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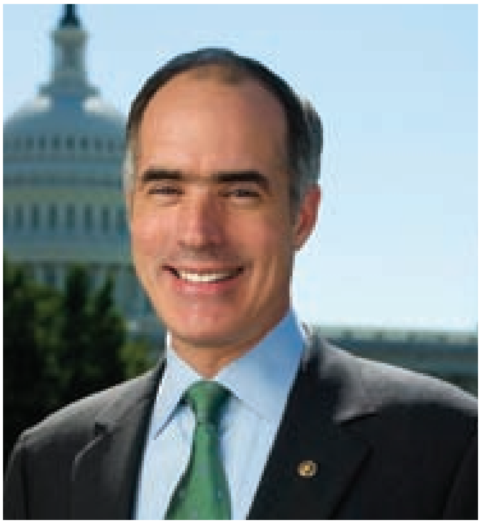
Democrats Support Yet Another Bailout

BY F. VINCENT VERNUCCIO
AND IVAN OSORIO

The so-called Create Jobs and Save Benefits Act of 2010, introduced by Sen. Robert Casey (D-Pa.), got a huge boost when Senate Majority Whip Dick Durbin (D-Ill.) signed on a as a cosponsor, just before Congress' August Recess. With the support of such a high-ranking member of the Senate Democratic leadership, Casey's bill threatens to gain momentum. That would be very bad news. Casey's bill is a micro-targeted bailout for underfunded union pensions that could cost taxpayers billions.

The bill would create a special fund in the Pension Benefit Guarantee Corporation (PBGC), an agency chartered by Congress that insures private sector pensions. The PBGC is funded through premiums paid by private companies to insure retirees if a plan sponsor were to become insolvent. Casey's bill would direct taxpayer dollars to shore up some underfunded union pension plans. The use of public funds to insure private pension plans is a first for the PBGC and a stark departure from the way it has operated since its creation in 1974.

Sens. Richard Durbin (D-Ill.) and Robert Casey (D-Pa.)

Casey's bill would create a new fund to the PBGC called the "fifth" fund. The legislation states that the new fund's obligations would be "obligations of the United States." In other words, taxpayers, not just PBGC premium payers, would be on the hook. Money in the "fifth" fund would go to "orphans"—employees whose employers have stopped contributing to their plan—of certain existing pensions.

Phyllis Borzi, the Assistant Secretary of Labor for the agency in charge of pension plans, acknowledged in testimony to the Senate Health, Education, Labor and Pensions Committee that Casey's legislation "ultimately makes the taxpayers liable for

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FEATURED ARTICLES

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>>FROM THE PRESIDENT

Ralph Smeed: Libertarian Luminary

By Fred L. Smith, Jr.

Another hero of the post-World War II economic liberty movement has passed away. Those who never knew Ralph Smeed missed an opportunity. Ralph was a classic curmudgeon, but his was a righteous anger. He was irate at the direction of America and eager to keep us from hurtling down the Road to Serfdom. He aggressively publicized his views, earning local notoriety for his billboard in Caldwell, Idaho, where he posted pithy, if somewhat aggressive, political aphorisms.

I first met Ralph at a conference hosted by PERC many years ago. During one of the breaks, he and I were walking through the woods alongside the young daughter of one of the participants. “Young lady,” Ralph asked, “do you go to a government school?” “Yes,” she replied. “Well,” responded Ralph, “you take good notes and when you grow up you can file a class action lawsuit against the state!” If she took that lesson to heart, Ralph may have helped create a new fighter for freedom.

Statism was his *bête noire*. Ralph distributed a series of products with notable quotes and truths about that terrible concept—notepads, pamphlets, pens, and other novelties. The pens click through statements condemning statism, among them: *Politicians wallow in statism. Lobbyists get rich thru statism. The world’s ‘oldest profession’ is more honest than statism*. And, although Microsoft’s spell check still lists “statism” as an unknown word, the term has made its way into most dictionaries. We will try again to persuade Microsoft to add this definition—it would be a fitting tribute to a great man.

Ralph served on the board of the Foundation for Economic Education (FEE) and was memorialized by that group’s current president, Lawrence Reed. Ralph was convinced that free market advocates need to better market liberty. When he found that FEE founder Leonard Read’s classic pro-freedom pamphlet, *I, Pencil,* had gone out of print, he and David Keyston, another fighter for liberty, put up the funds to allow FEE to reprint that important document. We at CEI were working with Ralph to adapt *I, Pencil* into a short film.

Ralph is not with us to see that project through to its completion, but we’re collaborating with one of his colleagues, Wayne Hoffman, head of the Idaho Freedom Foundation, to make the *I, Pencil* video a reality. Bringing that classic work into the new media realm will help us portray the creativity of the market and spontaneous order created by voluntary exchange. Those interested in supporting this endeavor should contact CEI or the Idaho Freedom Foundation. We intend to dedicate this video to Ralph.

Larry Reed spoke to Ralph shortly before his death. Even in his hospital bed, he was still thinking of ways to advance liberty. Death took him as it does us all but he went fighting the good fight. His example is inspiring. Ralph began his struggles when the ideas of liberty were at a very low point in America. Today, the Tea Party and the swiftly expanding classical liberal movement prove that his efforts were not in vain. Ralph fought long enough for the rest of us to join the battle. Our task is to ensure that his triumphs do not falter in our lifetimes.

Fred Lee Smith Jr

Ralph Smeed

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Union Bailout, *continued from page 1*

paying the benefits of [particular union pension] plan[s]. Currently, no other benefit obligations assumed by PBGC are subject to the full faith and credit of the U.S. government."

Borzi, who was nominated by President Obama, is skeptical that the legislation will fix the current situation. She commented that the root of the problem is a sharp decline in the number of new employers joining union pension plans and a dramatic drop in the ratio of employees to retirees. She stated that, "[T]hese larger problems facing plan's troubled industries won't be solved by the kind of short term temporary funding relief Congress is currently working on."

Indeed, union pension plans have been in trouble for years and the latest economic downturn has only exacerbated the problem. In 2008, the Department of Labor listed 230 union plans as being either endangered—less than 80 percent funded—or critical—less than 65 percent funded. A year later, that number had skyrocketed to 640. In 2009, Moody's Investors Service estimated union pensions to be underfunded by $165 billion.

Worse, Casey's bill would also bail out a dysfunctional agency. The PBGC's premiums are set by Congress, not the market. As a result, years of too-low premiums, combined with the moral hazard that creates for companies under Chapter 11 to shunt off their pension obligations to the agency, have left the PBGC with severe deficits of its own. The PBGC faces a deficit of $22 billion, which is projected to go as high as $34 billion by 2019, according to its own 2010 annual management report. Taxpayers could also be on the hook for this deficit. A provision in the "fifth fund" allows it to transfer money to others funds in the PBGC, which could use that money to reduce its deficit.

Estimates on the bill's cost vary widely. Sen. Casey very conservatively predicts the bill will cost $8 billion to $10 billion. News outlets such as the *Wall Street Journal*, *Washington Examiner*, and Fox Business estimate the bill could cost as much as $165 billion.

One likely early beneficiary of the bill would be the Teamsters union, for which "pension reform" is a top legislative priority. The Teamsters' Central States Pension Fund has been terribly underfunded for years. In 2007—before the financial crisis—it had only 47 cents on every dollar owed. Today, it is likely much worse due to the economic downturn. In fact, that same year, UPS found it less costly to pay $6.1 billion to withdraw from the fund than to continue paying into it. According to the Department of Labor, 11 Teamsters pension plans are in critical status and eight are endangered.

Why the sudden urgency? *The Wall Street Journal* summed it up well: "If Democrats could shift orphan company pensions to the taxpayer, the liabilities for the remaining companies would fall dramatically, and the multi-employer scheme could continue. Unions and employers could keep promising current workers fabulous pay and benefits, without which they have little chance of stemming their continuing decline in membership."

Taxpayer watchdog groups have been sounding the alarm on the Casey bill and a similar bill in the House of Representatives, introduced by Rep. Earl Pomeroy (D-N.D.) for months. In May, 50 free market and taxpayer organizations co-signed a letter urging congress to "oppose legislation which provides the framework for a taxpayer funded bailout for failing pension plans." The Casey Bill has been slow to gain traction, but now, with the second highest ranking Democrat in the Senate backing it, that all could change.

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Post-Spill, it's Still "Drill, Baby, Drill!"

BY BEN LIEBERMAN

Public support for tapping America's oil reserves got a tough test over the last few months with the Deepwater Horizon spill, but the verdict is in: It's "drill, baby, drill!"

A clear majority continued to support drilling in American waters even during the height of the spill, when oil was gushing uncontrollably in the Gulf of Mexico and dying birds headlined network newscasts. Pollsters at Rasmussen reported on August 4 that, "[S]ince the oil-rig explosion that caused the massive oil leak, support for offshore drilling has ranged from 56 percent to 64 percent." That is fairly consistent with the percentages in April of this year, just before the spill, and not a huge drop-off from the 72 percent that supported it back in the summer of 2008, when pump prices topped $4 a gallon.

Now that the leak has been stopped, the number in favor should start creeping back up. Support was always strongest in Louisiana—which bore the brunt of the environmental and economic damage—where 79 percent of residents remained in favor of drilling, the same as before the spill, according to Rassmussen.

President Obama clearly overplayed his hand with Louisianans and other Gulf Coast residents when his administration tried to parlay the spill into a justification for a moratorium on offshore drilling and other job-killing measures, such as the cap-and-trade global-warming tax on energy. The bayou backlash against the moratorium—including from Louisiana Democrats in Congress—was deafening.

Looking forward, the biggest threat to the Gulf region's economy isn't the spill itself but Washington's reaction to it. According to a study by Louisiana State University economics Professor Joseph Mason, the moratorium will destroy 12,000 jobs in the near term and 36,000 if it lasts a year. As the Gulf region loses jobs, the rest of the nation is losing the energy that would have been produced.

Gulf Coast residents were right not to overreact. Despite Obama's best efforts to hype the spill, including a prime-time speech calling it "the worst environmental disaster America has ever faced," the damage has proved to be far from catastrophic.

The scariest claims turned out to be nonsense. Remember those "experts" who predicted that the oil would make its way around Florida and blacken the Atlantic Coast?

As cleanup activities and efforts to compensate those who have been harmed move forward, there is reason for cautious optimism about the long-term prospects for recovery. Gulf shrimp are just as safe to eat—and as tasty—as before the spill.

The administration is still pushing the moratorium, but its gloomy rhetoric—echoed by nearly every anti-fossil-fuel environmental group—may undercut its own efforts. If the Deepwater Horizon spill really was the absolute worst that could happen, then the benefits of producing American oil sure seem worth the risks. Spills of this magnitude occur only once every few decades. We will more likely see a return of gas at $4 a gallon—or higher—long before we see another spill this big.

Washington can and should find out what caused the spill and impose reasonable safeguards, but it shouldn't close the door on tapping the nation's oil resources. The American people have had it right all along: Drill, baby, drill!

Ben Lieberman (blieberman@cei.org) *is an Associate Fellow at the Competitive Enterprise Institute. A version of this article originally appeared in* The New York Post.

AN INTERVIEW WITH

Bartley J. Madden

Bartley J. Madden is an economist and engineer whose current research focuses on market-based solutions to public policy issues, including FDA reform, the interdependence between knowledge building and wealth creation, and corporate governance. He began his career as a mechanical engineer, spent some time in the U.S. Army, and then earned an MBA at the University of California, Berkeley.

Madden believes that wealth creation is rooted in individuals making decisions in their own best interest, and it wasn't long before he began to apply that principle to the issue of pharmaceutical development and regulation. He concluded that the FDA creates a substantial bottleneck in the delivery of innovative new medicines to patients who need them, and he soon began to explore ways to reform the agency's drug approval process. Madden now proposes what he calls a Dual Track system that would permit patients to circumvent the FDA's monopoly on access to not-yet-approved drugs.

He has written about the proposal in such journals as *Cancer Biotherapy & Radiopharmaceuticals*, *Medical Hypotheses*, *Regulation*, and in other forums. This summer, the Heartland Institute published his short book, *Free to Choose Medicine: How Faster Access to New Drugs Would Save Countless Lives and End Needless Suffering*. In September, we talked to Bart Madden about the new book and his ideas for FDA reform.

What is the basic problem with the FDA's drug approval process that you're trying to solve?

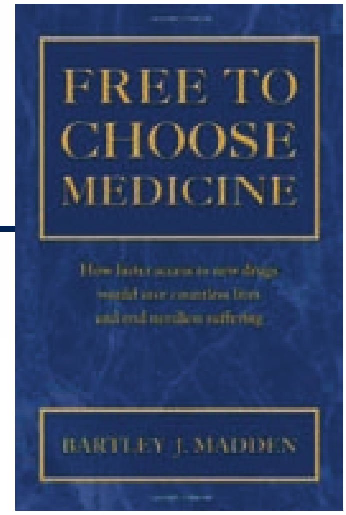
The core problem is the FDA's excessive focus on clinical testing, which degrades the overall system's performance in achieving the goal of better drugs, sooner, at lower cost. A drug developer spends about $1 billion for a decade of clinical testing to secure an FDA approval. As medical innovations accelerate, we will pay even more sky-high prescription drug prices for approved drugs that may well be obsolete compared to the most innovative new drugs stuck in the FDA's clinical testing process.

Because the FDA is a monopoly, everybody is forced into a one-size-fits-all regulatory straitjacket that presumes everyone is equally risk adverse. We are denied a choice in evaluating what is a fundamental tradeoff decision about the risks of side effects versus the opportunity for health improvement not otherwise available. We and our doctors are best equipped to make that tradeoff decision, not the government. To better achieve the rightful goal of the drugs-to-patients system we need consumer choice and competition. That will break the FDA's monopoly and, in so doing, compel the FDA to streamline its clinical testing process.

How does your Dual Track system provide patients with greater choice?

With a Dual Track system, on one track a drug developer proceeds with the usual FDA clinical trial and approval process. On a new, free-to-choose track *operated independently of the FDA*, drug developers whose drugs have successfully passed FDA safety trials, and generated late stage clinical results, can elect to sell their drugs to patients and their doctors. We, and our doctors, would be able to access an Internet-based Tradeoff Evaluation Database that provides up-to-date information about the effectiveness (including side effects) of approved drugs as well as drugs on the free to choose track.

Private sector companies would have a profit incentive to develop and sell "consumer reports" that would further help patients and doctors. Consumer reports would be well suited to pinpoint subsets



of patients who are most and least likely to benefit from new drugs and provide head-to-head comparisons of free to choose drugs and relevant FDA-approved drugs.

You've argued that the biggest opponents of your proposal are trial lawyer interests that favor restricting almost all consumer choices. But don't the big pharmaceutical companies also oppose it because giving patients the freedom to choose would make it harder to enroll patients in clinical trials and harder to control the statistics on risk and benefit?

In chapter three of *Free To Choose Medicine*, I discuss clinical trial ethics. Briefly, it is unethical to knowingly keep a patient from receiving a known superior treatment. When doctors truly do not have a strong view about the efficacy of the new drug, the free-to-choose track would not cause a problem with enrollment in a clinical trial. But, rightfully, there would be an enrollment problem for trials in which a patient could randomly be chosen to receive a treatment deemed to be inferior to the new drug. This situation calls for more innovative testing procedures by the FDA.

Free to Choose Medicine is about *providing benefits to patients.* This is achieved through more competition in the pharmaceutical industry (resources moving to the most skilled firms in developing breakthrough drugs), and, importantly, by introducing competition for the FDA's clinical trial process itself via freedom of choice.

Hurricane Katrina, Houston, and the Humanitarian Case Against Zoning

BY MARC SCRIBNER

On a Monday morning in late August 2005, Hurricane Katrina made landfall along the Gulf Coast. While the storm had weakened significantly in the Gulf of Mexico, its storm surge was responsible for most of the lives lost and damaged property. The confirmed death toll topped 1,800. Property damage exceeded $80 billion. A month later, Hurricane Rita struck the still-submerged Gulf Coast, killing 100 more people and causing another $10 billion in property damage.

Much of New Orleans and many coastal communities in Louisiana and Mississippi remained under water for weeks. Approximately 240,000 evacuees fled to the nearest largely unscathed major city: Houston. Fortunately for the refugees, Houston lacks many of the zoning and land-use regulations common in most other urban areas. This peculiarity greatly assisted Houston's ability to absorb the thousands of Gulf Coast evacuees.

Thanks to the city's liberal land-use policies, Houston enjoys lower real estate prices, increased availability of affordable housing, lower population concentration, and more opportunities for entrepreneurs. If not for these conditions, displaced Gulf Coast residents would have faced even tougher—and likely more deadly—challenges following the disaster.

Zoning laws had put up artificial roadblocks to the construction of affordable rental units during the preceding decades in communities along the Gulf Coast. This made homelessness even worse for low- to moderate-income residents after Katrina and Rita made landfall.

In Louisiana and Mississippi, emergency temporary housing was zoned out of many of the worst-hit areas, even as local politicians accused the Federal Emergency Management Agency (FEMA) of mismanagement. FEMA deserves plenty of blame, but so do the local officials who refused to ease existing restrictions—and even ratcheted up land-use and building regulations.

Supporters of these stronger measures claimed that they would help prevent the same level of destruction in the future, but the short-term consequences were dire for those hardest hit.

Particularly perverse was the rise in interest of so-called "smart growth" policies such as form-based codes, in which government incentivizes, regulates, and subsidizes high-density, "sustainable," "livable," mixed-use developments. These policies have little to do with improving the lives of ordinary citizens, given that most Americans prefer to live in the less dense suburbs. Rather, they primarily serve to validate the urban utopian ideologies held by planners and environmental activists.

A 2008 analysis by the Federal Reserve Bank of Atlanta found that new restrictions on construction and land use drastically increased the costs of rebuilding, and many former homeowners and entrepreneurs were priced out of the market altogether.

Houston was better prepared than many cities to deal with hundreds of thousands of impoverished evacuees, but many native residents were pessimistic. Among other concerns, they worried that crime would increase in the city and the media was filled with scare stories on the supposed "Katrina crime wave." While crime did increase, research published in the *Journal of Criminal Justice* found that the increase was very slight and surprisingly low for a city that saw its population increase by nearly 10 percent almost overnight.

Houstonians were also worried that the influx of evacuees would depress employment and wages. But according to a study published in the *American Economic Review*, migrants from the Gulf Coast disaster zone "caused little harm to the native Houstonian labor market," a finding consistent with the wider literature on migration and labor. Again, Houston's liberal land-use regulations and its resulting enhanced ability to absorb new residents helped mitigate many of the problems often associated with a massive influx of refugees.

While Houston's unemployment rate is currently above average when compared to Texas as a whole, joblessness is still significantly lower than the national average, and many economists predict Texas—including Houston—will be among the first states to recover from the recession.

Houston's unusually lax land-use policies should serve as a model for the rest of the nation. Many of the alleged problems "fixed" by rigid zoning regulations are in reality made worse. Decisions about how to use private property are best left to the open market, which is immune from manipulation by politicians and special interests. A laissez-faire attitude toward land use is justified not only economically, but on humanitarian grounds as well.

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Seeking Food Safety, Getting Human Harm

BY ANGELA LOGOMASINI

Congress is set to consider a food safety bill. But the bill has so far stalled because of a controversial amendment to ban the chemical bisphenol A (BPA) from use in food packaging. Ironically, should this ban pass, it could actually make your food less safe.

Used for more than 50 years with no reported adverse health impacts, BPA provides many valuable health, safety, and environmental benefits. It replaced glass baby bottles and cups to reduce the risks of broken glass, and it is more energy efficient to make and transport. It also saves energy and water when used for highly reusable and recyclable five-gallon water jugs found in office coolers.

Perhaps most importantly, BPA-based resins are used to line aluminum and steel cans to reduce food contamination from rust, E. coli, botulism and other dangerous pathogens. Lawmakers assume that manufacturers have new products to replace BPA, but there is no proven safe replacement.

You cannot mandate the use of something that does not exist. Packaging manufacturers have been trying to remove BPA from their products because of public pressure, but they are having a difficult time finding safer alternatives. In fact, one industry representative told *The Washington Post*, "We don't have a safe, effective alternative, and that's an unhappy place to be. ... No one wants to talk about that."

The controversial amendment, drafted by Sen. Dianne Feinstein (D-Calif.), would set up a bureaucratic waiver process through which companies would have to spend gobs of money to prove there are no better alternatives to BPA. But proving a negative is, well, pretty much impossible. It will be easier for manufacturers to simply use inferior, more expensive packaging and then simply cross their fingers in the hope that it does not result in increased food-borne contamination.

Moreover, lawmakers cannot be sure that alternatives will be any safer. BPA has been studied extensively for decades with no evidence of any harm to humans, but it would take decades more to study a replacement product.

Instead of arbitrarily removing products from the marketplace, lawmakers should have to prove that products are truly dangerous, something never shown for BPA, even after a massive amount of government and privately funded studies around the world.

A joint Competitive Enterprise Institute-Cascade Policy Institute study has reviewed the science and shown that regulation is not warranted. BPA's alleged risk to humans is mostly based on studies of rodents that were administered massive doses, often by injection. The relevance to humans who are exposed to trace amounts in food is highly questionable. Moreover, humans metabolize BPA quickly, while rodents do not. Many substances—such as chocolate—kill rats, but are safe for humans. But we do not ban chocolate.

Scientific panels around the world have investigated BPA many times over. In Japan, the European Union, Canada, Norway, France, and elsewhere, researchers have found no public health risk related to consumer exposure to BPA, and regulations that have been adopted are based on unfounded fears, not science. Even the Environmental Protection Agency states that consumer exposure to BPA is likely 100 to 1,000 times lower than EPA's estimated safe-exposure levels—for both infants and adults.

Environmental activists claim that BPA may upset our endocrine systems because scientists call BPA "weakly estrogenic." Yet there is nothing to show any human harm. After all, soy, peas, beans, and a host of other healthy foods are also "weakly estrogenic." Furthermore, the National Academy of Sciences says exposure to such natural sources found in food is 100,000 to 1 million times higher than exposure to similar substances in BPA.

BPA risks are on par with that of a few tablespoons of soy milk. Surely the increased risks of food-borne illnesses caused by a BPA ban should be the greater concern of Congress.

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Spreading the Language of Liberty

The Language of Liberty Institute (LLI) is a small non-profit organization founded in 2005 by Glenn Cripe, a former software developer from Arizona. The organization's mission is "[t]o prepare individuals to develop the civil institutions of free societies, whether in emerging democracies, developing countries, or over-regulated and over-governed countries of the West." Every year, Glenn recruits businesspeople, academics, and political activists to travel with him and lecture on classical liberalism at weeklong seminars held in various countries around the world.

Glenn met with CEI staff while on a brief visit to Washington, D.C. over the summer. After learning about CEI Studios' video work, Glenn invited CEI's Drew Tidwell and Nicole Ciandella to film two upcoming LLI seminars in Porto, Portugal, and Sulejow, Poland.

At the seminar in Portugal, most of the students were young professionals and active members of the Social Democratic Party. In video interviews, the students admitted that the Portuguese government is spoiling the people with social benefits. The country's debt is now 80 percent of GDP. Unless the current Social Democratic government manages to reform public policy, this generation of Portuguese will inherit a heavy debt burden.

Many told us that classical liberal philosophy was too radical for Portugal. But even when they fundamentally disagreed with the lectures, they assured us that they were learning—for many of them, it was the first time they had been presented with such "radical" (free market) ideology.

The seminar in Poland was focused less on reforming public policy and more on fostering entrepreneurship. Glenn had held seminars in Poland previously, and had formed a partnership with the Polish American Foundation for Economic Research and Education (PAFERE). PAFERE helped recruit university students for the LLI seminar, some from Russia and Albania. Many were economics students familiar with classical liberal arguments.

While most were politically moderate, they were all frustrated by market regulations and high business taxes in their home countries. In video interviews, many students told Drew and Nicole that they were planning on leaving their home countries for a while and pursuing their business ambitious abroad, perhaps in America.

The video Drew and Nicole filmed in Europe—complete with an interview with Glenn Cripe and footage from Portugal, Poland, and our brief trip to Berlin—will be released by the end of the year.

Photos by Nicole Ciandella.

Sulejow, Poland—Students sit around a campfire following lectures and workshops.

Sulejow, Poland Language of Liberty founder Glenn Cripe delivers a lecture on Ayn Rand and on the meaning of money.

(top) Porto, Portugal—CEI's Drew Tidwell gives a lecture on free market environmentalism.

(middle left) Porto, Portugal A panel discussion.

(middle right) Sulejow, Poland Students debate whether people should be allowed to sell their organs.

(bottom) Porto, Portugal Students listen to an afternoon lecture.

THE GOOD

House Takes Baby Steps on Internet Gambling Reform

In late July, the House Financial Services Committee passed the Internet Gambling Regulation, Consumer Protection, and Enforcement Act (H.R. 2267), originally introduced by Chairman Barney Frank (D-Mass.). The bill purported to liberalize online gambling in the U.S. CEI Director of Insurance Studies Michelle Minton said, "Four years after Congress passed the Unlawful Internet Gambling Enforcement Act—confusing and ineffective banking regulation—we're glad that members of the House Financial Services Committee have recognized the need to bring Internet gambling out of the underground." But the legislation is far from ideal. Numerous amendments added additional burdens on potential online gambling entrepreneurs, onerous enough that few will likely jump through the hoops required to obtain the necessary licenses. These reform acts are far from perfect, but baby steps in the right direction should still be welcomed.

THE BAD

EPA Refuses to Reconsider Harmful Energy Regulations

On July 30, the Environmental Protection Agency rejected petitions from CEI and other groups opposed to disastrous energy rationing policies to reconsider its move to regulate greenhouse gas emissions as a "public endangerment" under the Clean Air Act. CEI condemned this decision, especially the agency's refusal to consider evidence of scientific misconduct unearthed during the Climategate scandal. "EPA's denial of petitions for reconsideration was as predictable as EPA's outsourcing of its scientific judgment to the Climategate schemers at the IPCC," said CEI Senior Fellow Marlo Lewis. "This sort of bureaucratic self-dealing is inevitable when one and the same agency gets to determine the science and then regulate based on that determination."

THE UGLY

Senate Passes "Small Business" Bill that Picks and Chooses Winners

On September 16, the Senate passed the Small Business Jobs and Credit Act of 2010, and President Obama signed it into law on September 27. While the administration touted the measure as a much-needed assistance to small business, in reality it is yet another government boondoggle that will do little to help small businesses in today's frigid business climate. "The bill's 'small business lending fund' has the government buy $30 billion in preferred stock in banks in return for the banks making politically correct loans with an emphasis on 'linguistically and culturally appropriate outreach,'" noted Director of CEI's Center for Investors and Entrepreneurs John Berlau. "Such an approach will not benefit innovative small firms, but most likely firms who toe the government's line on investing in renewable energy and anything else the government deems 'appropriate.'"

*Media*MENTIONS

Compiled by Lee Doren

Associate Director of Technology Studies Ryan Radia and Policy Fellow Carolyn Homer argue that the free market, rather than the government, is the best means to protect our privacy:

Sharing sensitive information online always entails some risk. But that does not mean we should stop sharing information entirely, nor that companies should be prohibited from using volunteered information. Rather, privacy risks should be combated by educating users about the information they proffer and the trustworthiness of the websites they visit.

Despite the recent privacy hysteria, most companies have a solid privacy track record. Countless firms now hold billions of individual data points, yet breaches are infrequent. Corporate investment in data security continues to grow rapidly. Mistakes do happen, of course, but firms usually fix them quickly to avoid consumer outrage. Competitive markets are not perfect, but they are self-correcting—unlike government.

–September 20, *Advertising Age*

Adjunct Fellow Dr. Henry I. Miller argues that the lag in scientific innovation can be blamed on public policy, not technical difficulty:

Over the last two decades, the use of modern genetic engineering technology to produce pharmaceuticals and new crop plants has given rise to prodigious scientific, humanitarian and financial successes. But its application to animals for food has lagged behind despite the fact that animal protein is expensive and increasingly sought-after worldwide.

The reason for the lag is not technical difficulty. Thousands of animals with genes deleted or added have been engineered for scientific purposes; the catalog of available lines resembles the telephone directory of a small city, and these animals have made incalculable contributions to the understanding of mammalian gene function in health and disease. Rather, the obstacles have their origins in public policy, particularly government regulation.

The Food and Drug Administration is a case in point.

The agency will hold meetings Sept. 19-21 to discuss the possible approval for marketing of a salmon genetically engineered to grow and reach maturity more quickly than its unmodified cohorts. These meetings are the culmination of many years of indecision and fuzzy reasoning.

–September 14, *The Los Angeles Times*

Research Associate Brian McGraw argues against the continued subsidization of ethanol in America:

[Former Iowa Rep. Jim] Nussle comments on a new study released by the World Bank, incorrectly claiming that "these new reports conclusively state there is no competition between grain for ethanol, and grain for food" and that "the World Bank disproved the biggest criticism of ethanol once and for all, by showing that the skyrocketing grocery bills of two years ago were not caused by ethanol."

Well, no, that is not what the report states or disproves. Biofuels were originally blamed for as much as one-third of the food price increases of 2007-2008, and the World Bank report concludes that biofuels played a smaller role than the other studies initially suspected.

It discusses a number of studies with different conclusions on the amount of influence biofuels had over food prices, while noting the extreme analytical difficulty involved in obtaining a good estimate. So, yes, in some sense the biofuel industry has been vindicated by the World Bank, which concludes that the role of ethanol production was much smaller than originally assumed. However, even a slight increase in food prices can be devastating to those on the brink of starvation. And the report's findings hardly "demolish" the food-versus-fuel debate, and it absolutely does not state there is no competition for grain among food and fuel producers—in fact, numerous pages are dedicated to explaining the opposite.

–August 27, *The Hill*

Vice President for Strategy Iain Murray and Research Associate Anne Sutherland discuss the "Europeanization" in the context of nanny state regulation:

No wonder government spending skyrocketed in the United Kingdom. Laws seeped and snuck into the fabric of British society without much opposition because they weren't recognized as the threats to freedom they are. Insidiously, this encroachment on liberty happened slowly enough to pass by largely unnoticed.

Now similar policies threaten to change American society. Instead of federal laws, many nanny-state regulations are coming into effect at the state and local levels, helped along by aggressive campaigns from leftist advocacy groups.

For instance, San Francisco Mayor Gavin Newsom recently decreed that all shops selling mobile phones must display radiation-emission information next to each handset. With at least two-thirds of Americans using cell phones, this policy could well spread to other cities.

And to what end? Cell-phone cancer scares have happened before, but they have no scientific basis. It is a basic concept of biophysics that cancer can be caused by radiation that ionizes molecules in living cells. Cell-phone radiation is simply not strong enough to do that. As the University of Maryland's warrior against "voodoo science," physics professor Bob Park says, cell phones are "far below the cancer-energy threshold." San Francisco, quite simply, is acting arbitrarily.

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...END NOTES

Inflatable Pig Lands Man on Terror Threat List?

Gene Stilp is a longtime Harrisburg, Pennsylvania, resident. He frequents the state capitol grounds, protesting excessive government spending and taxation. Often accompanying Stilp is a 25-foot inflatable pink pig, a favorite attraction of both supporters and opponents such as Democratic Governor Ed Rendell, who has praised the pig as something that "makes Harrisburg a very special place." State Homeland Security officials, however, don't see it this way. During a September press conference where he apologized for law enforcement monitoring of gas drilling protesters, Rendell implied that Stilp was also targeted. Stilp, who is not affiliated with any of the groups targeted by Homeland Security officials, announced he is preparing a federal civil rights lawsuit.

Sign of the Times

As counties and municipalities across America continue to struggle with falling revenue and spending cuts, some local politicians are getting quite creative in their belt-tightening. A rural Georgia county has targeted the high costs of replacing street signs, and McIntosh County Commissioner Mark Douglas has a solution: make the street names boring. He cited the three most popular road signs for thieves: Green Acres, Boone's Farm, and Mary Jane Lane. Douglas also recommended that the county consider changing alliterative names, such as Harmony Hill, which he believes are attractive to poetically minded crooks. The county is losing about 550 street signs annually, which cost approximately $17,000 to replace.

Out of Money, British Government Attacks Thrift

As debt burdens continue to mount and personal saving continues to dry up, an official at the Bank of England came up with a novel approach: spend more, save less! Charles Bean, deputy governor with the British central bank, called on retirees currently relying on their nest eggs to be less frugal. "Savers shouldn't necessarily expect to be able to live just off their income in times when interest rates are low," said Mr. Bean. "It may make sense for them to eat into their capital a bit." Of course, interest rates are below the inflation rate due to actions undertaken by central bankers such as Bean. Groups representing the retired are predictably outraged. "For years we've been told to put money aside for our retirement only to find that interest rates have sunk and now we have to use our savings just to pay the bills," fumed Save Our Savers' Jason Riddle. Britons' personal savings have fallen by more than 20 percent since last year, but that apparently is not enough.

Forget Tax Cuts; New York Enacts Cutting Tax

Albany's legislators are in quite the fiscal mess right now. Short of cutting spending, they're trying everything they can to plug New York State's $8.5-billion budget deficit. Desperate to raise any additional revenue from anywhere, the state recently began charging eight cents for sliced bagels. New York doesn't charge a sales tax for whole bagels, but merely having your bagel cut in half at a café or deli will cost you. The same goes for the spreading of cream cheese or whitefish. Bruegger's, a New York bagel chain, put signs in its stores telling customers that they "apologize for this change and share in your frustration on this additional tax."