

# CEI's Monthly Planet

Fighting Threats to Freedom Around the World

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## The Grim Green Giant

The Environmentalist Establishment's Lobbying Behemoth

by Hugo Gurdon

The twelve biggest environmental pressure groups in the United States enjoy combined annual revenues of \$1.9 billion, according to recent Internal Revenue Service figures. Of 20 million corporations in the United States, only 725 can boast such an opulent income.

The green Big Twelve include some organizations that are merely left-of-center, such as the Nature Conservancy (\$731 million) and the Wildlife Conservation Society (\$311 million). But there are also genuinely extreme organizations that militate aggressively against new technology, the market, and property rights—like the World Wildlife Fund (\$118 million) and the Sierra Club (\$73 million)—to the detriment of the economy and the majority of ordinary people.

These organizations are richly financed by the developed world's comfortable middle classes, among whom they stoke a largely romantic environmentalism that, when manifested in policy, does harm to less fortunate people everywhere. A fitting collective name for them is the Grim Green Giant—always looming, waiting to sow fear at every step of technological innovation.

The Grim Green Giant's immense resources have allowed it to mount brilliant public relations campaigns that have moved the terms of the policy debate in its direction, successfully selling a

view of economic activity as being antithetical to the public interest and the environment: that mankind can enjoy robust growth or maintain a livable planet, but cannot have both.

This is a false choice. Economic growth and prosperity are allies, not enemies, of conservation; wealth allows people to invest in the environment. But for environmental pressure groups, alarmism and doomsaying bring in far more in donations than does reasoned weighing of risks.

Radical environmentalists are not the David in the David-and-Goliath fight against evil, polluting Big Business that they like to portray—but their propaganda has convinced many otherwise.

The worst impact of the greens' P.R. success is the policies they push. Green prescriptions are often merely sublimated socialism that, like more traditional forms of socialism, cares little for the livelihoods it wrecks along the way. The vested environmental interests get their money and the poor of the world get the shaft.

Let's look at some examples.

**Genetically Modified Foods.** Genetically modified (GM) crops are environmentally friendly because they reduce the need for pesticides. In 2000, for instance, the use of pest-resistant GM cotton in the United States saved 3.4 million pounds of raw materials and 1.4 million pounds of fuel oil in the manufacture and distribution of synthetic pesticides. Cotton farmers used 2.4 million gallons less fuel and 93 million gallons less water than they would have with non-modified crops.

A quarter of the corn in the U.S. commodity stream is genetically modified, and Americans have been eating it and other GM foods for years without ill effect. The risk of introducing human allergens into food is lower with genetic engineering than with conventional plant breeding because the new science is more selective about

*Continued on page 3*

### Big Changes this Month

Beginning January 2003, CEI's monthly newsletter has a new name: *Monthly Planet*, and a new editor, Ivan Osorio, who comes to CEI from the Capital Research Center. Expanded to 12 pages, the *Monthly Planet* will now feature more of the insightful public policy commentary that *CEI UpDate* became known for.

### IN THIS ISSUE

From the General Counsel.....	2	Canada Ratifies Kyoto.....	9
The Grim Green Giant (cont.).....	3	The Good, the Bad, and the Ugly.....	10
The EU's Attack on Financial Privacy.....	4	Media Mentions.....	11
Q & A with Ronald Bailey.....	6	End Notes.....	12



## FROM THE GENERAL COUNSEL



# THE FOUR HORSEMEN OF CAFE

by Sam Kazman

*Warning: This was written before the appearance of the fifth and biggest CAFE Horseperson: Arianna Huffington.*

We did not mourn the congressional stalemate over an energy bill this past year. While it meant the death of several deregulatory measures, it also stopped, at least temporarily, a bipartisan array of boondoggles and climate control curtsies. But what the impasse meant for one of our favorite (not) programs, CAFE, won't be clear for some time.

CAFE—short for Corporate Average Fuel Economy—is the federal government's set of fuel economy standards for new cars and light trucks. CAFE was the focus of heated debate last year, when the Senate took up a Democratic proposal to make the standards far more stringent than they currently are. The fact that the proposal even made it to the Senate floor indicates the *Alice in Wonderland* nature of the debate. In the summer of 2001, a National Academy of Sciences study corroborated what CEI and others have claimed for over a decade—that CAFE kills. Specifically, the study found that, through its downsizing effect on cars, CAFE contributes to between 1,300 and 2,600 highway deaths per year.

Despite this, the congressional debate was not over repealing CAFE, but over how much more stringent—and deadly—to make it. CAFE advocates, who generally subscribe to the Precautionary Principle (“Do absolutely nothing unless it's proven to be absolutely safe”), ditched their alleged safety concerns by dismissing the NAS findings. Their major argument: The finding wasn't unanimous, since “only” 11 of the 13 NAS panel members agreed that CAFE kills.

The safety issue did have an impact: Moderate CAFE proposals won out over the radical ones. But the energy bill impasse left CAFE in congressional limbo, and, since politics abhors a vacuum, the field is now filling up with activists calling for dangerous CAFE “reform” proposals. There are four noteworthies:

**1) Keith Bradsher, author of *High and Mighty: SUVs—The World's Most Dangerous Vehicles and How They Got That Way*.** When Bradsher was the *New York Times'* Detroit bureau chief, he wrote a seemingly endless series of stories on the horrors of SUVs: SUVs are unsafe for their occupants; they are unsafe for nonoccupants; they're really unsafe when passed down to teenage drivers, etc. In his book, Bradsher takes this theme to infinity and beyond, exploring the allegedly asocial psyche of SUV owners and the need for such legal “reforms”—I kid you not—as extra punishment for SUV owners involved in accidents if they didn't really “need” their SUVs. But if SUV owners are such asocial beasts, then why are they the ones called upon during snow emergencies to ferry patients to hospitals?

**2) *Consumer Reports*.** Decades ago, *Consumer Reports* magazine accurately noted that large cars are more crashworthy than small cars. But that was before car size became fused with politics: Big cars are now “wasteful” and therefore evil. In a December 2002 four-page article, “Fuel Economy—Stalled In Traffic,” *Consumer Reports* dismisses the CAFE-safety issue as an industry claim that has supposedly been refuted. You won't find a word, not one single word, about the NAS finding on CAFE deaths.

**3) *What Would Jesus Drive?*** The WWJD campaign went into high gear in November, when its leaders—gathered under an umbrella named the Evangelical Environmental Network—met with Detroit auto execs, apparently to reveal some divine truths about consumer demand. Bringing religion into the issue of car ownership seems pretty questionable. But if morality does bear on this, then what about the sanctity of human life? In its push for higher CAFE standards, the WWJD campaign simply ignores the CAFE safety issue. Apparently, for these folks the NAS study isn't just inconvenient; it's blasphemous.

**4) The National Highway Traffic Safety Administration.** In early December NHTSA proposed to raise the CAFE standard for SUVs and other light trucks. NHTSA didn't exactly ignore the safety issue, but it did come close to burying it, arguing that the higher standard would not force automakers to do anything they weren't already planning to do. But if that's so, then why raise the standard?

In the late 1980s and early 1990s, CEI and Consumer Alert sued NHTSA, arguing that it had illegally ignored CAFE's lethal effects. A federal court ruled in our favor, finding that this agency had done its best to conceal the fact that one of its programs kills people. (Remember, NHTSA's middle name is *safety*.) In the court's words, the agency's whitewashing of CAFE was based on “lame claims,” “statistical legerdemain,” and “bureaucratic mumbo-jumbo.” Regulatory history, it seems, repeats itself.

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Continued from page 1

which genes it transfers from one species to another.

Yet, the Grim Green Giant has persuaded many people, particularly in Europe, that genetic engineering is creating poisonous—or at best hazardous—“Frankenfoods.” Fine. Europe is wealthy enough to look after herself, and has chosen to pay too much for groceries with massive farm subsidies for years. But GM food imports are *banned* in Europe and this green protectionism has dire, even fatal, consequences elsewhere. Drought-stricken African countries have rejected GM corn seed for fear of losing exports to Europe, even though it would increase crop yields and afford that continent some protection against the ravages of pests and drought.

Zambian President Levey Mwanawasa, rejected milled corn from the U.S., saying: “Simply because [2.4 million of] my people are hungry, that is no justification to give them poison...food that is intrinsically dangerous to their health.” Whatever Mr. Mwanawasa’s motives for this outrage, green alarmism is the main culprit. For instance, the Sierra Club calls for “a moratorium on the planting of all genetically engineered crops...including those now approved.” This, acknowledges the Club, is “in accordance with the Precautionary Principle,” which calls for the prevention of any new activity that may harm the environment, “even if the causal line between the activity and the possible harm has not been proven.”

**DDT.** Many people in Western nations still consider the banned pesticide DDT what *Silent Spring* author Rachel Carson called it in 1962: an “elixir of death.”

The truth, however, is that can DDT be used safely and if used properly can save millions of lives. Malaria was an increasing

rarity in Africa until DDT use was stopped, but has surged back and now kills over a million people on that continent every year. But, as a recent *New York Times* editorial points out, “there are still too many obstacles preventing nations that need it from using DDT when appropriate.” Fears about DDT—stoked by statist environmentalists—have led developed nations that have banned DDT to refuse to pay for its use in poorer countries.

The recently signed Stockholm Convention on Persistent Organic Pollutants (POPs) wisely allows for the use of DDT for malaria control in underdeveloped countries. But the National Resources Defense Council sees the POPs treaty as “only the beginning of the process that will eliminate POPs globally.”

An environmental movement genuinely concerned about protecting ordinary people would advocate widespread use of the pesticide against malaria rather than spend huge amounts of money to scare people from using it.

**Sales of Ivory.** Environmental groups were furious when the United Nations Convention on International Trade in Endangered Species (CITES) voted in November to allow South Africa, Botswana, and Namibia to sell 60 tons of elephant ivory.

World Wildlife Federation (WWF) vice president Ginette Hemley said that “legal sales could fuel demand for illicit ivory.”

But CITES is hardly the poachers’ friend. Its safeguards will ensure legal ivory is not used to launder poached ivory into the world market. And by giving local Africans a financial stake in the survival of the species, CITES will encourage locals to conserve herds—benefiting both humans and the African elephant. Yet, the WWF brags that “strong lobbying” by it “and other conservation groups” led African countries to withdraw their requests for annual sales in addition to the approved one-time sale.

**The Kyoto Treaty.** Even if every country in the world signed the Kyoto Protocol on Climate Change, the treaty would reduce global warming only by about 0.14 of a degree Celsius by the year 2100. With China, South America, Africa, India, and the United States outside the treaty, the actual figure will be more like 0.04 of a degree. Even if the science of global warming were solid, which it is not, this would be a pointlessly small reduction. Green activists implicitly agree when they say Kyoto is just a first step—Sierra Club president Adam Werbach calls Kyoto a “first baby step”—but it is more like a slippery slope towards global economic stagnation.

The European Union, the treaty’s principal backer, can achieve its Kyoto emissions reductions by simple measures such as shutting down unproductive factories in the former East Germany and switching British power generation from government subsidized coal to clean burning gas. These were happening even without Kyoto—dictated by sound economics. But for poor nations that must use whatever energy they have available, reducing emissions will mean cutting down energy consumption to levels that will retard economic development.

By militating against economic advancement, the Grim Green Giant makes it more difficult for millions to escape poverty and its attendant evils—hunger, disease, and illiteracy. Rather than help up the little guy, he sits comfortably up on a perch of wealth and privilege, pulling up the ladder as others try to join him.

*Hugo Gurdon is CEI’s 2002-2003 Warren Brookes Journalism Fellow.*



*The Nature Conservancy’s headquarters building in Arlington, VA*

<b>Left-of-Center Groups</b>	<b>Total 2001 Income</b>
Nature Conservancy	\$731,893,471
Wildlife Conservation Society	\$311,725,830
Ducks Unlimited	\$139,232,266
Trust for Public Land	\$124,816,000
Humane Society	\$61,728,724
<b>Subtotal</b>	<b>\$1,369,396,291</b>

<b>Radical Environmentalists</b>	<b>Total 2001 Income</b>
World Wildlife Fund	\$118,144,311
National Wildlife Federation	\$98,801,711
National Audubon Society	\$94,141,652
Sierra Club Foundation	\$73,814,363
Conservation International	\$68,960,797
Natural Resources Defense Council	\$55,696,677
Environmental Defense	\$42,868,851
<b>Subtotal</b>	<b>\$552,428,362</b>

**TOTAL** **\$1,921,824,653**

Source: Chronicle of Philanthropy



# The European Union's Attack on Financial Privacy Will Hurt the World's Capital Markets

by Solveig Singleton

The European Union's tax authorities are moving to get their hands on capital invested in the world's low-tax nations, including Switzerland and the United States. Representatives of several EU nations, particularly British Chancellor of the Exchequer Gordon Brown, have urged Switzerland to abandon her centuries-old policy of bank secrecy, purportedly to help EU nations fight tax evasion. And, in late 2002, the IRS moved to require U.S. banks to report interest on deposits paid to nonresident aliens residing in the EU nations—Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom.

Tax evasion is a major problem in Europe. But a rollback of financial privacy in Switzerland, the United States, and other low-tax countries would not only not help solve the problem, it would harm capital markets. Here's why.

For the government of a high-tax nation like France, money that its residents have invested in Switzerland and the United States is a tempting target. But the real problem is not that the money has left the country, but *why* it has left.

France's government spends far more than it takes in. France has high taxes, with a tax burden of about 45.5 percent of GDP, including a top personal income tax rate of 54 percent and a value-added tax of about 19 percent. Like other high-tax countries, such as Sweden and Germany, France faces a significant problem of tax evasion—about 17 percent of GDP—which is often accompanied by capital flight. In 2000, France's loss of earnings to capital flight was about \$40 billion. In 2001, \$85.8 billion in capital left Europe.

By contrast, low-tax countries have a far better balance of accounts—and healthier economies generally. Four European countries with low taxes—Ireland, the Netherlands, Luxembourg, and Switzerland—account for only nine percent of European GDP, but attracted 38 percent of foreign direct investment from the United States between 1996 and 2000. At the same time, U.S. tax rules attract foreign investment here. Ronald Reagan's 1981 tax cuts helped increase capital inflows during the 1980s by increasing the after-tax profitability of U.S. investments. U.S. businesses deployed the increased capital available to them to buy more efficient equipment, raising productivity. Workers became better off as wages and benefits rose.

What would be the likely result of Switzerland and the United States sharing more information with EU tax officials? Would France catch more tax evaders and enjoy a rosier economic picture? That is highly unlikely. French tax and economic policies simply will not foster growth. There are other ways for French (and other

Europeans) reluctant to pay taxes to avoid paying them other than sending their money abroad. Here are some alternate fates for French capital:

- The domestic underground economy and other forms of tax evasion.
- The pockets of emigrants leaving for other destinations (25,000 people leave France every year for tax reasons).
- Magically disappearing, as if it had never existed at all, because taxation destroys human capital—accountants become artists; potential entrepreneurs spend 20 years in graduate school.
- Legal tax avoidance and structuring.

As long as France, Sweden, Germany, and other EU countries remain high-tax nations, they will fail to accumulate capital. Any

concessions Switzerland makes towards transparency will be of little or no use to them. It is not that tax evasion is a good thing. It is not. But some approaches to addressing it transgress on the sovereignty of other nations and rights of privacy—for nothing.

Yet a diminution of financial privacy would

be of consequence for capital markets. Putting a stop to capital flight might not yield more tax revenues, but it would mean less available capital for the world economy as a whole. Capital flight is a misnomer. A better term is "capital formation." What goes on in the capital markets of Switzerland, the United States, Luxembourg, Antigua, etc. is not the passive reception of capital. It is the *creation of capital*. Low-tax environments create the incentives in which wealth is born. And not just monetary wealth—taxes affect the deployment of human capital and knowledge. Every time a Swedish doctor stays home to paint his own house rather than hiring a painter to do it, there is a loss of what his human capital could have contributed to the world economy.

If the United States and Switzerland concede to the tax authorities of high-tax EU nations the information they seek, those nations will see no increase in tax revenues as a result. More of their citizens would emigrate and permanently give up their citizenship. Companies would continue to be formed abroad. Evasion would continue to rise as a *domestic* problem. And the world as a whole would be poorer. Wealth would be destroyed.

At this point high-tax nations would have an option. They might declare themselves satisfied. They might engage in tax reform, addressing domestic deterrents to capital formation and spurs to tax evasion. They might even reduce taxes, as tax evasion is lowest in lower tax nations like Switzerland, New Zealand, and the United Kingdom. Or they might demand yet more concessions from the

**Putting a stop to capital flight might not yield more tax revenues, but it would mean less available capital for the world economy as a whole.**



United States and Switzerland.

Which course are they likely to take? So far, their most likely course appears to be to demand more concessions, such as “harmonization” of tax rates, from low-tax countries. European Union economists have begun to move in this direction. And there is little in the OECD’s literature to suggest it recognizes the value of tax cuts.

The irony is, only reduced taxes are likely to produce the kind of economic growth that EU nations require to sustain their standard of living—including high rates of government spending. For example, in 1997, Switzerland raised the same amount of tax revenues per

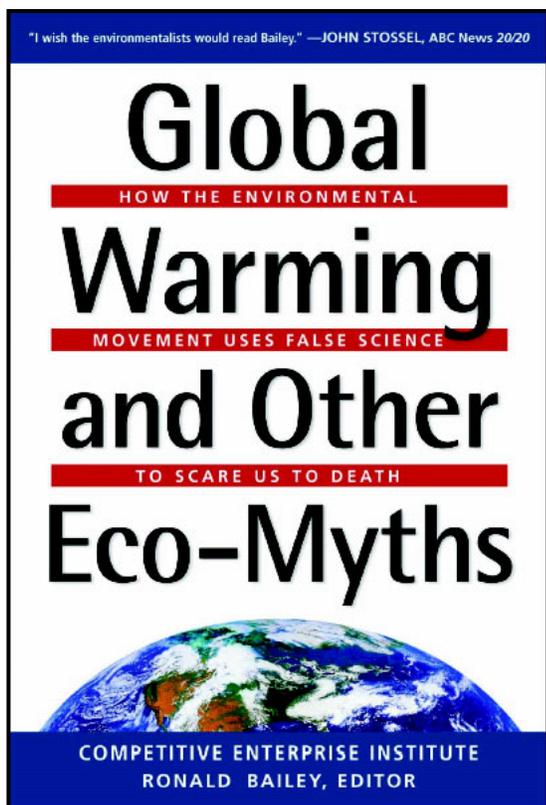
capita as Sweden, even though the Swedish tax rate, at 61.5 percent, was then double that of Switzerland. Reducing tax rates in Ireland changed the government’s deficit, at 15 percent of GDP in 1980, to a surplus by 1998.

We can only hope that the new Treasury secretary will keep an eye on the EU and its allies in the IRS. EU folly should not be indulged at the cost of capital markets.

*Solveig Singleton (ssingleton@cei.org) is a lawyer and senior policy analyst with CEI’s Project on Technology and Innovation.*

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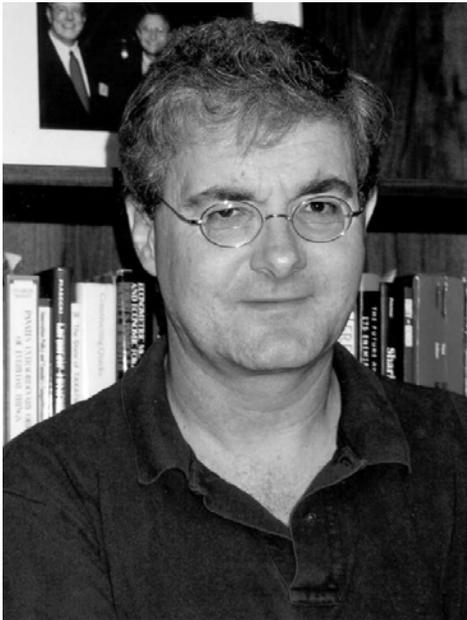
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## Q & A with RONALD BAILEY:

### The Editor of *Global Warming and Other Eco-Myths* Talks About the True State of the Planet, and How the Green Lobby Distorts It



*Ronald Bailey, the editor of CEI's latest book, Global Warming and Other Eco-Myths: How the Environmental Movement Uses False Science to Scare Us to Death, recently told the Monthly Planet why he believes statist environmentalists have had the advantage in the environmental policy debate. He also offers some thoughts on the Precautionary Principle, the attacks on Bjorn Lomborg, and the intellectual legacy of Julian Simon.*

**CEI:** You begin the book with a quote by Christopher Flavin, president of the Worldwatch Institute, on the spread of the radical environmentalist agenda over the last decade. Flavin is someone you've debated many times on the differences between ideological environmentalism and legitimate efforts to make reasonable, scientifically-supported progress toward protecting our resources. Is there anything you've learned from your debates with Flavin and other activists about how they're able to continue reusing the same arguments from *The Population Bomb* and *Silent Spring* after being proven wrong about so many different things?

**Bailey:** One problem is that ideological environmentalists can offer simplistic

scare stories that easily capture the attention of reporters and the public. They have an easy time of peddling doom because human brains are naturally hardwired to focus on threats, even illusory threats: Bad news can kill a person today, while people can think about good news tomorrow. Also, explaining scientific nuances like risk-benefit trade-offs is hard and complicated whereas it's easy to sloganeer about evil corporations poisoning children for profit. It takes only \$10,000 to launch a scare, but it takes at least \$1 million to counter a scare with good scientific information after it's launched. Finally, political environmentalists have managed to get their views accepted as the conventional wisdom over the past 40 years. Unfortunately, it will probably take that long to rectify their misinformation.

**CEI:** Atmospheric scientist Dr. John Christy of the University of Alabama at Huntsville summarizes the controversy surrounding the United Nations' Intergovernmental Panel on Climate Change (IPCC) *Third Assessment Report* on global warming by noting that, although its "Summary for Policymakers" cites "newer and stronger evidence," it, "Hides the fact that the uncertainties and inconsistencies are not only still present but in some cases growing." What is the most frustrating thing about explaining the current state of climate science to the public? How have these problems hampered the Bush Administration's efforts to fund and promote necessary advancements in climate science?

**Bailey:** The most frustrating thing is trying to explain that the "myth" of global warming is the claim that it is a looming disaster, a catastrophe. Political environmentalists have hijacked the IPCC process so that they can spin fairly uncertain data into the story that global climate is getting worse. Given the prestige of the IPCC, the Bush Administration is having a hard time

countering this spin. Nevertheless, the administration is resisting European Union pressure to adopt the Kyoto Protocol, which would require deep cuts in projected fossil fuel use over the next decade. In addition, the Bush Administration should be congratulated for setting up a program to finance and encourage further climate research aimed at trying to close gaps in current scientific knowledge such as the effects of clouds, solar flux, and the biosphere on temperature trends.

**CEI:** CEI's Angela Logomasini cites a wide array of data by Dr. Bruce Ames and the National Cancer Institute that contradict the Environmental Working Group's claims about cancer epidemics. She notes that, "Minor increases in some cancers are explained by improvements in medical diagnostic technology that enables us to detect and treat more cancers." She points out that efforts to ban herbicides and pesticides here in the U.S. could cause our exports of corn, wheat, and rice to less-developed nations to decline. What is the best way to teach the public that poorly-contrived public health policies in the U.S. have unintended consequences for poor people around the world?

**Bailey:** That's a hard question—the best way is to constantly point to the data that show that there is no epidemic of cancer in the United States. The Worldwatch Institute claimed that, "Every human being harbors in his or her body about 500 chemicals that were nonexistent before 1920." If synthetic chemicals were such a threat to our health as implied by Worldwatch's ominous observation, then average life expectancy in the United States, which was 56 years in 1920, wouldn't have increased by more than 20 years to 76.9 years today. Also, people need to be reminded that the National Cancer Institute and the Food and Drug Administration have concluded that less than two percent of all cancers are caused by exposure to synthetic



chemicals. In fact, according to the NCI, both cancer incidence and cancer mortality rates have been declining for at least a decade. Consequently, banning useful chemicals such as pesticides like DDT on the basis of bogus health concerns has imperiled the lives of hundreds of millions of the world's poorest people who suffer from insect-borne diseases like malaria and whose crops are decimated by pests.

dramatically slow the development and global diffusion of new technologies. Slowing technological progress means slowing economic growth, which means delaying the increase in the incomes of the world's poor and impeding environmental improvements.

**CEI:** Donald Kennedy, the editor-in-chief of *Science*, recently defended his decision to publish Dr. Michael Grubb's attack on Bjorn Lomborg's landmark

statements, and outright falsehoods offered up by environmental activists and gullible reporters, then refutes them using peer-reviewed scientific studies. Furthermore, the book broadly surveys a series of ecological, economic, and demographic trends. When Lomborg compiles and summarizes the relevant information from scientific reports and papers from government agencies, he is obviously using the same sources and information that are generally relied on by all participants in environmental debates. It is no surprise that when someone challenges the cherished conventional wisdom that he is attacked, but the dishonesty of the assault on Lomborg astonished even this battle-weary veteran.

**CEI:** You are widely cited as one of the world's leading torch-bearers of Julian Simon's legacy of understanding the role that human ingenuity

plays in enabling people to overcome environmental problems. What was the most important thing that you learned from working with Simon? How would you like to see Simon remembered in the future?

**Bailey:** I am? Well, that's high flattery indeed. A quick story: I met Simon when I interviewed him when I was researching my book *Ecoscam* and, of course, I cited a great deal of his work in it. A couple of years later I told Simon that I was editing a new book on environmental issues that eventually became *The True State of the Planet*. He looked at me, shook his head wonderingly, and said, "So you're in this for the long haul?" Simon had the intellectual audacity to pursue the data wherever it led and the courage to insist on the validity of his findings in an intellectual milieu characterized by fierce ideological pressure to discount them. This lesson in cheerful perseverance is one from which we can all benefit. He will be remembered as the thinker who got it right while most others got it very wrong. Simon's intellectual reputation will only grow as those of his ideologically motivated critics like Paul Ehrlich and Lester Brown fades.

## Ideological environmentalists have an easy time of peddling doom because human brains are naturally hardwired to focus on threats, even illusory threats: Bad news can kill a person today, while people can think about good news tomorrow.

**CEI:** Case Western Reserve University Law Professor Jonathan Adler explains how international environmentalist NGOs are working to insert the Precautionary Principle into the World Trade Organization's bylaws and into the UN's multilateral environmental agreements. If they are successful, what sorts of reverberations would that cause?

**Bailey:** The strictest interpretations of the Precautionary Principle jettison entirely the notion of trade-offs, requiring that any new technology never cause any harm to the environment or human health. Of course, accurately predicting in advance the benefits and harms that a technology may one day produce is an impossible task. This inherent uncertainty means that opponents of a new technology can always stall its introduction by endlessly demanding that more research be done to rule out even their most far fetched fears. Ultimately, the adoption of the Precautionary Principle by regulators would give them de facto technology licensing authority. Incorporating the Precautionary Principle in international treaties would mean that it would become incorporated into domestic regulatory law, which would

book *The Skeptical Environmentalist*. What frustrated you the most about the responses of *Science*, *Nature*, and *Scientific American* to Lomborg's work? Was it their tendency to nitpick the voluminous amount of peer-reviewed research that Lomborg chose to cite? Or was it their selection of ideologically-motivated reviewers?

**Bailey:** Obviously, *The Skeptical Environmentalist* should be held to high standards of accuracy, but to insist that it read like a scientific paper is both specious and disingenuous. Ideologically motivated critics like those featured in *Science*, *Nature*, and *Scientific American* used the intellectually dishonest tactic of highlighting one or two quibbles and then implying that therefore the whole book is wrong. The book is essentially a response to such popular environmentalist tracts as the *State of the World* report and the reams of misinformation disseminated by Greenpeace, Friends of the Earth, the Union of Concerned Scientists, *The Ecologist*, the Turning Point Project, *Grist*, *Wild Earth*, and the rest of the sprawling eco-media propaganda complex. In his voluminous endnotes, Lomborg cites the numerous non-peer-reviewed exaggerations, misleading

# Regulation

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# Canada Ratifies Kyoto

Chrétien Ignores Canadian Public Opinion, Onerous Costs, and Science

by Paul Georgia

Most kids have heard the following question from their parents: “If all your friends jumped off a cliff, would you do it too?” Apparently Canada would answer “Yes.” On December 16, Prime Minister Jean Chrétien signed Canada’s ratification document for the Kyoto Protocol on Climate Change, which will require the country to reduce its greenhouse gas emissions to six percent below 1990 levels.

According to Chrétien, this action constitutes a grand gesture to the rest of the world. “Say to them that Canada is a good citizen of the world,” he told reporters. “Tell the U.N. that Canada is always there.” Translation: We really want to fit in, even if it means jumping off a cliff.

In fact, Canada’s government wants international approval so badly that it has chosen to ignore the wishes of its own citizens, the Kyoto treaty’s huge costs, and the lack of scientific evidence supporting it.

A recent public opinion poll, conducted by the pro-Kyoto *Sun* newspapers, found that 55 percent of Canadians think that Chrétien should not ratify Kyoto, with only 32 percent favoring ratification. Many provinces adamantly oppose the treaty and have fought the federal government at every turn.

Chrétien has not been forthright in explaining the cost—and total lack of any benefit—of being a “good” world citizen as defined by Kyoto’s backers. Chrétien hailed the House of Commons’ approval of the measure as “a great day for Canada, a great day for the environment, and a great day for the future of our kids.” But nothing could be further from the truth. Chrétien has only succeeded in guaranteeing a poorer future for his country while doing nothing to stop global warming, if indeed it is occurring.

Bjorn Lomborg, author of *The Skeptical Environmentalist*, notes that the worldwide cost of implementing the Kyoto Protocol would be about

\$350 billion per year beginning in 2010. Beginning in 2050, the cost rises to \$900 billion per year. The cost of predicted global warming, if climate models are to be believed, would be about \$900 billion in 2100. But even if fully implemented, Kyoto would only delay the predicted amount of warming by a mere six years.

This means that the world will spend thousands of billions of dollars over the next 100 years to prevent global warming, at the end of which it would

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have to pay the costs of global warming anyway—if it materializes. Kyoto trades dollars for pennies and will have about as much effect on the climate.

Ross McKittrick, an economist at the University of Guelph in Ontario, has also explained why Kyoto doesn’t make sense. “The problem with Kyoto-type emission reduction plans is that the marginal costs rise exponentially and the benefits, if there even are any, rise linearly,” he says. “So no matter which angle you look at it, carbon dioxide restrictions on even a modest scale use up more social resources than any benefits they generate.”

Bob Mills, a member of the Canadian Alliance who filibustered the motion to ratify for 11 hours, said: “This treaty is asking people to reduce carbon use by 20 percent. However, this treaty would increase their costs anywhere from 25 percent to possibly 100 percent for the

very things they need to live. We have talked about the loss of jobs. We have talked about the billions of dollars this can cost for simply reducing CO<sub>2</sub>.”

Kyoto is bad politics and bad economics. It is also bad science. The empirical evidence has consistently failed to confirm its backers’ global warming predictions.

MIT meteorologist Dr. Richard S. Lindzen has demonstrated the gap between global warming theory and climate reality. According to the latest report of the Intergovernmental Panel on Climate Change (IPCC), a doubling of atmospheric concentrations of greenhouse gases would increase the temperature by about 1.4 to 5.8 degrees Celsius. We are already about halfway towards the radiative forcing associated with a doubling of carbon dioxide when all greenhouse gases are taken into account. So, if all the warming in the past century were due to human emissions, says Lindzen, it would mean that the climate is not very sensitive to changes in greenhouse gases and that pronounced warming is unlikely. No one, not even the IPCC, attributes all of the warming observed over the last 50 years to human activity, which means that changes in greenhouse gas emissions are virtually irrelevant to the climate change question.

However, neither Canadian public opinion nor onerous costs nor lack of scientific evidence have deterred Chrétien’s government from going along with a treaty with no tangible benefits for Canada. Canada’s grand gesture to the world seems empty at best and suicidal at worst. The U.S. would do well to avoid following in its neighbor’s footsteps.

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# The Good, the Bad, AND THE UGLY

## The Good: FERC Judge Rules Against California Scheming

An administrative law judge recently issued a preliminary ruling against the state of California's contention that it is owed \$8.9 billion by energy companies for their role in the energy crisis of 2000 and 2001. On December 12th, Judge Bruce L. Birchman of the Federal Energy Regulatory Commission (FERC) ruled that Enron, Duke Energy, Williams Companies, and others are only liable for \$1.8 billion in damages, and that the state still owes providers a total of \$3 billion. The ruling must be reviewed by FERC's three-member commission before it is finalized.

FERC officials said they are still reviewing whether providers artificially inflated natural gas and energy prices by engaging in manipulative trading tactics and withholding supplies. The agency also announced that it will require regulators to report evidence of overcharging by February 28. Other federal and state agencies are also conducting investigations.

The decision is a major defeat for the administration of California Governor Gray Davis, which had accused FERC of ignoring the crisis. "I am outraged over the action the FERC has taken in rigging the rules so the administrative law judge had no choice but to give us a pittance under the rules...We want at least \$9 billion back," said Davis. California Public Utilities Commission President Loretta Lynch stated, "Those energy companies illegally lined their pockets at California rate-payers' expense and FERC is throwing pennies at our feet and telling us to be happy with that."

In the CEI policy brief, "California Power Market: 'Gray' Days Ahead?," former CEI research assistant Thomas Pearson points out that, "Fixing California's power problem is not going to be painless. Years of government intervention and red tape in the power industry will take time and trouble to overcome." If only California's forces of darkness would recognize that.

## The Bad: Environmentalists Continue to Dodge CAFE's Impact on Vehicle Safety

The National Highway Traffic Safety Administration (NHTSA) recently approved an increase of 1.5 miles per gallon in corporate average fuel economy (CAFE) standards for its "light truck" category, including SUVs, minivans, and small trucks. The agency claims the increase—scheduled to be finalized after a 60-day comment period—can be achieved with current technologies and without requiring automakers to reduce performance or vehicle weights. NHTSA administrator Jeffrey Runge said: "We are very interested in doing whatever we can to increase fuel economy...What we don't want to do is to cause a safety consequence."

Environmentalists attacked the size of the increase as too small, ignoring evidence linking increased CAFE standards with increased highway fatalities. Daniel Lashoff of the Natural Resources Defense Council said, "If you measure the fuel savings in gallons, you've got a trivial amount." David Friedman of the Union of Concerned Scientists called the increase "no more than what the industry has already committed to." Daniel Becker of the Sierra Club said, "It's a minuscule number compared to what's needed and what's technically achievable." Even Senator John Kerry (D-MA) chimed in: "I think Americans deserve more than another sham White House effort to pretend to act in the interests of energy security."

But, says CEI general counsel Sam Kazman: "The 2001 National Academy of Sciences study made it clear that CAFE kills. This latest NHTSA proposal will make that regulation even deadlier. Regardless of whether the proposed increase is characterized as moderate or major, its effect on human safety will be lethal."

## THE UGLY: MALIBU LANDOWNERS LOSE ON BEACH EASEMENT CASE

A California judge recently handed a defeat to a group of property owners led by entertainment mogul David Geffen, restricting their efforts to keep their private beachfronts private. On December 6, Los Angeles Superior Court Judge David Yaffe ruled that the California Coastal Commission (CCC) and the activist group Access for All could implement their plan to build a dozen or more pedestrian walkways along Malibu's 27 miles of coastline. Geffen and the city of Malibu—the lead plaintiffs in the case—argued that under the Supreme Court's 1987 landmark ruling in *Nollan v. California Coastal Commission*, which restricts government's ability to take property without compensation, the commission's current proposal violates landowners' property rights and equal protections under the law and that the commission must take into account the city's environmental and safety impact plans when enforcing easements. Former CEI Warren Brookes Fellow Brian Doherty said: "Mr. Geffen and his neighbors have a good case. Property owners should hang together on principle. If not, we will all find the government ordering us to let people cut across our land—whether actually or metaphorically—to serve some sort of presumed public good."



**Adjunct Scholar James M. Sheehan looks into the misguided reaction of regulators to recent corporate accounting scandals:**

The great bull market of the late 1990s was the result of rapid credit expansion at the Federal Reserve. Loose credit fed into asset prices by lowering the cost of capital and overstimulating investment in speculative Internet and telecom ventures. When the investments failed to generate expected profits, the entire structure moved from boom to bust as investors were forced to re-allocate their capital more rationally. Instead of addressing the root cause of the collapsing financial bubble, regulatory policies have moved in the direction of treating two symptoms of the problem: aggressive corporate accounting and conflicts of interest on Wall Street.

- *Washington Times*, December 19

**Senior Fellow Marlo Lewis contrasts the Bush Administration's alleged antipathy toward the Kyoto Protocol with the White House's current proposal to create greenhouse gas "credits" for industry:**

Greenhouse gas credits attain full market value only under a mandatory, Kyoto-style emissions "cap" or reduction target. In effect, GHG credits are Kyoto stock—assets that mature and bear dividends only if the U.S. government ratifies Kyoto or enacts a comparable regulatory regime...

One DOE official argued that confronting the legal question now would be "putting the cart before the horse," because the Administration can't know what additional legal authorities might be needed until the crediting system is built. This is exactly backwards. The Administration has invited everybody and his brother in the energy, manufacturing, and transportation sectors to help them devise a crediting system. The Administration has no business encouraging U.S. companies to spend time and resources on a project before it convincingly demonstrates its legal authority to complete the project.

- *Tech Central Station*, December 5

**Warren Brookes Journalism Fellow Hugo Gurdon exposes the widening political gulf between the U.S. and the European Union:**

A new bipolar world is emerging with the EU and Canada allied on one side and the United States and the Third World on the other.

The split is manifest everywhere. Take the Kyoto climate treaty. The EU seizes on Kyoto as a sort of justifying talisman, and Ottawa tags along. The logic is simple, if unstated: Once the global warming scare story is accepted, saving the planet becomes a moral duty justifying no end of intrusion in markets and commerce. This suits the EU and Canada because it imposes the same growth-inhibiting constraints on everyone else that they have already inflicted on themselves.

- *National Post*, November 28

**Senior Fellow James V. DeLong sorts through the implications of the midterm elections for the tech sector:**

Tech was barely mentioned during the campaign, so the industry is not part of the general elbowing to claim that the results were a mandate for its special interests...So tech must look at either larger or smaller issues.



On the larger side, the obvious immediate beneficiaries include free trade, tax reform, corporate governance, and tort reform. But curb your enthusiasm. It still takes 60 votes to get anything through the Senate, which makes drastic action improbable. One crucial factor remains up in the air: the future leadership of the Democrats. If the party goes left, tech could get caught up in the general corporate bashing. If it goes centrist, then not. But a leftward Dem tilt might be more conducive to legislation because it could induce moderate Dems to defect on some issues.

- United Press International, November 8

**President Fred L. Smith, Jr. addresses the controversy over initial public offerings and popular stock market reform proposals:**

Everybody complains about "initial public offerings" (IPOs). Start-up firms think preferred investors are bleeding off capital they need for expansion. Investment bankers worry that their rainmaker reputations are drying up. Small investors worry that everyone else got a better deal. And, of course, in our litigious society, everybody rushes to court whining, "They didn't tell me I could lose money!" Calls for new laws that would "ensure" a better IPO process are growing.

One such idea, called "Dutch auctions," may well have merit. Such auctions remove much of the discretionary power from the brokers. Everyone bids the price they would pay for a number of shares, the broker accepts offers until the market clears, and that market-clearing price is then charged all investors. Proponents argue such auctions are more efficient and equitable, provide fairer access to smaller investors, and eliminate the preferential treatment of the good-old-boy network that characterizes the clubby investment banking system. And they may—in some cases—be right.

- *USA Today*, October 17

**Director of Clean Air Policy Ben Lieberman details the EPA's creative accounting of the impact of ozone regulations:**

For the EPA of the early 1990s, one of the chief priorities was the prevention of ozone depletion from the release of chlorofluorocarbons and other manmade compounds. The agency promulgated numerous stringent rules banning a host of putative ozone-depleting compounds.

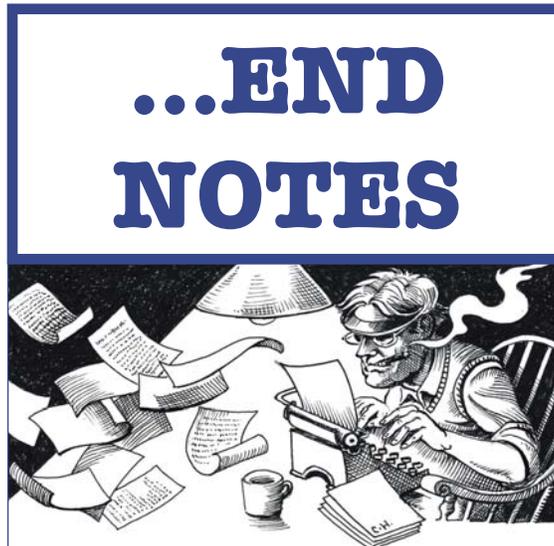
To buttress those rules, the agency grossly overstated the risks of ozone depletion and the benefits of the measures. Its Regulatory Impact Analysis (RIA) concluded that, by preventing a 10-percent decline in ozone and a concomitant rise in ground-level UVB, the agency was preventing millions of UVB-induced skin cancers. EPA's estimate of monetized benefits from the rules ranged from \$8 trillion to \$32 trillion dollars, easily eclipsing anything else the agency has ever done. And, despite study after study conceding that the predicted long term UVB increase has not been measured, and no clear evidence of a link between ozone loss and increasing skin cancer incidence, no one at the agency has ever suggested that the dubiously high estimate of benefits was wrong.

- *Regulation*, Fall 2002



**Study Finds Nearly Half of Earth's Land Still Wilderness**

A two-year study by Conservation International, an environmental organization whose board of directors includes actor Harrison Ford, found that 46 percent of the world's land mass is still wilderness, undeveloped and nearly unpopulated. But despite this finding, Conservation International still favors restricting development. "It's good news that we still have these large tracts of land largely intact and uninhabited, but these areas are increasingly under threat," said Conservation International President Russ Mittermeier. He also stated: "To me, logging of primary forests is a nineteenth-century colonial activity that has no place in the modern world...it needs to be phased out as quickly as possible."



costs going through the roof, you have to keep a house warm with a supplemental fire," said former state Air Resources Board member Doug Vagim of Fresno.

**Get Up, Stand Up, Stand Up for Your...Water?**

The United Nations Committee on Economic, Cultural, and Social Rights determined in December that access to water is a right that "should be treated as a social and cultural good, and not primarily as an economic commodity." Never mind that lack of access to clean water is a problem most prevalent in countries without secure property

rights. A new Water Poverty Index, developed by Britain's Center for Ecology and Hydrology, ranks Haiti last among 147 rated countries, preceded by Niger, Ethiopia, Eritrea, Malawi, Djibouti, Chad, Benin, Rwanda, and Burundi.

**California Regulators Target Home Fireplaces**

Air regulators in California announced in December that they plan to go after a heretofore ignored environmental menace: residential fireplaces. The San Joaquin Valley Air Pollution Control District—which covers 23,000 square miles from Lodi to Bakersfield—drafted a plan to comply with the Clean Air Act that will ban most wood-burning fireplaces in new homes and require masonry fireplaces to be permanently disabled, converted to natural gas, or upgraded to expensive soot-containing models before homes can be sold. The new rules, which the district is expected to approve by next April, have caused a backlash among valley residents still reeling from the California energy crisis. "With our energy

**In Other News...**

Valley College in Los Angeles placed a 4 mph speed limit on wheelchairs as a "safety" precaution for pedestrians. Chronic violators can face suspension or even expulsion....A proposed new city rule in Bend, Oregon, would ban from city buses anyone who "emanates a grossly repulsive odor that is unavoidable by other Bend Extended Area Transit customers." City attorney Jim Forbes called the rule "an effort to keep the riding experience as pleasant and safe as possible." ...A grand jury indicted two Houston police officers for arresting over 300 people—most of them bystanders—at a Kmart parking lot in August during a crackdown on drag racing.



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