Center for Entrepreneurship Director John Berlau alerts readers to a new privacy threat:

Proposals for creating fingerprint databases are usually controversial and often lead to a spirited public debate. Even when a fingerprint registry will likely help fight terrorism or crime, many still fear it will lead to a surveillance state.

Yet this week a measure creating a federal fingerprint registry...may clear the Senate with little debate. The legislation would require thousands of individuals not suspected of any wrongdoing to send their prints to the feds.

What issue is so important that it warrants creating a fingerprint database without public debate? Believe it or not, the housing slowdown.

-*The Wall Street Journal*, June 23

Vice President for Policy Wayne Crews and Research Associate Ryan Young take antitrust regulators to task for delaying the XM-Sirius satellite radio merger:

After a year's delay, Federal Communications Commission (FCC) Chairman Kevin Martin blessed Sirius Satellite Radio's buyout of its competitor, XM. Martin is just one of five FCC Commissioners, though. The other commissioners have yet to weigh in. The Justice Department (DoJ) has already given conditional permission.

Now the U.S. Senate is getting in on the act. In a letter to Chairman Martin, Sens. John Kerry (D-Mass.), Claire McCaskill (D-Mo.), and Ben Cardin (D-Md.) say they worry that the merger would "fail to provide meaningful competition." Really it is their smokestack-era antitrust concerns that are a threat to open competition.

Yes, the merger would create a "monopoly" in satellite radio, but a merged Sirius-XM will still face fierce competition. AM and FM radio, podcasts, mp3 players, and cell phone programming all compete against satellite radio for listeners. In the future, mobile Internet radio with programmable stations could easily threaten satellite radio, which is not programmable.

"Regulation" by competition, not by the FCC and DoJ, is what is needed.

-RealClearMarkets.com, July 22

Senior Fellow Gregory Conko spots a learning opportunity for the senior Senator from Massachusetts:

Senator Ted Kennedy returned to the Capitol recently following successful surgery to remove a tumor from his brain. Soon, he'll begin radiation and chemotherapy treatments to help make sure the tumor doesn't return.

We wish the Senator well, and hope that his experience serves as a learning moment for him and his congressional colleagues. After all, the 76-year-old Senator Kennedy could benefit directly from the innovative new medicines produced by the pharmaceutical industry that he and other members of Congress take sport in chastising.

Unfortunately, demonization and over-regulation of the pharmaceutical industry is making it increasingly unlikely we'll have the innovative new drugs patients will need to treat the next generation of diseases that will become increasingly prevalent as Americans live longer than ever before.

-*The American Spectator,* July 30

Senior Fellow Iain Murray exposes the counterintuitive truth about recycling:

Contrary to received wisdom, paper is one of the least recyclable materials in circulation. Each time paper is recycled, it loses part of its physical construction. Structure is crucial to paper's performance—lose it, and performance plummets.

Paper is often recycled far more than once. According to a study for the Corporate Forum on Paper and the Environment, the first time paper is recycled, it retains about 85 percent of its strength. By the time it is recycled the sixth time, that drops to 38 percent. Yet each time, it is using the same energy and emitting more and more carbon for the value you get from it.

This makes very little sense from an environmental point of view. In fact, recycling of the type that is so common—the curbside pick-up, the "green bins"—can be counterproductive.

-*The Washington Times*, June 16

Vice President for Policy Wayne Crews and Research Associate Ryan Radia hold a mirror up to the federal government on privacy policy:

Politicians have long used corporations as convenient whipping boys, and the technology industry is no exception. Today, tech companies face political attacks over their online privacy policies. Rep. Joe Barton (R-Tex.) for instance, recently demanded that Google provide a detailed explanation of how it stores user search queries.

The federal government, so eager to safeguard privacy, is itself the worst offender, unwilling to abide by the same stringent opt-in standards that regulations would impose on private firms. The post-September 11 push for compulsory national ID cards, warrantless wiretapping, and escalating data retention mandates reveals a government inclined toward violating privacy, not protecting it.

Washington's drive to regulate online business and consumer relationships threatens to undermine diverse individual privacy preferences and hinder the evolution of better standards.

-*The San Jose Mercury News*, June 15

...END NOTES

Food for Me, Scraps for Thee

How better to facilitate talks about food scarcity than with a six-course lunch, followed by an eight-course dinner? That is what President George W. Bush, British Prime Minister Gordon Brown, and other leaders of the world's richest nations did during a July summit in Hokkaido, Japan. At the G8 summit, with the world food crisis at the top of the agenda, the G8 leaders and favored guests attended a banquet dinner put on by the Japanese government, which, reports the *London Telegraph*, "consisted of 18 dishes in eight courses including caviar, smoked salmon, Kyoto beef and a 'G8 fantasy dessert.'" This happened "just hours" after Brown called on the world "to reduce the 'unnecessary demand' for food" and admonished fellow Britons to not be such gluttons. African leaders who had taken part in talks earlier that day were not invited to the dinner.

Don't Blame Canada

As the United States heads into an election in which some politicians are holding up Canada's single-payer socialized medical system as a model, the new head of the Canadian Medical Association (CMA) has other ideas. "Private delivery is an accepted practice everywhere in the world and it's time Canada accepted this reality," CMA head Robert Ouelett told the *Globe & Mail* in August. Hear, hear.

An Inconvenient Laughter

The Ben Stiller-directed Hollywood send up *Tropic Thunder* was released in theaters in August to great laughter, critical acclaim, box office success, and… *protests*. Advocates for the mentally handicapped picketed the film over Stiller's character, narcissistic actor Tugg Speedman, who portrays a slow farm hand in the fake movie-within-a-movie *Simple Jack*. Yet environmentalists were surprisingly silent on another of Stiller/Speedman's fake roles. A mock trailer advertises the latest installment of the *Scorcher* "decology." In the first five installments, the action hero battles to cool down an Earth that has turned molten hot—only to battle an oncoming new Ice Age later on. "Because this time," *Scorcher*'s fake website explains, "it's different."

Eat Your Curry-Flavored Broccoli, You Little Racists!

Young children who will not eat their peas and carrots are often refused dessert by frustrated fathers and mothers. What happens when they fail to finish those five-alarm sushi rolls? If the tots are in Britain and enrolled in daycare, they might be in danger of being labeled little racists. A report issued in July by the government-subsidized National Children's Bureau advises child care workers to report on any preschool "racist incidents" by their charges, including when the kids "react negatively to a culinary tradition other than their own by saying 'yuk.'"

Competitive Enterprise Institute
1001 Connecticut Avenue, N.W. Suite 1250
Washington, DC 20036

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