

## Free Trade Agreements: Issues and Outlook

BY FRANCES B. SMITH

Trade has surfaced over the past decade as one of the most contentious political issues—both internationally and domestically. The increased divisiveness of trade policy was evident at the World Trade Organization's (WTO) Seattle meeting in December of 1999, where anti-globalization took over the streets and helped cause a breakdown of those negotiations.

Since then, trade debates have only grown more contentious. Most intellectuals, economists, and journalists continue to support open trade as advancing the best interests of the public in both rich and poor countries. However, their well-reasoned arguments are losing out to populist slogans claiming that trade harms the economy and destroys jobs.

A recent NBC News/*Wall Street Journal* poll asked members of the public whether they believed foreign trade had been good or bad for the U.S. economy. Sixty percent said that trade has had a negative effect, with only 30 percent saying trade's effects have been positive.

And this picture might get worse, as presidential aspirants, Members of Congress, and attention-seeking pundits increasingly propagate the myth that trade is responsible for just about every job lost over the past decade.

Increased trade does affect

employment—by destroying some jobs *and* creating others. There is constant churning in the labor market, but the jobs created by trade are more likely to demand higher skills and provide higher pay.

Federal Reserve Chairman Ben Bernanke eloquently made these and other points last May. He noted that over the past decade 16 million jobs have been lost annually, mostly due to factors other than trade. But those have been more than offset by the creation of about 17 million jobs per year. He also pointed out that imports' share of GDP quadrupled between 1965 and 2006. Yet employment more than doubled during that period.

Two recent studies on the relationship of trade to jobs—from very different points of view on the political spectrum—came to similar conclusions.

The first study, recently published by the Progressive Policy Institute, is by prominent labor economist Stephen J. Rose, who points out that trade growth has not reduced middle-class jobs:

*It is very common to think that trade—particularly a high level of imports—leads to middle-class job loss. However, over the last 60 plus*

*years middle-class jobs have generally become more plentiful...Simply put, the alarmists across the political spectrum are wrong when it comes to the theory that trade leads to a loss of middle-class jobs.*

Dan Griswold of the libertarian Cato Institute recently published a study showing that increased trade has not lowered American living standards. He explains that the economy has 16.5 million more people working today than 10 years ago.

(continued on page 3)



## FEATURED ARTICLES

**CORD BLOMQUIST  
AND ELI LEHRER:**  
THE RATINGS GAME



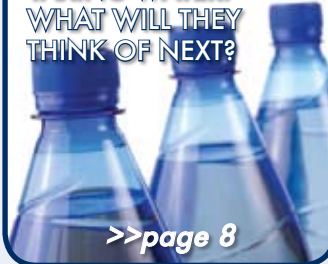
>>page 4

**BALI FOLLIES:**  
THE BENEFITS OF  
FAILURE



>>page 6

**TAXING WATER:**  
WHAT WILL THEY  
THINK OF NEXT?



>>page 8

### ALSO INSIDE:

Privatizing Profits, Socializing Losses . . .	2
The Good, the Bad, and the Ugly . . .	10
Media Mentions . . .	11
End Notes . . .	12

>>FROM THE PRESIDENT



## Privatizing Profits, Socializing Losses

By Fred L. Smith, Jr.

I have previously argued that if we wish to have a future, the creative destruction described by the great economist Joseph Schumpeter is unavoidable.

But society must recognize

that with the additional economic freedom to homestead the economic frontier, it is important to ensure the evolution of institutions that encourage responsible use of that freedom.

The current subprime debacle suggests, as Martin Wolf of the *Financial Times* has noted, that we've lost track of that balance—we are allowing entrepreneurs to sail out to explore the stormy seas of financial entrepreneurship while discouraging our explorers from thinking about adding outriggers to stabilize their voyages. Wolf suggests that today's mix of market-side profit taking and socialist-style loss management is, not surprisingly, very unstable.

For example, American regulators, by blocking the natural evolution of mortgage securitization via restrictions on interstate banking, encouraged the creation of Fannie Mae and Freddie Mac, which are guaranteed by the federal government. Securitization—packaging a series of debt obligations, creating a

bond or equity instrument based on these underlying assets, and then marketing them to global capital markets—creates liquidity and is therefore a good thing. But the value of

these bonds depends upon the value of the underlying assets, information that, as noted below, did not flow out to the investor community.

The problem was exacerbated by the Fed's low-interest policy, which gave investors the feeling that capital was "free"—or at least a real bargain. This spurred rapid economic growth, but it also weakened the due diligence instincts of traditional banking institutions and their political overseers. (Interestingly, the subprime—or "predatory lending"—complaints of today were preceded by decades of complaints about "redlining"—often by the same people!)

Securitization created other problems. In earlier days, a bank made a mortgage and tracked the value of the house involved. Appraisal agents and others apprised the banks periodically of changing values, and thus informed changes in lending rules.

Securitization weakened that tracking role.

Why shouldn't institutions—the rating agencies, for example—have evolved a system to track these novel assets? Why didn't Freddie Mac and Fannie Mae demand that service? And, having created these valuation techniques, why wouldn't that information have flowed out along with the securitized mortgage-backed securities, allowing market-to-market portfolio accounting? Had such a system evolved with securitization itself, the problems now facing the financial world would certainly be less serious.

Could the banks have presumed that Freddie Mac and Fannie Mae were watching the store, while Freddie and Fannie presumed that the banks would "let them know" if there was a problem? And where were the skeptics at the investment banks, especially in the investor community?

Certainly, the madness of crowds explains much of this. Financial skeptics—risk managers, for example—lost status in the go-go world of high-flying finance. Nor could we expect egalitarian political activists to raise questions about the wisdom of lending to credit-weak borrowers—often among their political allies. Speculation is natural, and, largely desirable, but why didn't someone suggest repealing restrictions on short-selling, insider trading,

and other contrarian investment strategies? A balanced market should lean toward neither bulls nor bears.

Finally, behind all this is the massive array of political guarantees—

from federal deposit and pension insurance to the quasi-guarantees of Freddie and Fannie to the too-big-to-fail problem of all large institutions, both private and governmental, in today's political world.

We have allowed freedom while discouraging responsibility. The market will be blamed for the results—and some blame should accrue to the high-flying financial community. But we should take the opportunity provided by the subprime crisis to review the consequences of markets in a mixed-economy. Capitalism, after all, is the process by which investors take risks to move capital from lower valued investments to higher ones. That process can only work when both the profits and the losses are borne by the capitalists. How far we seem to have veered from that course is becoming ever more apparent.

*We have allowed freedom while discouraging responsibility.*

## CEI PLANET

Publisher  
**Fred L. Smith, Jr.**

Editor  
**Doug Bandow**

Assistant Editor  
**Ivan G. Osorio**

Contributing Editor  
**Richard Morrison**

The CEI Planet is produced 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

## Free Trade Agreements, *continued from page 1*

Although there has been about a 3.3 million job loss in manufacturing over the past decade, Griswold notes that there has been a *net gain of 11.6 million jobs* in sectors with higher average wages than in manufacturing. And many of those manufacturing jobs have disappeared not because of trade, but because of technological advances and productivity improvements.

Obviously, job losses and job insecurity in some areas have contributed to stronger protectionist sentiments. Indeed, it is devastating to lose one's job, whatever the cause. Yet the better response is to focus on ways to soften such economic blows—through greater portability of health insurance and pensions, for example—or an increased emphasis on private job training and education.

Other issues have fueled the anti-trade flames. For instance, free trade advocates seem to have lost their footing with the breakdown of the World Trade Organization's Doha Development Round negotiations.

Most trade supporters view the multilateral WTO system as superior to bilateral and regional trade pacts, since it allows the 151 member countries—rich and poor—to negotiate more equally. Developing countries can band together to curb rich countries from imposing non-trade related protectionist rules. Through moral suasion—and sometimes the threat of a WTO challenge—they also can push developed countries to provide greater market access.

Moreover, the recent U.S. focus on bilateral free trade agreements (FTAs) has both strengthened the anti-trade, anti-globalization forces and weakened the involvement of many groups that would support more open trade. The renowned economist Jagdish Bhagwati has pointed out that bilaterals use up limited political capital for trade liberalization.

Moreover, when a trade agreement is fairly narrow in its focus and impact—when broad-based gains are not apparent—special interests that feel threatened by specific provisions come to the forefront to oppose those agreements. Those interests' members or constituents can rally behind the cause, contributing money, coordinating media campaigns, and lobbying policymakers in a field largely vacated by free trade champions.

The Central America-Dominican Republic Free Trade Agreement (CAFTA-DR), for example, galvanized not only labor unions and environmental groups, but also powerful sugar producers, who claimed that the minuscule increase in sugar imports allowed under CAFTA-DR would destroy their industry. Labor unions called for stringent labor standards to be included in the pacts. Environmental groups pressed for expanded



environmental provisions. The House vote on CAFTA was 217-215, in sharp contrast to the 1993 NAFTA vote of 234-200, which came under a Democratic president who was a strong proponent of trade.

Such lopsided debates on recent FTAs have amplified the anti-trade voices and discouraged supporters of more open trade.

The pending agreements are a case in point. The Peru FTA passed the House last year by a vote of 285-132. That may seem like strong support, but this treaty was the first trade pact to include

enforceable labor and environmental provisions as demanded by the Democratic leadership in Congress. In May, the Bush administration agreed to the Bipartisan Trade Deal, which requires that such standards be included in all pending and future trade agreements.

The Colombia, Panama, and South Korea FTAs all face serious challenges for various reasons. All three countries are strategically important American allies. They negotiated in good faith and then agreed to renegotiate the FTAs following the Bipartisan Trade Deal.

Under time-limited preferential agreements previously approved by Congress, Peru, Panama, and Colombia enjoyed duty-free access for most of their exports to the U.S. The FTAs will provide them more certain access to the U.S. market, while opening up their markets to U.S. products and services.

The pending Korea FTA is a landmark economic agreement with one of America's most important trading partners and geopolitical allies. As stated by President Bush, the Korea FTA will "further enhance the strong United States-Korea partnership, which has served as a force for stability and prosperity in Asia."

If the U.S. turns its back on these friends and trading partners by voting down the trade pacts, it is likely to trigger a backlash in those countries and a loss of U.S. credibility in those regions and elsewhere.

With 2008 a presidential election year, populist, protectionist sentiments are likely to increase. Supporters of open trade must market the benefits of trade more creatively. If free trade proponents fail to communicate these benefits to the American public, more members of the intellectual community and the media are likely to abandon their support for open markets in favor of the populist sentiments expressed in the NBC News/*Wall Street Journal* poll noted earlier. Isolationist trade policies—destructive to geopolitical stability as well as to economic prosperity, and job growth—would be the result.

Frances B. Smith (fbsmith@cei.org) is an Adjunct Fellow, Trade and Agriculture at CEI.



# The Ratings *Game*

## Politically Determined Entertainment Ratings and How to Avoid Them

BY CORD BLOMQUIST  
AND ELI LEHRER

When they select video games, comic books, movies, music, radio programs, and television shows for their children, parents have a wealth of information available to them. Through government content codes, private ratings systems, and a variety of other measures, parents have a broad universe of choices between ratings systems.

While no media ratings system can or will ever achieve perfection, the best rating systems have three attributes: They attempt to describe, rather than prescribe, what entertainment media should contain; they are particularly suited to their particular media; and they were created with little or no direct input from government. It is also important to keep in mind that when ratings systems collapse, it simply results in the creation of better ratings systems.

The Entertainment Software Ratings Board system for evaluating computer games works better than most. It consists of five basic ratings ranging from Early Childhood—largely educational programs for kindergarteners—to Adults Only games with violent or sexual content. Descriptive, easy-to-understand phrases—from “comic mischief” to “strong sexual content”—accompany the ratings. Parents can tell at a glance exactly what they might find objectionable in a video game. Congress has held hearings on the video game industry and threatened to regulate content, but the system emerged almost entirely as a result of voluntary private action, and has worked well for parents, children, and software producers.

On the other hand, in the radio market, the Federal Communications Commission (FCC) imposes vague but sweeping content guidelines over almost all broadcasts. The threat of FCC-imposed fines has done nothing to give parents greater control over their children’s radio listening habits—they have virtually no way to protect their children from adult material like explicitly sexual “shock jocks” and violent hip-hop lyrics. Heavy regulation and the absence of a private ratings system have made radio worse for parenting.

Comic book publishers long subjected themselves to an industry code that specified exactly what they could and could not publish. While officially a voluntary industry standard, the Comics Code came into existence following a series of hearings that made

it clear that Congress would impose a code if the industry did not write one. The resulting code became so incredibly specific that it once forbade comics from featuring werewolves, vampires, and zombies. The Comics Code collapsed during the 1990s as a relic of a more prudish era, but the two largest comics publishers, Marvel and D.C., adopted informative, multi-tiered ratings systems on their own that provide parents more information about content than the Comics Code ever did.

Similarly, when the highly proscriptive Hollywood production code collapsed in the 1960s due to its own irrelevance, it was replaced by the Motion Picture Association of America’s multi-tiered ratings system we know today—with films rated G, PG, PG-13, R, and NC-17.

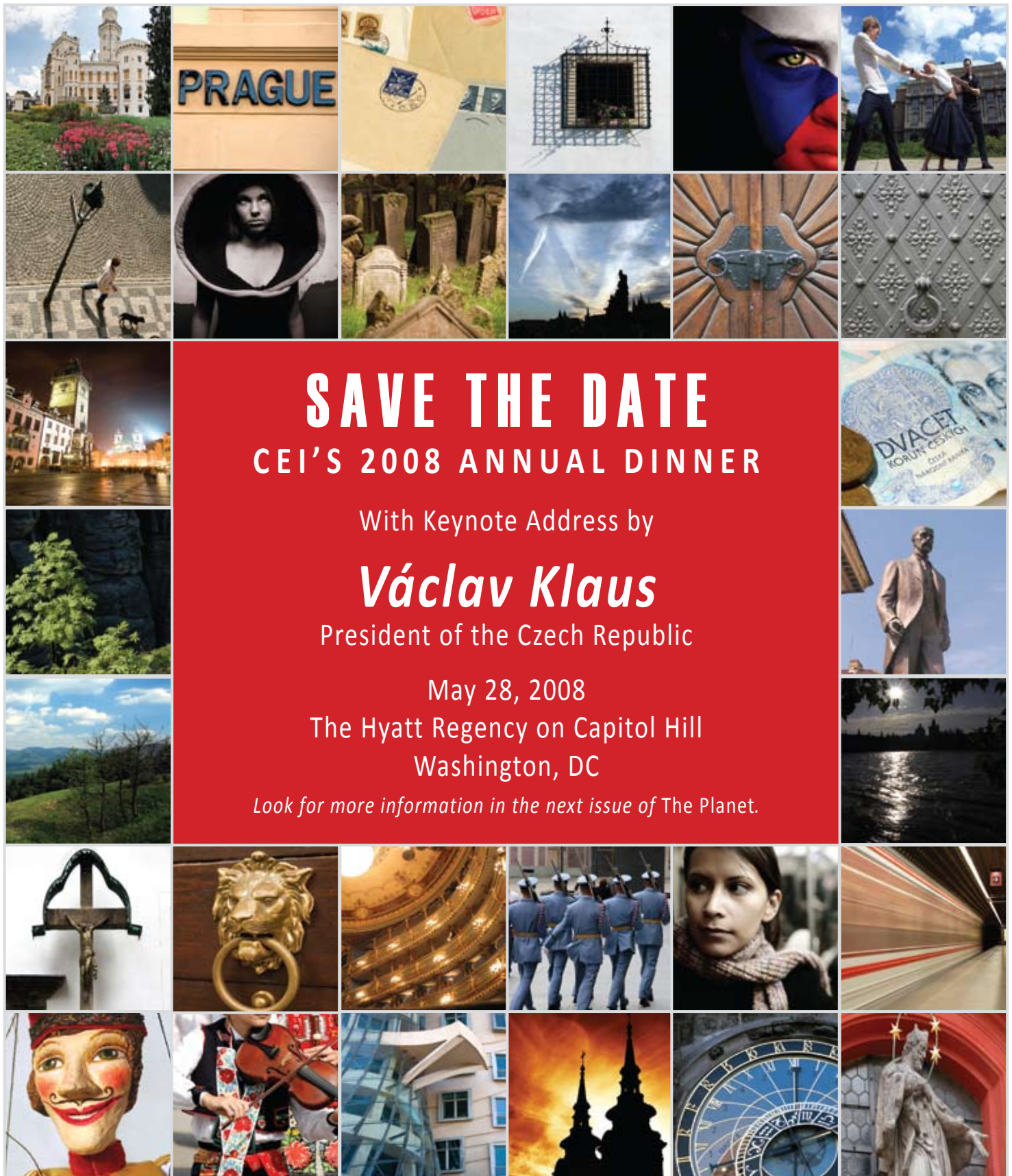
Radio content regulation and the Comics Code fail because they provide very little information—none at all in the case of radio—and attempt to set particular limits over media that, by their very nature, *should* facilitate a wide range of different types of experiences for a wide range of different types of audiences. Neither takes the nature of the medium into account.

To work, however, industry ratings systems do not always need the complexity that characterizes the video game system. The music industry’s “Parental Advisory: Explicit Lyrics” sticker and similar “Explicit” warnings on Internet music downloads are good examples of a simple rating system that works well. Because songs tend to be short, and artists’ bodies of work easy to investigate, parents can often simply listen to songs themselves if they have any concerns. While the system is simple, it works pretty well. And it originated largely as a result of voluntary industry action.

Ultimately, ratings systems cannot influence the content of what gets produced in the long run. Even the highly prescriptive Comics Code did nothing to stop the emergence of graphic novels with adult themes and situations. Those who want to “clean up” media without unconstitutional government censorship will likely do best to simply avoid buying cultural products they dislike.

Well thought-out ratings systems, particularly those shaped through market forces rather than government mandates, can prove a valuable tool for parents, but they are just that—tools. No ratings system can replace good parenting.

*Cord Blomquist (cblomquist@cei.org) is a Technology Policy Analyst at CEI. Eli Lehrer is a Senior Fellow at CEI.*



**SAVE THE DATE**  
CEI'S 2008 ANNUAL DINNER

With Keynote Address by  
**Václav Klaus**  
President of the Czech Republic

May 28, 2008  
The Hyatt Regency on Capitol Hill  
Washington, DC

*Look for more information in the next issue of The Planet.*

# Bali Follies

## THE BENEFITS OF FAILURE

BY WILLIAM YEATMAN

International negotiations for a treaty to fight climate change always end in gridlock because individual nations are a selfish lot. They can never agree on who should foot the gigantic bill to stop global warming.

The recent round of United Nations climate change talks in Bali, Indonesia, was no exception. Yet again, delegates from around the world flew to an exotic locale, haggled to no avail about who should pay what, and then announced that they would soon meet again for further discussions. Indeed, the Bali conference's only lasting contribution was its enormous carbon footprint—the equivalent of the emissions of 20,000 cars in a year—which will continue to warm the atmosphere for the next century.

To listen to some pundits and policy makers—indeed, most pundits and policy makers—the failure in Bali invites catastrophe. Nobel Laureate Al Gore told delegates that, “Our children will ask us—what were you thinking?... Didn’t you care?” *The New York Times*, America’s paper of record, warned that the “the [E]arth’s changing climate seems unlikely to wait” for the dithering diplomats in Bali. At the press event on the conference’s final day, the United Nations’ top climate official, Yvo de Boer, actually fled the dais in what reporters described as a “flood” of tears.

Despite such outbursts, we should be thankful for the stalemate in Bali, which actually *improved* humanity’s prospects. Environmental activists argue that global warming will harm human welfare, but the same can be said of climate policies. In fact, impetuous efforts to “do something” about global warming would retard global economic growth, at enormous human expense.

Global warming, of course, is caused by the combustion of fossil fuels, which releases heat-trapping greenhouse gases into the atmosphere. But fossil fuels are used to generate 85 percent of the world’s power, since they are cheaper than “green” technologies. A green energy future, therefore, is an expensive energy future, and expensive energy is inimical to economic well-being. Consider America’s economic malaise during the Carter administration, which was caused in large part by oil price shocks from supply disruptions caused by the Iranian revolution.

Politicians like California Governor Arnold Schwarzenegger, who claim that curbing global emissions will boost economic growth by creating a thriving “green sector,” present an incomplete picture. For each solar panel technician hired, a coal miner—and many more—lose their jobs, because higher energy

prices mean less of everything made using energy, which is... *everything*.

The science of global warming is said to be settled. It is not. But the economics are far more certain: An abrupt transition to “alternative” energy sources would slash scores of trillions of dollars off global economic growth.

Numbers, no matter how eye-popping, offer only an abstract measure of the profound human consequences of an expensive energy/low growth future. Forsaken economic growth causes real suffering. Greater wealth yields more medical care, less exposure to the elements, and better nutrition, all of which save or prolong human life. By extension, slow growth kills, because it deprives the world’s poorest of the means to ward off cold, sickness, and disease.

So targeting fossil fuels to limit climate change would harm global economic growth, which would harm human beings—a lot of them. The European Union and all the prominent environmental groups are proposing to limit atmospheric concentrations of greenhouse gases to 450 parts per million. To reach that target, developing countries—that is, about 5 billion of the world’s people—would have to reduce their annual emissions by 20 percent by 2050, *even if the developed world somehow reduced its carbon footprint to zero*. That is a lot of sacrificed growth, with the attendant privation.

Is the cure worse than the disease? The few who have asked this question offer interesting answers. Danish statistician Bjørn Lomborg applied a cost/benefit analysis to climate change mitigation policies, and found they were a waste of money.

“For the sake  
let’s hope t  
are as fruit



...of the world's poorest citizens,  
...that all climate treaty negotiations  
...ess as the Bali conference.”

According to his research, we could spend a fraction of the cost of climate policies on immediate problems, like HIV/AIDS or malaria, and save millions more lives than would be imperiled by global warming.

In another study, Yale economist William Nordhaus demonstrated that the package of policies advocated by Al Gore would leave the world \$44 trillion worse off at the end of the 21st century, or about double the cost of doing nothing about climate change. That's a killer deal, literally.

To be sure, global warming is real, and the climate will slowly change. But that doesn't mean we should prioritize atmospheric chemistry over global poverty. For the sake of the world's poorest citizens, let's hope that all climate treaty negotiations are as fruitless as the Bali conference.

*William Yeatman (wyeatman@cei.org) is an energy policy analyst at CEI.*



“Another interesting measure of global warming interest is where Internet users go when they're looking for information on the topic of global warming. Over 19% of searches on the term resulted in visits to Globalwarming.org.”

— *TIME*

**Bringing Debate to Millions**

the all-new  
**globalwarming.org.**

# TAXING WATER

*What will Nanny State Politicians Think of Next?*

BY ANGELA LOGOMASINI

The Chicago City Council has taken the idea of “sin taxes” to a whole new level of stupidity. Regulators began by going after cigarettes, alcohol, and firearms, and moved on to SUVs, fast food, and even toilets! Starting in 2008, the city of Chicago is going to tax water—when it comes packaged in a plastic bottle.

Somehow bottled water, which was once the preferred choice among environmentalists who have spread fears about tap water safety, has become environmental enemy number one. According to environmental activists and lawmakers, the energy needed to transport the bottles is too great and contributes needlessly to climate change. In addition, they contend, the bottles create too much waste that ends up in landfills.

Both of these “problems” amount to little more than green nonsense. If claims about human climate impacts are correct, even drastic changes in the global economy would make little difference. The most rational strategy would be to manage adverse impacts—if any arise—and capitalize on any potential positive effects, such as increased agricultural productivity. Similarly, taxing or regulating bottled water is not going to do much for “the environment” by saving the tiny portion of landfill space consumed.

The other argument being peddled by anti-bottled water activists is that people should not have easy access to bottled water because it is wasteful. Tap water is just as good and much cheaper, they note, which is true, but irrelevant. If the green do-gooders want to lug around refillable containers with the hope of finding a place to refill them when needed, that is their choice. But they should not foist their values on the rest of us.

But it is not just the greens pushing their anti-consumption ideology who have latched on to the issue advancing. In Chicago, lawmakers see a new excuse to reach into taxpayers’ pockets. One official claimed that a tax on bottled water will help cover a \$40 million shortfall in the city’s sewer and water budget, which he suggested partly results from a decline in water usage. The implication is that the city is losing substantial revenue as residents increasingly choose bottled water over tap water.

It is doubtful that such trends really exist. In any case, there must be a better way to address budgetary problems than to undermine consumer choice. Why not cut bureaucratic fat from other parts of the budget?

Unfortunately, Chicago is not alone. Politicians around the nation are embracing the anti-bottled water cause to earn a green pat on the back. The U.S. Conference of Mayors led the way by passing a resolution—pushed by San Francisco Mayor Gavin Newsom, Salt Lake City Mayor Ross “Rocky” Anderson, and Minneapolis Mayor R.T. Rybak—last June endorsing tap

water as the environmentally preferred option over bottled water.

Each resolution sponsor has pushed the issue at home. Minneapolis spent \$200,000 to promote drinking of tap water over bottled. The San Francisco city government announced that it would no longer provide bottled water at public events or in government buildings.

Salt Lake City now demands that government workers leave their bottled water at home. The city even plans to deny firefighters the right to bring bottled water to work—you know, to those raging fires where these heroes risk life and limb.

Bottled water offers firefighters a quick and easy way to hydrate during intense and dangerous operations. Salt Lake City Mayor Rocky Anderson's response: Each firefighter will get a refillable container. Two additional personnel will be dispatched to each fire to refill on the scene—which surely will cost taxpayers more than a few bottles of water! And are firefighters really expected to queue up for a drink? What if someone forgets his refillable container?

Similar anti-bottled water policies are being considered in localities around the nation, from San Jose to New York City. Private entities also are also getting in on the action. Last year, the United Church of Canada issued a resolution urging its nearly 600,000 members to stop buying bottled water. Some restaurants have removed it from their menus.

Another agenda being served is the bottom line of the water filtration industry, which activists are pushing as the solution to problems with both tap and bottled water. Greens once helped build the market for bottled water by hyping risks of tap water. Now they attack both bottled and tap water as environmentally unsound, recommending that people drink filtered tap water instead. Water filter companies Brita and Nalgene have even launched a website, FilterForGood.com, urging people to take a pledge to give up bottled water for environmental reasons.

It's fine if people want to use filters, carry refillable containers, or stay at home and drink water from the tap. But some of us do not consider the convenience, portability, and quality of bottled water as wasteful. We should be free to pick up a fresh, chilled bottle of purified water when needed—without a punitive tax, regulatory hurdle, or morality lecture.

*Angela Logomasini (alogomasini@cei.org) is Director of Risk and Environmental Policy at CEI.*



**M**arketing freedom is what Bureaucrash is all about. Video can be an important tool for selling liberty. For that reason we launched Bureaucrash TV. To capitalize on the explosive popularity of YouTube and online video we are producing shows, skits, interviews and, of course, crashes to promote our belief in limited government and personal responsibility.

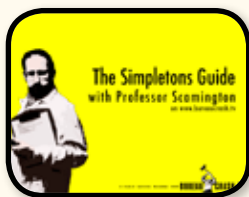
We recently hired staff for a new video production studio and are working with other free-market organizations and the CEI team to develop programs with the freedom message. Here are a few of our shows which you can view on the web.



### Crash'd

<http://youtube.com/bureaucrash>

A "crash" is activism, Bureaucrash style. While most youth politics supports enlarging the already bloated government bureaucracy, we fight for freedom. We've already taken on Al Gore, the Yes Men, Michael Moore and many others, so stay tuned to see which advocate of statist ideas we target in the future.



### The Simpleton's Guide

<http://youtube.com/simpletonsguide>

Hosted by CEI's own Richard Morrison, this series attempts to present seemingly complicated ideas in a simple manner (hence the name). From Law of the Sea Treaty to Rachel Carson, *The Simpleton's Guide* can explain any issue.



### Angry Girl

<http://youtube.com/angrygirl76>

Angry Girl features our video production manager, Erin Wildermuth, ranting about various issues that should make anyone who believes in freedom...well, angry. She has already taken on such issues as the Food and Drug Administration, the pork-laden Farm Bill, and curfew laws.

# the GOOD, the BAD & the UGLY

## THE GOOD

### Mortality Falling Despite Extreme Weather

Climate doomsayers routinely warn that global warming will lead to more weather-related disasters.

Yet a recent study by economist Indur Goklany found that mortality and mortality rates are *falling* despite an upsurge in severe weather events. Observes Dr. Goklany: "The largest improvements came from declines in mortality due to droughts and floods, which apparently were responsible for 93 percent of all deaths caused by extreme events during the 20th Century." Mortality rates for windstorms, too, have dropped. (Dr. Goklany won CEI's 2007 Julian L. Simon Memorial Award.)

The results in the U.S. have been even more dramatic, with annual mortality for different disasters falling by as much as 81 percent and mortality rates dropping by as much as 95 percent. Goklany points to more abundant wealth, advanced technology, and more widely available human capital for causing the phenomenon. The science behind claims of a catastrophic future is dubious. In any case, it appears to be significantly easier to adapt to climate change than to try to prevent it.

## THE BAD

### Misunderstanding the Problem of Poverty

The Census Bureau estimates the number of poor Americans at 37 million as of 2005. So politicians denounce uncaring government policies. Activists demand new programs.

Yet true material poverty is rare in the U.S. In a recent study for The Heritage Foundation, Robert Rector observed that material hardship in the U.S. "is quite restricted in scope and severity." Not only do most poor people have adequate medical care and food, but they are well clothed and housed. For instance, more than four in 10 officially poor households own their home. On average, that means three bedrooms, a garage, and either a patio or porch. Nearly three in four officially poor Americans own a car. Almost all have a TV, while most have a VCR or DVD player and cable or satellite television.

## THE UGLY

### American Politicians Call for UK-Style Health Care Reform

Politicians are clamoring to "do something" about climbing health care costs. A federal takeover is no solution, however. Just look at Britain's National Health Service.

The *Daily Telegraph* reports that "Hospitals are still failing to treat people with dignity and respect." A report by the official Healthcare Commission "called for improvements in care, ... better service planning and promotion of patient safety."

Wait times for care are legendary. But, noted another story in the *Telegraph*, "Plans to eliminate excessive waiting times in the National Health Service stand no chance of succeeding."

Worse, in the future, some Britons might not even receive care. Another *Telegraph* article explains that "Millions of people with arthritis, asthma and even heart failure will be urged to treat themselves" in order to save money. Moreover, "Patients could be required to stop smoking, take exercise or lose weight before they can be treated." How's that for a political soundbite?

# MediaMENTIONS

Compiled by Richard Morrison



## Energy Policy Analyst **William Yeatman** debunks claims of California's commitment to fighting global warming:

U.N. Secretary General Ban Ki-Moon says that California "leads the world" on climate change. He's right, but not the way he thinks. In fact, the Golden State leads the world in unfulfilled promises to fight global warming.

Consider the Los Angeles solar initiative. In 2000, L.A. announced it would become the "Solar Capital of the World," with solar panels on 100,000 rooftops by 2010. To reach this ambitious target, the L.A. Department of Water and Power offered generous subsidies for solar energy systems. Three years and \$80 million later—to outfit 600 rooftops at a cost of \$13,000 each—the city cancelled the project as cost-ineffective, 99,400 buildings short of its goal.

—*The Orange County Register*, Dec. 11

## Center for Entrepreneurship Director **John Berlau** on why the federal government should stay out of the subprime mortgage market:

Whatever relief the plan hatched by Treasury Secretary Henry Paulson to freeze the introductory interest rates of adjustable-rate mortgages (ARMs) gives to some borrowers today, it is almost certain to hurt many more borrowers in the future. Instead of going after the real instances of fraud, Paulson set a sweeping standard for a wide swath of borrowers and lenders to back out of consensual agreements. If this precedent of the government arbitrarily pushing through changes to contract terms is allowed to stand, it will make many legitimate businesses think twice about investing in the U.S. credit markets and increase costs for loans.

—*USA Today*, Dec. 10

## Senior Fellow **Marlo Lewis** questions the feasibility of new fuel economy regulations:

Someone who is not a congressman might see a pretty clear "market signal" in the fact that, out of 1,153 models rated by EPA, only two fully meet the House energy

bill's proposed standard, and a mere nine meet it partially. Yet House leaders assure us their proposed standard is realistic and practical.

—*National Review Online*, Dec. 5

## Vice President for Policy **Wayne Crews** and Research Associate **Alex Nowrasteh** make the case for approving the merger of Sirius and XM Satellite Radio:

The proposed XM/Sirius satellite merger—awaiting OKs from the Justice Department and Federal Communications Commission (FCC)—represents the antitrust establishment's latest target...

Fortunately many Wall Street analysts foresee a favorable decision come early December. Bear Stearns analysts put approval at 70 percent.

Yet that optimism must be qualified by recognizing the damage caused by subjecting every major but routine voluntary alliance to months of wealth-draining "analysis" and groveling. The companies have given the government millions of pages of "documentation," a situation that has become routine.

—*The Washington Times*, Nov. 19

## Technology Policy Analyst **Cord Blomquist** and Research Associate **Ryan Radia** explain the frivolous lawsuit against the iPhone in California:

California resident Timothy Smith has sued Apple and AT&T over the iPhone, accusing them of illegal monopolistic behavior. The iPhone is locked to the AT&T cell network and Apple is accused of writing software rendering hacked iPhones inoperable. If we want innovators to create the next revolutionary device, frivolous lawsuits like this must be stopped in their tracks...

The suit claims that locking phones to networks is a monopolistic business practice. But how is designing a phone to work with a network monopolistic? Just as it would be unreasonable to demand that Windows software run on a Mac,

it is equally unreasonable to demand a universal iPhone.

—*TCS Daily*, Nov. 19

## Adjunct Fellow **Fran Smith** cites the possible impact of increasing production of biofuels in the United States:

Last fall, agricultural economist Dennis Avery noted that about 440 million acres are now used for U.S. crop plantings for food, fiber, and feedstock. Mr. Avery said that more than 546 million acres would be needed to replace current gasoline use with corn ethanol because of its low energy intensity.

That's unlikely, of course. But the incentives for farmers to expand their corn acreage are there in the form of mandates and subsidies, which may lead to Conservation Reserve lands being converted to corn and other biomass production, or the use of more marginal land with attendant environmental problems resulting from soil erosion, more fertilizer use, more runoff, plus greater water use and water quality issues.

—*The Wall Street Journal*, Nov. 6

## Senior Fellow **Iain Murray** examines the workings of the Nobel Prize-winning United Nations Intergovernmental Panel on Climate Change:

The IPCC works by bringing together a few experts in each scientific area to sift through all the recent published science. They then write up a report based on their assessment. The resulting massive report actually does a pretty good job of summarizing the state of the hard science, but much less so on the state of the economics and the projected impacts of global warming—which are pretty much educated guesswork.

The quality of the scientists working on the IPCC has, however, declined as the process has gone on—the work is unpaid and unrewarding. Meanwhile, before that full report is released, a much smaller team of mostly government representatives—scientific bureaucrats—works out what policy makers "need" to know and writes up a heavily filtered "Summary for Policymakers" that strips away most of the report's language of uncertainty and adds a clear spin to the science.

—*The Detroit News*, Oct. 15

### European Reformers' Real Challenge

It long has been obvious that Europeans don't like capitalism. They mix government control of major industries with state regulation of whatever companies are left over. For years shops couldn't open on weekends and had to close early. Even now, countries like Belgium strictly limit sales, nominally to protect small retailers. "Consumers be damned!" should be the European regulators' motto. Certainly that is a philosophy taught in school. Stefan Theil, *Newsweek's* European economics editor, points to the anti-capitalist bias in the Continent's textbooks. "In both France and Germany, for instance, schools have helped ingrain a serious aversion to capitalism," he writes.

### Eco-Warriors Take Flight

Former Vice President Al Gore is busy fighting global warming—even as he lives large in Tennessee and flies around the globe, creating quite a carbon footprint. But Gore is hardly unique. Target Group Index, a British market research firm, surveyed consumers and found that "eco-adopters" who profess the greatest environmental awareness are more likely to fly and own a car. The report's author, Geoff Wicken, pointed to Conservative Party leader David Cameron, who, like Al Gore, crusades for the environment while flitting about in helicopters and airplanes. Cameron has proposed imposing a special tax on air travel, which would rise on additional flights. Travelers could enjoy one short-haul trip at the standard rate, after which they would have to pay much more. Well, at least this nutty idea isn't as, well, *stupid* as

## ...END NOTES



the campaign by the group Plane Stupid to shut down travel agents.

### Schools are for Learning, Right?

Younger Americans recognize the importance of technology in their future. The Lemelson-MIT Invention Index, which measures popular attitudes towards innovation, found that three-quarters of American teenagers believe that new technologies could help solve pressing environmental problems. Two-thirds believe that they could help *invent* some of those new technologies. Alas, six in 10 said that their schools were not adequately preparing them for a career in technology or engineering. Nearly two of every three

African Americans said that their schools weren't doing a good enough job. If the public schools aren't preparing students for the future, what *are* they doing?

### The Coming Light Bulb Black Market

Uncle Sam is preparing to ban light bulbs—the traditional incandescent ones most people use at home. Naturally, the excuse is to protect the environment. And that shouldn't surprise us. Although socialism has died as serious economic theory, it remains surprisingly vital within the academy, some churches, and the environmental movement. Fluorescent bulbs are more energy efficient, but the lower operating cost means more people will leave them on longer. Moreover, incandescent bulbs give off heat, an advantage in winter. And the fluorescent bulbs contain mercury, a toxic material normally shunned by environmentalists. The disposal of hundreds of millions of these bulbs will pose a significant burden. But what does Congress know about trade-offs?



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

Nonprofit Org.  
U.S. Postage  
**PAID**  
Permit 2259  
Washington, DC