CEI PLANET

Advancing Liberty from the Economy to Ecology

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FEATURED ARTICLES

ALSO IN THIS ISSUE

General Mills Has a Soggy Idea for Cheerios

BY HENRY I. MILLER AND GREGORY CONKO

In January, General Mills announced that it would begin labeling its flagship product, the breakfast cereal Cheerios, as containing no ingredients from genetically modified organisms (GMOs), by which the company means crop plants bred with modern bioengineering techniques.

The January 2 announcement came three months after activist group Green America launched a "No GMOs, Cheerios!" petition campaign online, although the company says its decision was made because it thinks "consumers may embrace it."

Whatever the motivation, General Mills may find that its move will neither catch on with "natural foods" devotees—who are unlikely to choose a highly processed, nonorganic breakfast food—nor silence anti-technology activists. The company may also have put itself in a legally awkward position.

General Mills's decision will require "a significant investment," according to a company spokesman, even though the bioengineered cornstarch and beet sugar in Cheerios make up a tiny fraction of its ingredients. The increased costs are a function of the difficulty of finding non-bioengineered sources of corn and sugar, and of maintaining a paper trail to document those sources. The company says it won't remove bioengineered ingredients from Honey Nut or Apple Cinnamon Cheerios or its other well-known brands.

Some consumers may opt for "GMO-free" products if the price is right. Still, it's an open question how many will pay the inflated prices necessary to remove the far less expensive bioengineered ingredients. In any event, General Mills received no applause from critics. *Wired* magazine's Marcus Wholsen called the company's announcement "an elegant piece of corporate doublespeak that's completely devoid of substance." Mark Bittman, *The New York Times*'s resident food Luddite, dismissed General Mills as "opportunistic marketers," and its new Cheerios label as "meaningless."

The product reformulation has also emboldened, not appeased, anti-technology activists. In a press release on the day of the company's announcement, Green America said the company's move is merely "the first step for General Mills." Having smelled blood in the water, the sharks are now circling—and that may be the least of General Mills's worries.

(continued on page 3)

FROM THE PRESIDENT

Kill this Bill

by Lawson Bader

As I write this, I notice two major events have taken place. The first is the passage of the 2014 Farm Bill. The second is the unveiling of CEI's new logo, 30th Anniversary Report, and the new *CEI Planet*. And by the time you read this, our new website may be up and running as well.

Related events? Not particularly. Symbolically significant? Perhaps.

I confess that when I heard of the Farm Bill's passage, my thoughts turned to Guy Fawkes, gunpowder, and national legislatures. Notice I emphasized "thought"—we wouldn't want the NSA getting the wrong impression of CEI's new president. But if my rhetoric sounds, well ... explosive, it's quite justified when Washington lawmakers join together to blow up the nation's finances.

The 2014 Farm Bill comes as a stark reminder that, four years on from when the then-nascent Tea Party movement threatened to upturn everything, Old Washington is back, and thriving again, as platitudes about "true bipartisanship" cloak the sleazy interplay of government and favored businesses that is par for the course in Beltway Wonderland.

It would have been better for Congress to do nothing and keep the slightly less bad 2008 farm bill on the books. But President Obama, in his recent State of the Union Address, declared 2014 to be a year of action. My fear is that Congress is starting to listen.

Which also presents us an opportunity.

For us here at CEI, it is a rallying cry to redouble our efforts fighting for economic liberty. In effect, we're responding to the President's call for action—in our own way.

Founded by Fred Smith on March 9, 1984, CEI has been championing economic freedom and free enterprise using thought, word, and deed.

Unflagging consistency has been CEI's hallmark. But consistency in defense of our principles doesn't makes us stuck in our ways. Far from it.

You may have noticed something different in this edition of the *CEI Planet*. We are launching a new look, with a redesigned logo and new websites, as we mark CEI's 30th birthday. We are updating our presentation to take the heart and soul of CEI's message to new audiences.

Yet while we may look—or perhaps sound—different, our heart and soul remain unchanged. And of course, a big part of that heart and soul is our sense of humor. If we cannot have fun while we work to achieve a common mission, things can get depressing very quickly! That matters greatly as Washington reverts to its old ways.

We are also developing additional outlets to broadcast our message more broadly. One notable addition is the "Real Clear Radio Hour," a weekly radio program hosted by CEI's 2014 Warren Brookes Fellow, Bill Frezza, that applies free enterprise principles to a host of issues designed to attract new audiences to CEI and engage our supporters across the U.S.

We will seek to expand in other ways. But whatever new ventures we embark on, we will remain true to our founding vision—unapologetically free-enterprise and pro-economic freedom, willing to consider evidence where we may be wrong just as vigorously as we seek proof that we are correct, and truthful, always putting partisanship and dogmatism aside.

We have worldviews to dent, regulatory trains to derail, capitalists to defend, central planners to thwart, and rent seekers to shame.

And yes, future Farm Bills to kill.

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Cheerios, *continued*

Humans have engaged in substantial "genetic modification" of food for millennia. Those techniques have included the use of radiation and chemical mutagens to scramble a plant's DNA. This has yielded thousands of new varieties, including Ruby Red grapefruit and most of the durum wheat varieties used to make pasta.

Long before the advent of modern bioengineering, scientists figured out how to forcibly mate plants from different species or genera in a way that cannot happen in nature. This "wide cross" hybridization involves the movement of thousands of unknown and untested "alien" genes that could unintentionally introduce toxins, allergens, or carcinogens into the food supply.

What makes modern bioengineering unique is its greater precision and greater predictability and safety of the resulting varieties. Toxins and undesirable properties—such as greater susceptibility to pests—have been inadvertently introduced into marketed products by conventional genetic modification techniques. Examples include two documented cases each of toxic potatoes and squash bred with simple hybridization. But no such harmful or unintended effects have ever occurred—and are far less likely to occur—with bioengineering. Study after study and real-world observations by academics and government agencies have confirmed the safety of the technology.

General Mills has said that its label will indicate that Cheerios are not "made with genetically modified ingredients." Yet essentially all oat varieties now planted commercially have been genetically modified in some way. Decades ago, breeders genetically modified oats using wide crosses between cultivated varieties and a number of different wild plants. Today's commercially planted varieties are almost all derived from those wide-cross lines.

A 2001 Food and Drug Administration (FDA) guidance document warns against using terms like "not genetically modified" or "GMO free," because "'genetic modification' means the alteration of the genotype of a plant using any technique, new or traditional," and "consumers do not have a good understanding that essentially all food crops have been genetically modified." Thus, according to the FDA, changing the Cheerios label to say, "Not Made With Genetically Modified Ingredients," with no further context, would be inaccurate, or at least misleading. That would make the product "misbranded," and selling it would violate federal law.

Although so-called GMOs and ingredients derived from them don't constitute a "category" of food products, anti-technology activists have seized on the term "genetically modified" because they know it conjures up lurid if inaccurate images of "Frankenfood" and "Attack of the Killer Tomatoes."

General Mills should have known better than to try to appease critics who refuse to operate in good faith. It has chosen a course guaranteed to raise its costs with little if any benefit, embolden anti-technology activists, and put itself in potential legal jeopardy. Company executives should have eaten their Wheaties.

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R.M. FREEDMAN SOCIETY

Help the Competitive Enterprise Institute carry on its work for generations by joining the R.M. Freedman society.

In 2013, CEI established the R.M. Freedman Society in honor of Robert M. Freedman, a business owner from West Bloomfield, Michigan, who placed CEI in his estate and, in 2009, sadly passed on and gave CEI its first legacy gift. We named the society in appreciation of his generosity.

Many of CEI's extended family choose to include CEI in their estate plans through:

- Bequests,
- Charitable Remainder Trusts,
- Charitable Lead Trusts, or as a
- Life insurance beneficiary.

If you make the decision to include CEI in your estate plans, please reach out and let us know.

While these sorts of decisions should be undertaken with the help of an estate planner, Lauren Avey and Al Canata of CEI can be a resource to you. You can reach them anytime at 202-331-1010.

Why Are Republicans Fighting Cell Phone Freedom?

BY MARC SCRIBNER

Should the federal government outlaw rudeness? Some senior Republican lawmakers seem to think so. Since 1991, the Federal Communications Commission (FCC) has barred cell phone use on airplanes to prevent interference with ground-based mobile networks. But, as new technology has relieved concerns, the agency is seeking to relax the rule. It's about time. And it likely won't lead to the chattering free-for-all some fear.

The FCC's proposal has sparked a political backlash in Congress, led by Republicans who apparently think "small government" should have the role of policing annoying behavior. House Transportation Committee Chairman Bill Shuster (R-Pa.) introduced a bill to ban in-flight phone calls, while Sen. Lamar Alexander (R-Tenn.) teamed up with California Democrat Sen. Dianne Feinstein to do the same thing.

It wasn't that long ago that Republican leaders voiced skepticism of legislating etiquette. Reacting to a 2008 bill seeking to outlaw in-flight voice communications, then-House Transportation Committee Ranking Member John Mica (R-Fla.) told his colleagues, "You are trying to legislate courtesy, folks, and that just doesn't work."

Not to be outdone by lawmakers, Department of Transportation (DOT) officials have signaled interest in a similar regulatory path. Secretary of Transportation Anthony Foxx said he intends to use his department's consumer protection powers to prohibit voice communications aboard flights. Federal law restricts this authority to addressing unfair or deceptive practices, unfair methods of competition and discrimination. Attempting to expand that power to include regulation of in-flight voice communications would likely be illegal.

In addition, a flight attendants' union is lobbying the Transportation Department to ban airborne cell phone calls over the supposed risk of "air rage." While the DOT's Federal Aviation Administration is responsible for regulating cabin safety, there is no evidence in-flight cell phone use would spark violence.

This fear mongering ignores technological advances and other countries' experiences. If the FCC were to relax its current rule, most airlines would likely restrict voice communications on their own, while others might cater to travelers who wish to talk on their cell phones in-flight if they are willing to pay for the privilege.

Airlines would need to install special cellular base stations called picocells, which can enable texting, email, and Web browsing, while restricting voice communications. This technology has been successfully deployed by major European, Asian, and Middle Eastern airlines since 2008, with no demonstrable increase in air rage. Leaving a blanket ban in place would forestall both experimentation and potentially major benefits for the traveling public. Claiming lawmakers or bureaucrats are more in tune with airline passengers than the airlines who serve them is absurd.

The best public policy governing in-flight cell phone use is no policy at all. As Obama-appointed FCC Chairman Tom Wheeler recently said, "I do not want the person in the seat next to me yapping at 35,000 feet any more than anyone else. But we are not the Federal Courtesy Commission." When a Democratic bureaucrat calls for eliminating outmoded regulations, Republicans should applaud, not throw a fit.

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Auto Bailout Gives Away Chrysler

BY JOHN BERLAU

Image taken from http://www.flickr.com/photos/barackobamadotcom

As 2014 opened, Detroit was bankrupt, but cheers still went up for the five-year-old U.S. auto bailout—in Italy. That's because Fiat, the 115-year-old Italian auto company that was the beneficiary of billions in U.S. taxpayer largesse, announced it would to buy its final stake in Chrysler from that other big bailout recipient, the United Auto Workers (UAW). "Chrysler's Now Fully an Italian Auto Company," reads a *Time* magazine headline.

But wait a minute! Wasn't the bailout supposed to be about saving the American auto industry?

Late in the 2012 presidential campaign, Republican presidential candidate Mitt Romney took heat for arguments, based on news accounts, that the Obama administration "sold Chrysler to Italians who are going to build Jeeps in China." Politifact gave Romney its "lie of the year" award, even though the claim turned out to be correct.

But Romney missed the real reason for outrage. Chrysler wasn't "sold" to an Italian firm, but given away through U.S. tax dollars. As Mark Beatty and I wrote in the Daily Caller in November 2012:

"The real outrage arising from the 2009 Chrysler bailout is not that its parent company, Fiat, is planning to build plants in China. It's that the politicized bankruptcy process limited Chrysler's growth potential by tying it to an Italian dinosaur in the midst of the European fiscal crisis.

"The Obama administration literally gave away ownership of one of the Big Three American auto manufacturers to an Italian car maker struggling with labor and productivity issues worse than those that drove Chrysler to near-liquidation."

Moody's had downgraded Fiat's credit rating to "junk" even before the Obama administration arranged for it to acquire a Chrysler stake in 2009. In the fall of 2012, Moody's gave Fiat another downgrade that the *Financial Times* described as even "further into 'junk' territory." And when Fiat announced it was buying Chrysler's final stake in 2014, Moody's put the company under review for a possible further downgrade.

Since Fiat gained partial ownership under the Obama reorganization, much of Chrysler's profits from its overhauled line are going to prop up Fiat's failing, money-losing Italian business, rather than to expanding production and jobs in the U.S. So why did Politifact and others feel so confident in calling Romney's claim a "lie"? Because of Fiat's assurance that it would only build Chrysler products in overseas market to sell to those markets.

Yet in December 2012, just one week after Politifact awarded its "lie," Fiat announced that it would be making a line of Jeeps in Melfi, Italy, for export to "markets worldwide," including the U.S.

In 2012, a *Barron's* headline put it thus: "This time, Chrysler could bail out Fiat." Actually, the headline is slightly misleading in one respect—Fiat didn't contribute much of anything to the Chrysler's bailout.

In the 2009 deal overseen by the Obama administration's auto task force, Fiat paid no money to acquire its initial 20 percent stake in Chrysler—only contributing some of its intellectual property, instead. Fiat would later pay $2.2 billion to raise its stake in the company to 58.5 percent. Continuing the bailout shell game, Fiat will now pay fellow bailout recipient UAW $4.4 billion for its stake in Chrysler. All the while, the U.S. government has pitched in more than $12 billion in taxpayer infusions.

In "saving" the American auto industry, Obama gave an American company away. And he gave it away at the expense of pension funds and other secured creditors, which got a much smaller stake in the new company than they would have under traditional bankruptcy proceedings. American manufacturing workers also lost out on the deal; many are now hostages to the woes of Fiat and the Italian economy.

According to *Barron's*, "Chrysler's resurgence has been so strong that it now provides a lifeline for Turin's Fiat, which faces serious challenges in Western Europe." Fiat and Chrysler CEO Sergio Marchionne told *Barron's*: "The Fiat Group has a future because of Chrysler." Similarly, Bloomberg reported that, "without Chrysler, the Italian automaker would have posted a first-quarter net loss" in 2012.

But ironically, Fiat's Marchionne has made Chrysler profitable again not by producing more of Fiat's mini-cars, as the Obama administration urged it to do, but rather by doubling down on Chrysler's most "environmentally incorrect" light trucks and sport-utility vehicles, such as the Jeep Grand Cherokee and Dodge Durango. In reporting Chrysler's profit surge, Bloomberg noted that these earnings were "boosted by demand" for Jeep Grand Cherokees, while Fiat has "delayed new models such as the Punto hatchback."

Marchionne deserves some credit. By refusing to follow General Motors' lead to march in lockstep with the Obama administration's wishes, he did not turn Chrysler into another "Government Motors," making its own version of Chevy Volts that nobody wants. But making more Jeeps and Dodge Durangos is—to use a motoring cliché—sort of like reinventing the wheel. Some other competent CEO could have figured that one out.

Moreover, Chrysler being tied to Fiat's European woes makes it less and less likely that much of the profit will be reinvested in the U.S. It's likely that the bulk of that profit will instead be plowed into Fiat's operations in Italy. In June 2012, *The Wall Street Journal* painted a devastating picture of Fiat's bloated workforce at its Turin headquarters. "Too many inefficient plants, coupled with a plunge in consumer demand, have left not only Fiat, but other car makers ... bleeding cash." Yet Fiat, which employs 63,000 Italian workers, "says it has no plans to cut jobs." Instead, due to antiquated Italian labor laws (which Big Labor wants for the U.S.), it "furloughs" workers when it idles plants and pays them two-thirds of their salaries.

Because of the dysfunction of its Italian operations, Fiat must squeeze all it can out of its new Chrysler cash cow—bequeathed to it by U.S. taxpayers at the Obama administration's behest. It will be hard for Fiat to put many more American workers on its payroll with so many mouths to feed in its native Italy. As Reuters reported, Italian politicians say Fiat "has given Rome guarantees that the automaker will invest in plants in Italy and keep a strong presence in the country."

Had Chrysler gone through a traditional court-approved bankruptcy before it received any government money, its investors and workers would have had the opportunity to ask questions about Fiat's financial viability. Even in 2009, Fiat was showing strains as its credit rating had already been downgraded to "junk," so a good bankruptcy judge would likely have blocked such a merger.

The Obama administration's politicized bankruptcy—in which Chrysler was given to Fiat at the expense of creditors first in line—took away the fundamental guarantee of the rule of law. Many American workers are suffering as a result.

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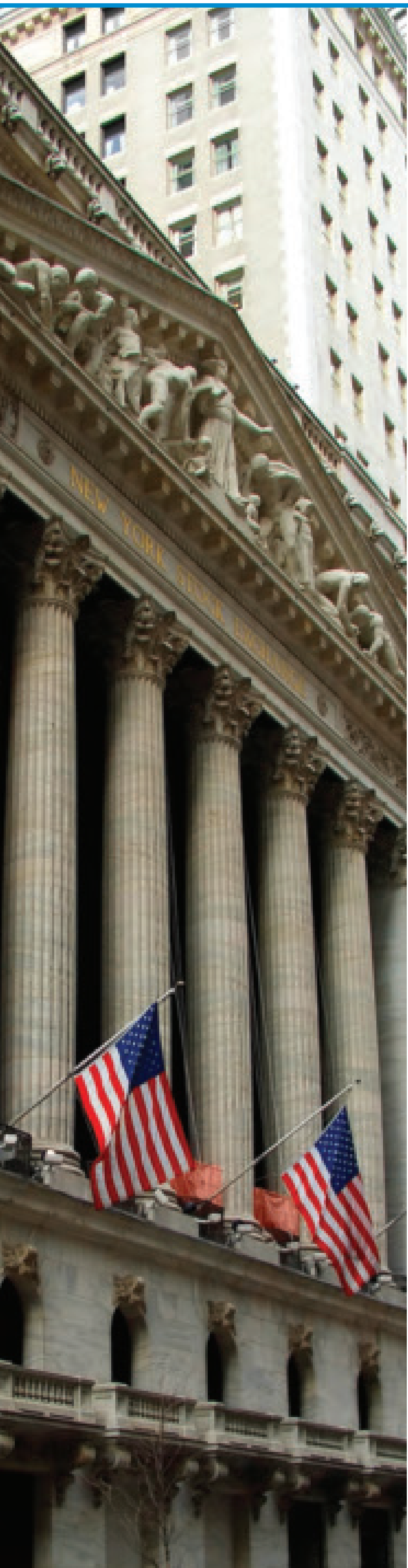

Obamaloans

How Obama Plans to Use Dodd-Frank to Take over the Financial Industry

BY IAIN MURRAY

We know the pattern by now. A crisis arises. The administration, as my CEI colleague Chris Horner puts it, says, "There's no time to waste, we must do something now, sign here, details to follow." And every time, we discover that we have signed up for more than we bargained for. That was the case with the Dodd-Frank Act, passed in 2010 supposedly to solve the problems that caused the financial crisis. Only now are we seeing the details to follow. They amount to a government takeover of the financial industry and increased government control over our behavior, particularly over that of the poorest in society.

The big banks were the easiest. Dodd-Frank was supposed to end the Too Big to Fail (TBTF) phenomenon but instead entrenched it. Big banks became Systemically Important Financial Institutions (SIFIs), with increased regulatory supervision, but also with the expectation that they are too important to be allowed to fail.

Worse, Dodd-Frank effectively requires responsible financial institutions to pay to fix problems created by others. Indeed, presumably in order to increase the pool of funds necessary to bail out "systemically important" banks, the Financial Stability Oversight Council has named several large insurance firms, such as MetLife, as SIFIs, even though those firms in no way contributed to the financial crisis. For this privilege, these responsible firms have to submit to much greater regulatory supervision, suppressing their ability to innovate and making them much more like the TBTF banks.

But it didn't end at Wall Street. Dodd-Frank also increased regulation for medium-sized firms, which have greater compliance costs relative to their size than do the TBTF banks. This has led to a wave of mergers among small and medium-sized banks as they struggle to contain compliance costs.

In the process—and thanks to other aspects of Dodd-Frank such as the Durbin amendment, which caps the amount debit card issuers can charge retailers every time a card is swiped—bank fees have ballooned. ATM fees have gone up. Monthly maintenance fees have gone up. Minimum balance requirements have gone up. Free checking is much rarer, and debit-card reward schemes have almost disappeared. The result has been that a million former bank customers are now "unbanked"—they have no checking or savings account with a bank.

Even more perniciously, while the Obama administration blames subprime housing credit as being the cause of all our current woes, it now deems the people who took out loans they couldn't pay not irresponsible borrowers, but victims. And it has extended this mindset to other forms of credit and banking that cater to the subprime market.

The administration is waging subtle war on the small financial businesses that serve this market. If it is successful and destroys these industries, what will replace them? The administration's answer is simple—Obamaloans. This entails building

The administration's first target is short-term lenders, including payday loan companies. The unbanked population uses these companies to meet immediate, short-term financial needs, like paying a utility bill on time. Surveys of these companies show that their customers generally know what they are doing when they take out a loan—which most of them repay on time—and that they like the service.

an infrastructure to allow the federal government to lend money to the poor through a network of intermediaries, financed by taxpayers rather than investors. It offers another glimpse into how the Obama administration intends to change America.

The first target is short-term lenders, including payday loan companies. The unbanked population uses these companies to meet immediate, short-term financial needs, like paying a utility bill on time. Surveys of these companies show that their customers generally know what they are doing when they take out a loan—which most of them repay on time—and that they like the service. One investigative journalist who recently took a job with one of these companies found that the customers she dealt with overwhelmingly preferred the personal service they received from the company to the impersonal service they had received at their previous banks.

Yet the industry is under attack from holier-than-thou "poverty" advocates who claim that it exploits its customers. Their main tool is a comparison of annual percentage rates (APR), even though most payday loans are short-term in nature. Thus, a two-week payday loan of $100 with a fee of $15 shows an APR of 390 percent, which looks outrageous. And it would be for a long-term debt, but payday loans are short-term by definition. There are, of course, some hard cases of people who irresponsibly rolled over their loans and got themselves into a spiral of fees, but hard cases make bad law.

Indeed, even Dodd-Frank recognized the importance of these companies and forbade the newly created Consumer Financial Protection Bureau from capping such rates. So the administration is trying a different tack—choking off the companies' financial oxygen. The Department of Justice has cracked down on payday lenders and third-party payment providers through an initiative called, appropriately enough, Operation Chokepoint. It was revealed by a government attorney in a presentation to the Federal Financial Institutions Examination Council (FFIEC).

Joel M. Sweet of the Justice Department's Consumer Protection Branch, in his presentation to the FFIEC, said the main focus of Operation Chokepoint is fraud, which the regulators identify through a high rate of returns, cancellations, or complaints. This is associated with a list of "high risk merchants/activities" that includes payday loans and credit repair services, as well as firearms/fireworks sales, ammunition sales, "As Seen on TV" products, gambling, home-based charities, pornography, online pharmaceuticals, and sweepstakes. What these various products have in common is a high rate of returns, which occurs for various reasons—from buyer's remorse to the embarrassment of being caught by a spouse. Yes, fraudsters do operate in these areas, but that should not delegitimize entire industries.

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TOP 10 List for Congress in 2014

BY LAWSON BADER

I am no David Letterman, but I appreciate a good Top Ten list. As we enter 2014, it occurred to me that Congress could do with a Top 10 Things to Do before the year is out.

1 Make the regulatory state more transparent and accountable.

The Senate should follow the House's lead and pass the Regulations from the Executive in Need of Scrutiny (REINS) Act (H.R. 367, S. 15), which would make major regulations—those costing $100 million or more annually—subject to explicit congressional approval. Pass the Regulatory Improvement Act (S. 1390), sponsored by Sens. Angus King (I-Me.) and Roy Blunt (R-Mo.) to establish an independent regulatory review commission. Terrible regulations hang around for years—it's time to force them into review.

2 Rein in FDA nanny state overreach.

Enact legislation to give critically ill patients the choice to use medicines that have not yet been approved by the U.S. Food and Drug Administration. People with deadly illnesses should be able to determine whether the risks of unproven new medicines are worth it. Congress should also stop the FDA from implementing paternalistic bans or restrictions on trans fats, salt, sugar, and other politically disfavored ingredients. Restricting Americans' food choices is a "cure" worse than the disease.

3 Resist efforts to stifle food biotechnology.

We don't need laws mandating special labeling for genetically modified foods, which improve new plant and animal breeding techniques and pose no demonstrable health risk.

4 Let airlines and travelers decide in-flight communications policy.

There is no technical or safety reason to ban in-flight cell phone use. I fly 100,000 miles a year and I don't want a guy yakking into his phone at 35,000 feet, either. But airlines know that, and this is one of those times when "the market" really will figure it out. And to all those Republicans supporting such a ban—shame on you. You'll have no moral high ground to stand on in future fights against overregulation.

AFSCME

5 Make government employee unions more accountable to taxpayers.

Today, labor unions' best prospects for growth lie in increasing the size of government in order to organize more public employees. Congress can fight back on behalf of taxpayers by ending the practice known as "official time," or "release time," whereby government employees conduct union business on the taxpayer time.

6

Resist efforts to bail out underfunded state pensions. For years, many state and local governments have failed to properly fund their employee pension plans, due in large part to dodgy accounting methods based on overly optimistic investment return projections—even as their budgets exploded. Congress should resist calls to bail out profligate states. In addition, Congress should push for the Government Accounting Standards Board to adopt sound accounting standards for public pensions that reflect actual risk and aren't prone to manipulation.

7

End subsidies for uneconomic "renewable" energy industries. Specifically, lawmakers should let the wind energy tax credit subsidy expire and end the ethanol fuel mandate. It's time to kick loser industries off the public dole.

8

Call on President Obama to delay new EPA rules regulating power plant carbon emissions. These costly, economically painful restrictions won't make a dent in global temperatures but will raise energy costs on America's struggling economy.

9

Repeal the Volcker Rule and the rest of the Dodd-Frank albatross on Main Street banks and businesses. The Volcker rule hurts community banks by forcing them to sell safe assets at steep losses. Congress could repeal it or lessen its burden in 2014.

10

Resist campaigns to regulate chemicals out of existence. Consumer products are under assault—including everyday products in your supermarket aisle. The current Toxic Substances Control Act has a science-based risk standard. Let's not substitute that with onerous regulations based on irrational fears. Similarly, regulators and legislators should resist the urge to impose additional bans on valuable chemical technologies like bisphenol A, which is used in steel can lining to prevent pathogens in our food.

Overall, we might do well in 2014 to gain some historical perspective. Remember that technology, innovation, and a measure of economic freedom have brought us to the point where life expectancy in the Western world is the longest it has ever been, and more people than ever are escaping poverty. In 1970, 27 percent of the world's population lived on $1 or less per day. That figure is now 5.4 percent. Half a century ago, more than 100 children of every 1,000 who were born perished within a year. That figure has plunged by 80 percent.

We are all better off thanks to the efforts of countless individual inventors, tinkerers, investors, entrepreneurs, and just plain folks who are finding better ways to do things every day. Keeping that lesson in mind, trusting people to order their own lives, should be a top resolution for lawmakers in Washington this year. Just imagine, Congress could be a voice of reason in this crazy world.

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The Line to Get Into Club Euro Is Growing

BY MATTHEW MELCHIORRE

It's 2014 and the euro is still in one piece. In fact, there's a line outside to get into Club Euro. Latvia is the latest to cross the velvet rope, on January 1. Meanwhile, economists who predicted the currency's collapse are baffled why everyone hasn't left, and more importantly, why more are joining.

The gamut of predictions—from Greece's "inevitable" ejection to Germany's voluntary exit—were all based on purely economic calculations. But European integration has always been a *political* goal, centered on the creation of a unified Europe.

Latvia, along with its Baltic neighbors, has eagerly sought to join Europe and the West since the fall of Soviet Communism. This transition has not been easy, given Latvia's close proximity to Russia, heavy reliance on Russia for energy, and large ethnic Russian population—largely transplanted there during Soviet occupation.

Successive governments have implemented legislative changes to move the country out of Russia's sphere of influence, but for Latvia, the most important geopolitical changes have taken place at the international level-it joined the European Union (EU) and North Atlantic Treaty Organization (NATO) in 2004, and entered the Euro Zone this year.

Using the EU and NATO as gateways to the West is not a new strategy for states in political transition, and it isn't new for the EU either. The single market and the euro have been the closest the EU has ever come to achieving a common foreign policy. While member states cannot seem to cooperate on traditional hard military power, they have used the soft power of market integration as an instrument of European foreign policy since the start of the Cold War. In fact, that is how Greece got into the EU.

The case for a Greek exit from the euro centers on arguments of the country's economic incompatibility with the rest of the monetary union. But Greece hitched itself up to the European project in 1981 for geopolitical, rather than economic reasons. The U.S. and its European allies were worried that Greece, with a strong domestic Communist party, would succumb to Soviet influence, and thus threaten freedom of navigation in the Mediterranean. The solution was to snatch Athens out of the Soviets' sights. The incumbent Greek government, also worried about the Communist party's rising power, decided to throw its lot in with Europe and the West by joining the EU.

To the euro's architects, economic incompatibilities were irrelevant then, and are irrelevant now. That means that Euro Zone members are determined to bear the economic costs to preserve the European project as long as they need to. They consider the EU and the euro as instrumental in forging political cooperation across formerly feuding European states. Greece, or any other member state, cannot leave without putting that unity at risk.

The Catch-22 is that there isn't much hope for Greece enacting the kind of structural reform it desperately needs as long as it remains locked into the euro project and dependent on EU welfare.

But back to Latvia. It has completed its austerity program, repaid its rescue loan from the International Monetary Fund, and is one of the fastest growing countries in the EU. It won't benefit from the EU's new bailout facility, save for the small boost it provides in making credit rating agencies feel better about the country's sovereign debt. It will, however, shell out cash to sustain fiscally troubled Euro Zone members.

For Latvia, joining the common currency is an economically negligible move, and at worst, risks further embroiling Latvia in the euro crisis. But the economics don't matter. Both Latvia's finance and foreign ministers have explicitly stated that joining the euro is a "geopolitical" choice. The EU's motives are no different.

Bringing in Latvia comes with considerable risk, as its accession opens the euro's doors to dirty money, which members of Russia's wealthy elite have parked in Latvia's banks. And there are no quantifiable benefits to compensate, as Brussels won't be getting much money for its troubled euro members out of one of the EU's smallest economies.

The euro's goal is purely political—European political unity. Economic integration is merely the means to get there. Arguments about the attainability of this goal aside, the biggest misperception about the common currency is that it is an instrument of economic, rather than foreign policy.

Matthew Melchiorre is an Adjunct Fellow at CEI. A version of this article originally appeared on RealClearMarkets.com.

Why Anti-Pesticide Campaigns Do Unintended Harm

BY ANGELA LOGOMASINI

Black spots on roses and flea bites on kittens, blight fallen petals and overwrought Britons—these are just a few unfavorable things associated with "green" attacks on pesticides. While pesticides have risks that must be managed, they also provide important benefits to farmers, gardeners, and consumers. These benefits are being lost in a politically correct sea of regulations and blind support for everything "organic."

News stories highlight just some of the problems associated with a foolhardy fear of pesticides. Let's start with a very unfavorable thing: Black-widow spiders are increasingly finding a home among organically grown grapes.

In the early 2000s, Britons began finding these visitors on their grapes, thanks to a grower in the UK who decided that spiders were a good alternative to pesticides to control fruit-devouring bugs.

Here in the U.S., a Whole Foods shopper was appalled to find one of these surly creatures nesting inside her bag of grapes during the 2012 holiday season. More recently, black-widow spiders appeared on grapes in supermarkets in Michigan, Wisconsin, and Minnesota. And they are even showing up on non-organic grapes as growers try to reduce pesticide use because of bad public relations created by groups such as the Environmental Working Group (EWG).

EWG publishes an annual report that essentially demonizes healthy fruits and vegetables that contain traces of pesticide residue. The report places grapes, along with apples, peaches, blueberries, and other super-healthy foods on a "dirty dozen" list simply because they contain a tiny bit more pesticide residue than do other foods such as onions. Even though growing fruits may require more pesticides than growing onions, the levels are legal and too low to matter health-wise. In fact, both the EPA and the FDA have pointed out that these foods are safe and healthy to eat.

EWG's hype and the appearance of spiders at retail outlets are not the only challenges for grape farmers. Wine grape growers battle a host of pests that require them to strategically apply pesticides. Even the most politically correct organic farmers use so-called "organic" pesticides. And thank goodness they do, since wine is among many consumers' favorite things.

Yet sometimes organic pesticides don't work. The Fetzer wine brand has recently abandoned its organic certification to fight the "Virginia creeper leafhopper," an insect that feeds on grape leaves. After several applications of "certified organic" pesticides failed, Fetzer turned to a chemical called imidacloprid, which belongs to a class of pesticides called neonicotinoids.

Farmers and gardeners use neonicotinoids to protect a wide range of plants from grains to fruits and vegetables to ornamental roses. Neonicotinoids can be applied to seeds, producing plants that systemically can fight off pests without the need for regular spraying.

Green activists blame these products for the disappearance of honeybee colonies. But this problem existed before farmers began using these chemicals, and evidence is weak that neonicotinoids have a significant effect in real-life settings.

And while some beekeepers blame farmers, they also understand the benefits of pesticides. In fact, many apply pesticides inside the hive to kill the Varroa mite, which they know for certain is a real and major threat to the bees. "It's like chemotherapy," explains University of Maryland entomologist Dennis vanEngelsdorp in *Scientific American*. "They know [using pesticides in the hive] bad, but it's a lot better than the alternative."

If we really want to help the honeybees and ensure continued food production, we need to focus on finding out what's really happening, using the best available science, rather than jumping the gun to ban products arbitrarily. Indeed, the replacement products may prove more toxic to bees.

A misguided ban on neonicotinoids would not only hurt agricultural production, but even our pets, as these chemicals are used in products that protect them from disease-carrying vermin like fleas and ticks.

The greens' unscientific attack on neonicotinoids is the tip of the iceberg. They have pushed for bans on a host of pesticide products, including chemicals needed to fight disease-carrying vectors. These anti-pesticide policies mean more people may suffer from disabling and sometimes deadly insect-transmitted diseases, such as the mosquito-transmitted West Nile virus in the U.S., as well as malaria overseas.

Rather than ban valuable products, we can manage pesticide risks using sound science and balanced approaches. This will produce more affordable food and less disease.

Angela Logomasini (angela.logomasini@cei.org) is a Senior Fellow at CEI. A version of this article originally appeared in The Washington Times*.*

The Antigua Forum: Exporting a Different Kind of Latin American Revolution

BY BILL FREZZA

Call it the "Free Market Davos." The Antigua Forum, sponsored by Universidad Francisco Marroquín, in Guatemala, finished its third annual conference in January. For three days, I had the privilege of joining a who's who of 50 free-market reformers, hailing from Chile to Mozambique, to propose, challenge, and refine a dozen plans for peaceful revolution around the world. I've been going to conferences for almost 40 years and I've never seen one harness the power of spontaneous order so effectively, tapping the expertise of such a diverse range of participants.

After I got over the "What am I doing here?" feeling I got from reading the participant bios, I realized that scar tissue earned in the world of technology entrepreneurship might offer relevant lessons. Indeed, these lessons were eagerly absorbed by social entrepreneurs committed to political and economic disruption fueled not by mobs or guns but by voluntary cooperation, promising not just hope and change but measurable economic benefits. I stood in awe when I realized the seriousness of their plans.

While the contents of the conference are "off the record," two projects stand out, which I'll relate with permission from the participants. The first, now coming to fruition in Honduras, is legislation allowing communities to reorganize themselves into Legal, Economic, Administrative, and Political (LEAP) zones. While respecting national sovereignty and existing private property, these zones, called ZEDEs for their Spanish acronym, are carefully insulated from the prevailing corruption, cronyism, crime, and dysfunction that beset many developing countries.

The goal is to attract entrepreneurs and investors seeking rule of law, predictable tax and regulatory burdens, transparent administration, and guarantees that assure the whole thing won't get overturned with the next election. LEAP zones seek not to impose solutions from above, but to create the conditions to allow people to work their way up into the middle class. Let a hundred little Hong Kongs bloom!

While I'd read much about LEAP zones—whose roots can be traced back to enclaves like Honk Kong, Singapore, and Dubai—it was exhilarating to participate in a work session with one of the co-designers of the Honduras project, Mark Klugman, who looked a bit like the dog that finally caught the bus. He and his partners Octavio Sanchez and Ebal Diaz have completed much of the heavy lifting required to get the project to the starting line, but the hard work of marketing and execution awaits.

The second project, Contract Cities, aims to transform municipalities into efficiently run communities with satisfied citizens, revitalized infrastructure, budget surpluses, fewer unfunded liabilities, and even politicians (gasp!) whom voters happily reelect with margins north of 80 percent. (And no, I'm not talking about North Korean-style "elections.")

Contract Cities is the brainchild of retired AT&T executive Oliver Porter, who was drawn into the reform business by volunteering in his own community of Sandy Springs, Georgia. With five contract cities under his belt, Oliver has developed a predictable and repeatable process whereby newly incorporated or existing municipalities can contract out everything but schools, police, and fire services to professional service corporations, who must win the business through structured competitive bidding. With a potential market in excess of $90 billion a year considering cities with populations between 10,000 and 250,000, contract cities can present many attractive opportunities for corporate America. With more mismanaged cities teetering on the brink of bankruptcy every day, voters are waking up to the dangers of the status quo.

This is not privatization, as no municipal assets are sold or given away. And employment transition plans for existing civil servants can be built into the bidding process. Of course, it won't work everywhere, particularly in the union-dominated Northeast. But there are 30 states besides Georgia where existing legislative regimes are compatible with the process. Next stop, Texas!

So, despite what you may hear about Latin America, Bolivarian Blues isn't the only tune in town. Watch as the Antigua Forum and Universidad Francisco Marroquín keep the flame of liberty alive, even as it flickers at home.

Bill Frezza is the Warren T. Brookes Journalism Fellow at CEI. A version of this article originally appeared on Forbes.com.

THE GOOD

CEI Launches "RealClear Radio Hour with Bill Frezza"

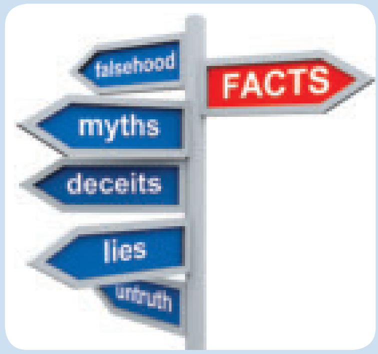
CEI, in partnership with RealClear, is pleased to announce the launch of "RealClear Radio Hour with Bill Frezza." The program will air in Boston every Saturday at 10:00 am on Bloomberg's WXKS 1200 AM and WJMN 94.5 FM-HD2. The first program, which aired Saturday, January 18, featured Will Galvin, head of U.S. operations for Self Help Africa. He discussed how his unique aid business model invests in and leverages community strength to foster development across Africa. Jonathan Downey, co-founder and CEO of Airware, also joined Bill to discuss his company's platforms and operating systems for unmanned commercial aircraft. More information and links to archived shows can be found at RealClearRadio.org.

THE BAD

Federal Court Upholds IRS Obamacare Mandate

In a blow to states that opted out of Obamacare, a District Court on January 15 upheld an IRS regulation extending the law's employer mandate to those "refusenik" states that decided against setting up their own insurance exchanges. CEI is assisting in the coordination and funding of the lawsuit and, now, the appeal. "As this motion for a speedy appeal makes clear, there are compelling reasons for the appeals court act to quickly, because people are making their health insurance plans and billions of taxpayer dollars are now being spent each month in insurance subsidies for policies purchased through federal exchanges," said CEI General Counsel Sam Kazman. On January 23, the U.S. Court of Appeals for the D.C. Circuit granted plaintiffs' motion for an expedited appeal.

THE UGLY



State of the Union: More of the Same

President Obama delivered his fifth State of the Union address on January 28. His populist and egalitarian message featured more of the same illiberal policies that we have come to expect from the president. On energy, CEI Senior Fellow William Yeatman noted, "In one breath, he incorrectly takes credit for growing U.S. oil and gas production, which, in fact, took place despite his administration, rather than because of it. In the next, he vows to do all he can to fight global warming." On labor and employment, President Obama was no better. "The president is entitled to his ideology, but not to his own facts," said CEI Senior Fellow Aloysius Hogan. "On both the minimum wage and gender pay gap, the president's position runs counter to the economic reality."

MediaMENTIONS

CEI Fellow Ryan Young tackles the tricky topics of quantitative easing and bailouts:

The federal government's decades-long crusade to increase homeownership rates gave financial firms an incentive to take on far more risk than they would have in a free market. It took a long time for financial markets to realize this, but when they did, all hell broke loose. Banks suddenly became wary. They were reluctant to lend, regardless of their cash situation.

To make matters worse, when the crisis broke, politicians gave in to their natural impulse to fight the previous battle rather than the current one. Hence, policies such as the Troubled Asset Relief Program, fiscal stimulus, Cash for Clunkers, and the various bailouts and rounds of quantitative easing. None of this helped to calm the nation's turbulent economic waters, because through all of this, a key ingredient was missing—predictability.

—JANUARY 1,
The Washington Times

Senior Fellow Aloysius Hogan breaks down the negative effects of unemployment insurance:

Even the recently departed chairman of the White House Council of Economic Advisers, Alan Krueger, once understood the perverse incentives at play. Before working for the Obama administration, two of Krueger's own analyses revealed that paying people not to work actually increases the incentive not to work. And that means more time spent unemployed.

Perverse incentives impact states, as well. Extended unemployment benefits are disproportionately transferred to high-unionization, high-unemployment states such as California, Michigan, Illinois, New York, and Massachusetts. And that amounts to political cronyism. Politicians in those heavily Democratic states could be pals of the current administration, but those states have a record of failure in putting people to work.

—JANUARY 5,
USA Today

Vice President for Policy Wayne Crews reacts to the effects of overregulation at this year's Consumer Electronics Show:

Nobody's perfect, but the advantage laissez faire (properly understood) has over regulators is substantial. Misbehaving tech companies answer to competitors, business partners, shareholders, consumers (who are shareholders themselves), VCs and Wall Street, advertisers, the media, and whatever the next big thing is.

In 2013, regulators issued 3,659 rules. Congress should freeze regulations and purge decades of old ones. Meanwhile a congressional vote on $100 million-plus new regulations before they are binding is important too.

What the technology sector and consumers need is not regulation and subsidies, but to be left alone.

—JANUARY 8,
Forbes.com

CEI Fellow Michelle Minton takes on Virginia's archaic state-run liquor monopoly:

If you believe in limited government and free enterprise, ending a state-run liquor monopoly should seem like a no-brainer. So why is a Virginia Republican trying to further entrench the Old Dominion's system of state liquor stores? Rather than working to shrink the size of government, Del. Dave Albo (R-Fairfax) is advancing a plan to make the state-run enterprise even more profitable to increase state revenues. This will make this outmoded system even harder to get rid of in the future.

In his 2009 run for governor, Republican Bob McDonnell made privatization of Virginia's 332 state-owned liquor stores (a.k.a. ABC stores) a feature of his successful campaign. However, some members of his own party expressed skepticism, opposed the plan, and ultimately killed it.

—JANUARY 18,
Richmond Times-Dispatch

Adjunct Fellow Liz Thatcher explains the effects of menu regulations on small business and consumers:

One major problem with Obamacare that the president failed to mention in his State of the Union address is pending regulations that could make food more costly. The law's Section 4205 requires restaurants with 20 or more locations to list calorie-content information for each menu item on a board at every establishment.

The costs of this intrusive regulation would be passed on to consumers in the form of higher prices—the last thing we need in a struggling economy. ... On top of the burdensome costs they impose, the existing Obamacare menu regulations do not take into account whether customers will even see the menu boards. Pizza chain Domino's already has a Cal-o-meter on its website, since a majority of its customers call or order online. Yet, it would still have to comply with Section 4205 and create physical signs in all of its stores, which the vast majority of its customers never enter.

—JANUARY 30,
The Washington Times

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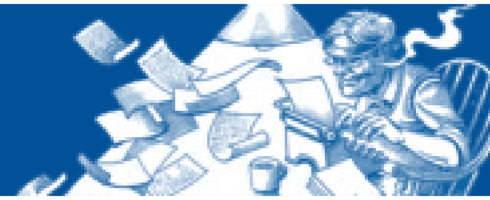
...END NOTES



Danish Cinnamon Buns Too Hot for EU

Cinnamon rolls have long been a common breakfast food throughout Northern Europe. In Denmark, however, these pastries may be getting less spicy. The Danish Veterinary and Food Administration recently found that Danish cinnamon rolls contain more coumarin, a chemical compound in culinary cinnamon, than EU food rules allow. In high doses, coumarin can cause liver damage. In the EU, the coumarin limit for "fine baked goods" is set at 15 milligrams per kilogram of pastry, which is currently how cinnamon rolls are categorized in Denmark. Outraged Danish bakers point out that their Swedish counterparts are able to use three times as much coumarin in their cinnamon rolls thanks to Sweden's food regulators labeling them Christmas delicacies, which fall under the EU's less stringent "traditional and seasonal bakery" rules. Regulators are now considering whether to re-label cinnamon rolls as traditional or seasonal.

A Concrete Example of Transit Mismanagement

When Transport for London received an alert about "flooding" on the London Underground's busy Victoria Line, they prepared for a water leak. Instead, they found that a contractor working on a new station had accidentally poured quick-drying concrete into the signal control room. Some of the signaling equipment was heavily damaged and officials were forced to shut down the important central London corridor during the work week. Fortunately, they were able to make necessary repairs and reopened the line the next day—though they declined to give cost estimates.

Regulators Snuff Out Snuggle House

After three weeks of harassment from Madison, Wisconsin, regulators, Matthew Hurtado closed his Snuggle House business in early December. Unbeknownst to many of us, there has been a growing interest in "touch therapy" and "cuddle parties" in the U.S. As described by the Associated Press, Hurtado charged $60 for an "hour of cuddling in a bed with a professional snuggler." Local officials were not impressed, suspecting Hurtado of opening a clandestine brothel, even after he developed a policy manual forbidding sex during snuggle sessions, installed security cameras and a panic button in each snuggle room, and assured regulators he would perform background checks—on his customers. But when the police department announced it planned to run a sting on Snuggle House, Hurtado decided enough was enough.

Bureaucracy Kills: Firefighting Edition

The Washington, D.C., fire department has for years been criticized for mismanagement and stultifying union work rules. But a failed emergency medical response in January represents a new low for the department. Out with family on a Saturday afternoon, Medric Mills Jr., 77, collapsed in a shopping center parking lot after suffering a heart attack. This happened to be directly adjacent to a fire station. Family members ran across the street to Engine 26 for help. They were told by a firefighter on duty that he needed to receive authorization from his lieutenant in order to offer medical assistance. Engine 26 personnel never did receive this authorization and Mills later died.