



CEI UpDate

AUGUST/SEPTEMBER 2002 COMPETITIVE ENTERPRISE INSTITUTE VOLUME 15, NUMBER 7

NOTHING BUT HOT AIR OUT OF JOHANNESBURG SUMMIT

by Myron Ebell

It's too early to tell how much damage will result from the World Summit on Sustainable Development, held in Johannesburg, South Africa in late August and early September. But one thing is clear: President George W. Bush showed good judgment in not attending. The president's whole approach to the summit was one of strong, responsible leadership, for which the world's poorest and most desperate people should be grateful.

The wisdom of the president's decision was confirmed by the reaction of European leaders and environmental pressure groups. Since they don't like President Bush's policies, especially his refusal to submit the Kyoto global warming treaty to the Senate for ratification, they should have been happy when he didn't interfere with environmental salvation. But, instead, they were furious about the no-show. For one thing, his presence would have increased the summit's credibility and public attention. For another, they could have gotten much more attention bashing Bush, if he were actually there.

Like the 1992 Earth Summit in Rio, Johannesburg was two events. First, there was the official summit meeting of national delegations. This was put together by the United Nations via endless preparatory sessions held in exotic locales like Bali. The outcome of the official summit was text - agreements and declarations.

The goal of the international environmental establishment is to increase the size and scope of international bureaucracies. U.N. functionaries truly believe the world would be a better place if they were in charge of managing people's activities.

The second event was the traveling 90-ring circus put on by thousands of officially accredited Non-Governmental Organizations (NGOs). As the world's professional leftist dissidents, they represent many environmental and

social causes. Their behavior ranges from conventional to eccentric to lunatic. Although they claim to speak for the world's downtrodden, they are overwhelmingly from the chattering classes of rich countries. And despite their carefully maintained image as undernourished idealists, the major NGOs are run by paid professionals, advised by public relations firms, and lavishly funded by European governments, the European Union, and leading American foundations.

Environmentalist NGOs represent a resounding Nyet to Western civilization, modern technology, industry, material consumption, globalization, trade, and the idea that people are more important than animals, plants, or bacteria. There are far too many people with far too high a standard of living. The only way to save the planet is to make Italian birthrates the international norm and to force the few remaining people to consume less, much less than the average American (or even European) consumes today.

Calling the Greens' Rhetorical Bluff

The World Summit on Sustainable Development commemorated the 1992 Earth Summit and the initial 1972 U.N. Conference on the Human Environment in Stockholm. It was meant to be the next big step on the path toward international environmental governance. (Regarding the Kyoto Protocol, French President Jacques Chirac once remarked that, "for the first time, humanity is instituting a genuine instrument of global governance.") But, it hasn't worked as planned because of seeds planted at Rio ten years ago, which the Bush administration cleverly nourished in the year leading up to Johannesburg.

"Sustainable Development" is a term coined by environmentalists to make their agenda sound less anti-

(Continued on Page 3)

IN THIS ISSUE

From the President.....	2
Johannesburg Summit (cont.).....	3
Q & A with Richard A. Epstein.....	4

The Good, the Bad, and the Ugly.....	6
Media Mentions.....	7
End Notes.....	8

FROM THE PRESIDENT



CONGRESS TAKES AIM AT CORPORATE MALFEASANCE – AND MISSES

by Fred L. Smith

Congress, reacting to a rash of corporate scandals, recently passed the Sarbanes-Oxley Corporate Accountability Act. The law creates new reporting requirements, establishes a federal oversight board to address corporate accounting issues (a role that the Securities and Exchange Commission already plays) and expands criminal and civil penalties for corporate malfeasance. The SEC also gets a hefty increase in budget and staff – more cops on the business beat. Specifically, the CEOs of all publicly traded companies must sign off on their financial reports. Errors – if judged to be “intentional” – trigger fines up to \$5 million, prison terms up to 20 years. Since jurors instructed by crusading attorney generals will decide “intent,” CEOs have justifiably become a bit concerned.

Indeed, CEOs of some foreign firms worried over growing American litigiousness have frozen plans to list on the New York Stock Exchange. “You can never be sure that results which thousands of people have had a hand in preparing are completely accurate,” stated Wendelin Wiedeking, CEO of Porche, in a recent *New York Times* article. President Bush cautioned reporters earlier this summer that accounting is not a black and white matter. And indeed it is not. Accountants spend lifetimes learning the esoterica of translating corporate assets and liabilities into the “valid” (or at least “legal”) numbers that appear in quarterly reports. The manuals that proscribe what is and is not acceptable practice under GAAP (Generally Accepted Accounting Practices) are as complex as IRS manuals – and as unfathomable.

Still, most CEOs gritted their teeth and hurried to comply with the new regulations. Their hope was that honest mistakes would not be held against them, that quick compliance might calm anti-business passions. Such hopes are illusory. Are Americans really likely to be reassured by the spectacle of hundreds of CEOs solemnly stating, “We are not crooks!” If business was innocent, then why wait till now to tell it all?

The great error underlying the Corporate Accountability Act is the presumption that a CEO always has accurate financial information on their firm. The financial pea is hidden beneath one of the shells – the CEO must reveal it to their investors! This is foolish. Determining the value of the array of entities making up the modern information-based firm is an extremely complex task. Indeed, determining value – obtaining information about the relative values of various activities and approaches – is the critical function played by the market itself. We learn the value of items by noting what it is that we’re willing to sacrifice to obtain it. Values for petroleum, a steak dinner, or a Persian cat are readily approximated because market exchanges of these items are common. The value of water, a home-cooked meal, a spotted owl, or a stock option are less clear because exchange arrangements for these items are less well developed.

This confusion is common. Many economists act as if the market were nothing more than a mechanical calculator useful for manipulating already existing information. Rather, the market is a complex array of evolving institutional arrangements that facilitate such exchange possibilities – and thus create financial information! The challenging task of accounting is to approximate value in the absence of well-established markets. This task is important, but its imprecision should be recognized.

Unfortunately, the Sarbanes-Oxley Act tends to view such imprecision as criminal fraud. And since errors are more likely in the dynamic sectors of the economy, fear of lawsuits may well discourage creative individuals from entering such fields. The only groups clearly benefiting from this new law are regulators and trial lawyers.

The Corporate Accountability Act of 2002 is now law. Our economy will undoubtedly survive. One might hope that future lawmakers will realize that the firm is an evolving institutional arrangement to coordinate the conflicting self-interests of many individuals to advance a common goal. Like any institution staffed by humans, that effort will often be frustrated by crooks, fools or incompetents. The market acts to regulate the valuation efforts of firms, disciplining those who fail to find ways to credibly value their operations. The market regulatory process reduces the risks inherent in that valuation process, but it does not, of course, eliminate them. And the Enron-style scandals of the last year have fanned the enthusiasms of those who believe that government regulation can somehow ensure trial without error – that legislation will create a new man immune to the failings of Adam. This is dangerous. There are far too few saints, heroes and geniuses to staff a vibrant economy – and insisting on such job qualifications will surely stifle economic growth.

CEI UpDate

Publisher:
Fred L. Smith, Jr.

Editor:
Eileen Ciesla

Assistant Editors:
Maggie Skoller
Michael Mallinger

Contributing Editor:
Richard Morrison

CEI UpDate is produced 10 times a year by the Competitive Enterprise Institute, a pro-market public interest group dedicated to free enterprise and limited government.

CEI is a non-partisan, non-profit organization incorporated in the District of Columbia and is classified by the IRS as a 501 (c)(3) charity. CEI relies upon contributions from foundations, corporations and individuals for its support. Articles may be reprinted provided they are attributed to CEI.

Phone:
(202)331-1010

Fax:
(202)331-0640

E-mail:
info@cei.org

ISSN# 1086-3036

(Continued from Page 3)

human. It implies economic growth is fine if it is “sustainable”, that is, as long as it uses fewer and fewer natural resources. The official textbook of sustainable development is Agenda 21, several hundred pages of jargon produced for the Earth Summit. Agenda 21 identifies three “pillars” of sustainable development—environmental, social, and economic. Rio and succeeding meetings and agreements have focused solely on the environmental pillar.

In planning for Johannesburg, the Bush administration suggested, first, that enough environmental treaties had been signed. Now, the focus should be on achieving results and fulfilling the goals of those treaties. Second, they argued that attention was due to the social and economic pillars. This struck a chord with leaders of so-called developing nations (actually, most of the poorest countries have been growing poorer and not developing for decades). Many leaders of poor nations resent the imposition of Western environmentalism or what has aptly been called “eco-imperialism”. They feel that their own problems are now viewed as less important than environmental preservation. They have also seen environmental standards used for trade protectionist purposes by industrialized nations.

In advancing the social and economic elements of sustainable development - emphasizing “development” instead of “sustainable”, the Bush administration made a strong intellectual case that wealth is a necessary condition for environmental protection. World Bank studies have shown that environmental quality is closely correlated with a nation’s per capita output. Numerous analyses confirm that people living at subsistence level don’t have the time, interest, or resources necessary care for the environment. Therefore, economic growth, particularly in the poorest countries, must precede environmental improvement.

The Bush Administration also advanced the debate with fresh ideas. Instead of creating more international institutions, they said, attention should be given to improving the national governance of poor nations. Many poor nations can’t grow economically or protect the environment, because, they are governed by thieves and tyrants. Anything people might produce is likely to be expropriated by government officials. Consequently, there is little incentive to invest or work.

To encourage better national governance, President Bush announced at the U.N. Conference on Financing and Development in Monterrey, Mexico in March that the United States would give \$5 billion in new foreign aid, conditioned on nations’ progress in developing institutions based on the rule of law, respect for civil liberties, and the right to property. Most foreign aid is wasted and much of it is counter-productive, but this could be a step in the right direction. Even better, senior administration officials have said repeatedly that private business investment in poor nations does far more good than foreign aid.

This new initiative hasn’t been well received by leaders and diplomats from poor nations. Their chief interest in international negotiations is getting more foreign aid to prop up their governments. The fact that the administration made

the case for conditional aid indicates seriousness of purpose.

Although the powerful forces of the international environmental movement, supported by the European Union and by much of the United Nations bureaucracy, haven’t come close to being defeated, the Bush administration’s gambit turned the debate in a more positive direction. The talk in Johannesburg wasn’t primarily about saving mother Earth, but about eliminating poverty. The only environmental issue that got a lot of attention is one that truly does impede sustainable development, the lack of clean drinking water for approximately one billion people.

Naturally, environmentalists are angry and they know who is primarily to blame—President Bush and his outstanding team at the State Department. As *Reuters* reported in July, environmental leaders view the emphasis on eliminating poverty as obscuring the more important issues of environmental preservation and global warming. Just having put environmentalists on the defensive means the summit wasn’t a total disaster. And for that, we should thank President Bush and his administration.

THE LATEST ENVIRONMENTAL INFORMATION



The Competitive Enterprise Institute’s newest book, *Global Warming and Other Eco-Myths: How the Environmental Movement Uses False Science to Scare Us to Death*, is the perfect antidote to the hysterical stories and credulous news coverage of today’s environmental trends. *Global Warming and Other Eco-Myths* gives you the real story behind climate change, biotechnology, population growth, and more.

Featuring chapters by authors such as:

-Dr. Norman Borlaug, winner on the 1970 Nobel Peace Prize

-Fred L. Smith, Jr., President of the Competitive Enterprise Institute

-Dr. John Christy, Director of The Earth System Science Center

-Stephen Moore, President of The Club for Growth

-Dr. C. S. Prakash, Director of the Center for Plant Biotechnology Research

Available at bookstores nationwide.

To purchase a copy directly from the Competitive Enterprise Institute, please contact the Director of Publications at 202-331-1010 or pubs@cei.org.



1001 CONNECTICUT AVENUE, SUITE 1250
WASHINGTON, D.C. 20036
PHONE: (202) 331-1010
FAX: (202) 331-0640
WWW.CEI.ORG

A Special Notice to Our Friends in Government Service ...

The Competitive Enterprise Institute is participating in this year’s Combined Federal Campaign.

Our CFC designation number is 9824.

You can increase your agency’s participation and strike a win for freedom and liberty.

We thank you for thinking of us.

Q & A WITH RICHARD A. EPSTEIN: THE FUTURE OF INTELLECTUAL PROPERTY RIGHTS



Richard A. Epstein, one of the world's foremost legal theorists, is James Parker Hall Professor and Distinguished Service Professor at the University of Chicago Law School, and the Peter and Kirsten Senior Fellow at the Hoover Institution. He received a B.A. in philosophy, summa cum laude, from Columbia in 1964, a B.A. in law with first class honors from Oxford University in 1966, and an LL.B., cum laude, from Yale Law School in 1968. Professor Epstein's many books include Simple Rules for a Complex World and Principles for a Free Society.

On July 22, Professor Epstein addressed the Forum on Intellectual Property Rights held on Capitol Hill and hosted by CEI and the Institute for Policy Innovation. CEI sat down and spoke with Professor Epstein about the future of property rights in Congress and the courts.

CEI: You've analyzed a broad spectrum of property rights, including land rights, contract law, medical privacy, and intellectual property. From an overall perspective, would you say that property rights in the U.S. are becoming more secure or less secure over time?

Epstein: It is not possible to give a uniform answer to that question for it varies with field, and sometimes even with individual key decisions or with proposed legislative amendments. That said, the level of investment in these areas has moved smartly upward – which suggests that property rights are on balance quite secure. My overall sense is that the courts have been reasonably respectful of IP rights in a number of pointed cases involving trade secrets, patents and copyrights. The right of publicity has also been quite strong. Yet here again two notes of caution: First, IP is hard because some rights can be made too strong from a social perspective. Some of that has happened with copyright, most particularly with the giveaway of 20 years of additional protection under the Sonny Bono Copyright Term Extension Act. Second, Congress seems to be determined to engage in populist attacks on pharmaceutical patents, which could chill investment.

CEI: You began a recent journal article on the Health Insurance Portability and Accountability Act by saying "The single most conspicuous growth industry in Washington, D.C. is regulation and the administrative structure it spawns." What can be done to curb the explosive growth of the regulatory apparatus – especially since September 11th and Enron?

Epstein: If I knew the answer to this question, I would not slave away in the quiet of my Chicago office. Unfortunately, HIPAA's privacy protections were passed without any awareness of where the prior system broke down. It was treated as if it were a protection of property rights (to which privacy is a first cousin). But the requirement of endless consents has only removed from ordinary individuals the ability to issue blanket waivers when they think it appropriate, as, in my view, it often is. The Bush administration just

recently pulled the plug on much of the earlier regulations, so happily we may be back to square one. The larger question of corporate responsibility requires a separate discussion. My hope is that Boards will evolve quickly enough to deal with the crisis of confidence so as to reduce the need for, and the sting of, federal regulation.

CEI: In your upcoming book entitled *Skepticism and Freedom: a New Defense of Classical Liberalism*, you discuss how the mutual gains of trade drive the institution of contracts. Overall, do you feel the courts are doing a good job recognizing that private contracts should be enforced, and not limited?

Epstein: Here the courts do a pretty good job in commercial contracts. Labor relations and consumer protection are different kettles of fish. The rise of unjust dismissal causes of action, sometimes by judicial decision, are quite harmful. Consumer protection statutes often add costs for careful consumers in order to give some assistance to those who are less careful when they have it in their power to be more so. The situation is surely better than it was in the 1970s, but we still have not reached perfection. But at this point, it is the legislative override that causes more confusion than judicial decision-making.

CEI: There's been a great deal of debate over the Supreme Court's newfound support of federalism. How will the Court's renewed interest in federalist principles impact its future rulings in the regulatory realm?

Epstein: One welcome response is that it will reduce the power of Congress to give marching orders to the states on how they should conduct their own internal affairs, e.g. the hiring and firing of employees. In other cases, notably those under the commerce clause, it might create (limited) zones in which

the federal government cannot move so that the states alone have to decide whether to act, and if so how. All in all, I like the 1790 model, which has Congress deal with network industries that span two or more states, and leaves local manufacture and agriculture to each state. I also think that some explicit attention has to be given to interstate pollution, which is not easily covered under this model. Sometimes state compacts work, and where they do not, we have to think of interstate pollution suits whereby one state (on behalf of its citizens) sues another (for harboring polluters). There is much unexplored territory here.

CEI: In your speech at CEI's intellectual property event, you discussed a concept you called the "fragility of monopoly." Why do you consider monopolistic attributes of rights to intangible property which government protects to be fragile?

Epstein: The fragility lies in the fact that legal monopolies created by the state are a natural target of regulation to limit their power. But it is easy to go overboard. One could deprive the incumbent telecommunication companies of a return on their historical investment when they are forced to sell connections to a new entry. With patents the government is often on both sides of the deal, as a buyer of pharmaceuticals, for example, so it can limit the price that it pays in ways that cut back on the value of the patent protection.

CEI: You pointed out that, when looking at highly innovative industries, there's a sharp distinction between economic monopolies and legal monopolies. What is the best way to determine if an economic monopoly exists? Is a lack of substitute products and innovations within a market the best indicator?

Epstein: The economic monopoly does turn on a lack of close substitutes, which will be true for some, but not all, patented materials. Note also from a dynamic point of view, new entrants will target their efforts toward those monopolies that don't have close substitutes, because that is where they will be able to fetch the highest returns. So there is a lot of self-correction in the system.

Smaller governments have fewer such conflicts and more coherent systems of property rights.

CEI: You drew a distinction between static economic efficiency and dynamic efficiency. You noted that most politicians have very short time horizons and refuse to acknowledge that innovators perform services that benefit the public. As this cannot be changed in the short run, what can be done to cope with it?

A large government is on both sides of many transactions; the government as buyer has an interest to undermine the government as patent protector. Smaller governments have fewer such conflicts and more coherent systems of property rights.

Epstein: Again a hard question. The irony is evident. It is political institutions that don't take the long view while markets, which capitalize future values, do. There is no magic bullet, however.

CEI: During your speech, you stated that the biggest two problems with congressional proposals to reform the pharmaceutical industry are their demands for government discounts on products in exchange for new patents and their use of a most favored nation-style price discriminatory scheme to expropriate existing patents. How are these proposals similar to other congressional actions that strip people of their property rights?

Epstein: I am not aware of any other system at the federal level that works in quite this direct a fashion, so I will not venture a comparison that is not defensible. Environmental issues are often quite complex, and the government in my view often overreaches when it claims, for example, that habitat protection can be done without compensation. But that discussion turns on how broadly we define a nuisance, which is not an IP issue at all. What I have learned, however, is that an old concern comes back in a novel context. A large government is on both sides of many transactions; the government as buyer has an interest to undermine the government as patent protector.

Here, as everywhere, only education will make people aware of the trade-offs that they have to make. To be forewarned is to be forearmed, which is why there is so much work for CEI and similar foundations to do in Washington.

Why wait for the mail to be sorted when you can have UpDate sent to your inbox?



If you'd like to receive CEI's monthly newsletter electronically, email us at pubs@cei.org.

The Good, the Bad, AND THE UGLY

The Good: President Bush Not Going to Johannesburg

The World Summit on Sustainable Development in Johannesburg assembled the world's most outspoken anti-progress activists. By not attending the Summit in person, President Bush showed that he is serious about alleviating poverty and protecting the environment.

"Sustainable Development," a term used to describe mankind's over-consumption of the world's resources, implies there must be limitations on economic growth in order to protect the planet. It's a notion that dates to Thomas Malthus, the 19th century economist who believed population growth would outstrip food production and cause famine. Of course, Malthus was proven wrong by the industrial, and later, the high-tech revolutions.

Malthus' intellectual heirs owned the platform at Johannesburg. These reactionary groups and bureaucratic interests proposed to help the poor by saving the planet from economic activity via punitive environmental treaties and international laws. Like Malthus, they failed to recognize the power of human ingenuity.

World Bank studies show that as poor nations become prosperous, their environmental quality improves. Global economic growth is what leads to sustainable development. To get there we don't need treaties that cripple commerce, but policies that encourage the rule of law, respect for civil rights and protect private property.

President Bush knows this. He hoped that those attending the summit would develop "concrete and practical proposals" for "key development priorities – clean water, modern energy, good health and productive agriculture – that can lead us to a world without poverty." The President also asked that donor nations tie development aid to improved governance and the elimination of corruption. "This is a new approach based on shared accountability among developed and developing nations."

Hopefully, other nations will follow the President's advice and replace their dismal and dated rhetoric with real solutions for the world's poor.

The Bad: Greens Blame the U.S. for Floods in Europe

The devastating floods that swept through Central and Eastern Europe in August took more than 100 lives and resulted in nearly \$20 billion in property damage. It was the worst such flooding in 150 years. But environmental extremists wasted no time in finding a "right-wing conspiracy" behind the natural disaster. Blaming this season's floods on global warming, Greenpeace spokesman Gerd Leipold noted, "I would not be surprised if the United States is eventually forced to rejoin Kyoto. We will have reminders that global warming is real in terms of floods, droughts, which have a huge cost in terms of life and economic damage – the problem doesn't go away."

Climatologists were more circumspect in their opinions on what caused the flooding.

James Hurrell, a scientist at the National Center for Atmospheric Research in Boulder, Colorado told the *New York Times* that he didn't want to "tie global warming and specific events." Rather, Hurrell cited a switch in pressure systems over northern and southern Europe that resulted in unusually stormy weather.

Nevertheless, Greenpeace, Friends of the Earth, and several European environmental ministers elaborated on President Bush's-failure-to-sign-Kyoto-Treaty-causes-floods-theory at the Johannesburg Summit. Of course, one wonders if President James Polk was to blame for the floods that swept through Dresden in 1845.

THE UGLY: FIGHTING FAT

First "Big Tobacco," now the Big Mac. New York City attorney Samuel Hirsch has filed a lawsuit against McDonald's, Burger King, Wendy's and Kentucky Fried Chicken, claiming their food caused health problems for his client, Caesar Barber. Mr. Barber traces his obesity, diabetes, high blood pressure, heart attacks and high cholesterol all back to his weakness for fast food. Hirsch says the chains are to blame for making junk food taste good, "You don't need nicotine or an illegal drug to create an addiction, you're creating a craving." Hirsch plans on including other clients so he can file a class-action suit against the franchises. If he wins, there will be no end to the lawsuits. Every food producer, restaurant and supermarket in America is a potential provider of calories to those with little willpower and less shame.

But trial lawyers aren't the only ones jumping on the gravy train. Government agencies and officials see an opportunity to fatten their pork barrel projects with new obesity-awareness programs aimed at school children. The plan being proposed by Senators Bill Frist (R-Tenn.), Jeff Bingaman (D-N.M.), and Christopher Dodd (D-Conn.) is called IMPACT, for Improved Nutrition and Physical Activity Act.

IMPACT intends to increase federal control over local school decisions regarding nutrition and health programs. The program would centralize information on diet and exercise, even though health professionals note that government-issued guidelines have not always provided the best nutritional advice.

While well-meaning, programs like IMPACT will add fuel to a growing movement that demonizes food producers rather than placing the onus on individuals to change their eating habits.

Director of Risk and Environmental Policy Angela Logomasini exposes the callous disregard of anti-pesticide campaigners for victims of West Nile virus:

The growing death toll associated with the mosquito-transmitted West Nile virus has captured the nation's attention. Yet environmental activists maintain that public health officials are engaged in a massive overreaction to a small risk, leading localities to use highly dangerous pesticides. In reality, it's the environmentalists' attack on pesticides that poses the greatest risk.

Environmentalists have gone as far as to depict West Nile fatalities as unimportant. "These diseases only kill the old and people whose health is already poor," says the New York Green Party in literature opposing pesticide spraying. West Nile is not serious because it only killed seven people in 1999, one activist told the *Ottawa Citizen* in 2000.

—*Washington Times*, August 21

President Fred L. Smith, Jr. questions the wisdom of a proposed New York City ban on mobile phones in theaters and museums:

Robert Novak: Fred Smith, I was in a jury room in the District of Columbia, doing my civic duty. All of a sudden, it sounded like we were out on the street. All these people on their cell phones. Doesn't that kind of stuff annoy you?

Fred Smith: It annoys me a lot. But every new technology, Bob, has to take a while to get civilized. The telephones, when they were first introduced, were a little clumsy ... What's happening is a natural way of letting that happen. To try to turn etiquette guides into statute books is —doesn't New York City have serious problems? Can't the councilman have something real to do, to address real problems?

—*Crossfire* (CNN), August 15

Senior Fellow Christopher Horner explains the background behind charges of ethics violations by Senator Robert Torricelli (D-NJ):

Bill O'Reilly: Counselor Horner, we'll start with you. This is a very, very important subject, because if Torricelli were to lose his seat in November, he's running in New Jersey, that would, could tilt the Senate back to the Republicans. In your opinion, are politics being played here?

Media



Mentions

Christopher Horner: I don't think there's any question that politics are being played, because of course we do have a very narrow margin in the Senate. We've got a Democratic plurality. And were Torricelli's seat alone to turn, you'd have a completely different circumstance, as we saw when Jim Jeffords switched parties to Independent. So, yes, politics are being played. You have to wonder why, for example, the principal in the allegations, Mr. Chang, isn't even being interviewed by the other side. You talked about a system whereby you only review whether or not guilt was decided, and if not, then there was no responsibility ... out here, because remember, the attorney, the U.S. attorney, which is also a political appointee approved by the Senate, chose not to pursue

charges. And I guess the file, which was referred to the Senate, is just being reviewed, and individuals are being interviewed, but not the principals.

—*The O'Reilly Factor*, July 30

Senior Fellow Robert H. Nelson takes the Bush administration to task for its lack of commitment to reducing the size of government:

Ever since the Reagan era, the Republican party in the U.S. has consisted of an uneasy alliance of neo-conservatives, business corporate interests, religious conservatives, and libertarians. Today, with another Republican in the White House, one section of that coalition is feeling left out in the cold — the libertarians. With disconcerting frequency, the administration under George W. Bush has announced steps that undermine the free market, increase the size of the federal government and curb the future civil rights of Americans. Perhaps 20 per cent of the US electorate approaches politics from a broadly libertarian perspective. William Galston, a long-time adviser to Al Gore and other Democratic presidential candidates, says: "If even a fraction of these people left the Republican fold, it would upset the applecart of American politics." The Bush administration caught up in the global war on terrorism and a spate of corporate scandals — may not realise it, but it is flirting with this outcome. Everyone in politics must make compromises; it is an inevitable part of the give and take. The Bush administration, however, has gained little in return for its concessions. The Bush team is either politically maladroit, or, as seems more likely, it assigns a low priority to the economic and political freedoms of Americans. Instead, in one area after another, it has acted to increase federal power.

—*Financial Times*, July 24

Greens Show True Colors

This summer's wildfires in the western U.S. have claimed over six million acres — an area the size of New Hampshire — driving out residents, destroying property and killing wildlife. But, according to R.J. Smith of the Center for Private Conservation, some greens welcome the inferno. Greens don't want any thinning of overgrown and fire-prone forests by logging, says Smith. Though Kristen Stade, conservation biologist with Forest Guardians, says some tree removal is necessary to prevent future fires, she has two conditions: loggers use solar-powered chainsaws and don't turn a profit from timber. Even as the fires rage, greens show they care more for Marxism than the environment they claim to protect.

Small Government Causes Big Shutdown

When city officials in Lebanon, Maine asked for a regular salary instead of hourly wages, residents lept into action. Rather than protest the new budget suggestions, townspeople voted City Hall be shut down. Although people could not obtain fishing or marriage licenses, and rescue crews had to spend their own money for supplies, many citizens said their actions paid off. After selectmen agreed to their usual hourly rate and settled on other disputed budget issues, City Hall reopened its doors — proving the taxpayers of Lebanon, Maine hold the purse-strings.

**...END
NOTES**



**Boulder, Colorado — Cursing
Light, Spreading Darkness**

The City Council of Boulder, Colorado is joining with Greenpeace and Friends of the Earth in a lawsuit against the federal government. They charge that the Overseas Private Investment Corporation and the Export-Import Bank contribute to global warming by funding energy projects overseas. Joe de Raimes, Boulder City Attorney, said the council is bringing attention to how tax dollars build up greenhouse gases when spent on helping other countries improve energy generation. In other words, Boulder is afraid the developing world

might get electricity, air conditioning, refrigeration and the Internet.

Coming to an Inbox Near You

When California's Secretary of State Bill Jones faced a better funded-candidate, he went straight to the Internet. His campaign sent one million unsolicited e-mails to potential voters. Anti-spam advocates and others were annoyed by yet another impersonal two kilobyte message in their inbox. But, don't expect their complaints to have an impact. E-mail is a way for cash-strapped campaigns to save money. This fall look for more politicians to try spamming their way into office.



COMPETITIVE ENTERPRISE INSTITUTE

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

Nonprofit Org.
U.S. Postage

PAID

Permit 2259
Washington, DC