

A LETTER FROM THE PRESIDENT

I am pleased to report PRI's impact highlights for the month of November. John R. Graham, director of Health Care Studies, wrote an op-ed that appeared in the *Wall Street Journal*, "The Health Cost Myth," which was widely publicized and led to numerous radio and television appearances nationwide. The op-ed was also re-published in *Medical News Today* and *Rx Journals.com*. John also responded to a *Washington Post* column by syndicated columnist Eugene Robinson, which contained numerous inaccuracies regarding Rudy Giuliani's statements on the superiority of prostate-cancer care in the United States. John's letter appeared in a variety of newspapers that ran the column. Education Studies policy fellows, Lance Izumi, Vick Murray, and Rachel Chaney have continued to celebrate the success of their book, *Not as Good as You Think*. Most recently, Lance was a guest on CNBC's "Kudlow & Company" television show, where he discussed the book's findings. Also, this month Daniel Ballon, policy fellow in Technology Studies had an article published in *Tech Central Station*, which explained how the "\$100 laptops" program actually exploits, not empowers, impoverished children. The article, entitled, "Let Them Eat Laptops," was featured in the National Center for Policy Analysis' *Daily Policy Digest*, and *Cato on Campus*. Daniel also discussed his piece on *WDRC, The Talk of Connecticut*. On the Business and Economic Studies front, Lawrence McQuillan had an op-ed on the Anna Nicole Smith legal saga entitled, "Litigation Lunacy," published in the *Los Angeles Daily Journal* and *San Francisco Daily Journal*. Finally, PRI's *2007 Index of Leading Environmental Indicators* was featured in *The Hawaii Reporter* article entitled, "Media, Global Warming and Junkscience". This month's impact report also contains several other media clippings from our policy areas. All of us here remain grateful for your generous support that helps make PRI's success possible.



Sally C. Pipes,
President & CEO
Pacific Research Institute

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BUSINESS AND ECONOMIC STUDIES

key issue >> Nobel Prize in Economics for “Mechanism Design Theory”

POLICY BRIEFING

Three Americans, Leonid Hurwicz, Roger Myerson, and Eric Maskin, received the Nobel Prize in economics earlier this year for their work in mechanism design theory. Their work has been essential in improving auctions, matching organ donors with recipients, and even ranking NCAA football teams. The official press release, and subsequent media treatment, often portrayed their work as showing how to fix “flawed markets.”

PRI PERSPECTIVE

In an opinion piece for *Forbes.com*, “Can Free Markets Be Designed?”, PRI Senior Fellow in Business and Economic Studies Robert P. Murphy acknowledged the contributions of the laureates. To explain the essence of mechanism design theory, Robert offered a quick auction example, in which a first-price rule (where the high bidder pays his own bid) led to inefficiency, while a second-price rule (where the high bidder only pays the *second* highest bid) ensured efficiency. Robert’s point was that institutional structure and rules matter.

Robert then explained that mechanism design theory is quite compatible with the free market. After all, auctions can be administered in the marketplace (on eBay, for example), and one of the virtues of a free market is that it allows innovators to constantly suggest ways to improve the status quo. Seen in this light, the field of mechanism design is just another intellectual innovation to help members of a free society work and trade more effectively and more efficiently.

PRI IMPACT:

- Robert P. Murphy wrote a blog titled, “‘Will We Run Out of Oil?’ Is the Wrong Question,” which assessed the price system’s role in resource use and conservation.
- PRI’s Director of Business and Economic Studies Lawrence J. McQuillan attended the American Tort Reform Association’s 2007 Annual Legislative Conference for State Coalition Leaders in Austin, Texas.
- Robert wrote a blog titled, “Greenspan’s Suggestion for Measuring the Federal Deficit,” which examined Greenspan’s suggestion to use an accrual method for measuring the federal deficit.
- PRI’s ***U.S. Tort Liability Index*** was mentioned in a series of op-eds by Drew Thornley of the Texas Public Policy Foundation in the *Wise County (Texas) Messenger*, *Houston Chronicle*, and *Hawaii Reporter*.
- Lawrence’s op-ed on the Anna Nicole Smith legal saga, “Litigation Lunacy,” was published in the *Los Angeles Daily Journal* and *San Francisco Daily Journal*.



EDUCATION STUDIES

key issue >> Year of Education Reform

POLICY BRIEFING

Governor Schwarzenegger has said that 2008 will be the year of education reform. The governor's education team has spent months reviewing reform strategies and recommendations. Rather than tinkering around the edges, it is hoped that the governor will opt for wide-ranging systemic reform, including school choice.

PRI PERSPECTIVE

Using PRI's groundbreaking book *Not as Good as You Think: Why the Middle Class Needs School Choice* as a foundation, PRI's education unit has held a series of meetings with legislators and legislative staff to inform them of school-choice options and strategies that have been tried successfully in other states and jurisdictions. These meetings have stirred up a great deal of interest, and it appears that legislators will take these ideas and craft them into legislation in the upcoming 2008 legislative session. If the legislation is introduced, it will be the first time in years that such a school-choice package has been presented to the California legislature.

PRI IMPACT:

- Lance Izumi and Vicki Murray met with policy advisors to Assembly Minority Leader Mike Villines, Senate Minority Leader Dick Ackerman, Senate Education Committee Vice Chair Mark Wyland, Assembly Education Committee Vice Chair Martin Garrick, Assembly Education Committee member Bob Huff, Assembly Education Committee member Roger Niello, plus other key legislative staff. These meetings focused on the findings of *Not as Good as You Think* and school-choice strategies.
- In November, PRI conducted a training session for school-board members in San Diego one day before the annual California School Board Association's annual meeting. It was attended by board members from across the state. Feedback from attendees was uniformly positive.
- Human Events published Vicki's op-ed, "School Choice is the Cure for Over-Priced, Underperforming Public Schools" that focused on recommendations from *Not as Good as You Think*. Human Events also published Lance's op-ed, "The Myth of Middle Class Schools" that focused on the data on poor performing middle-class schools found in the book.
- Lance was a guest on CNBC's "Kudlow & Company" television show where he discussed the findings of *Not as Good as You Think*.
- PRI published Rachel Chaney's *Capital Ideas* column titled "California's Achievement Gap: Is Racism Really the Problem?"
- Vicki was interviewed by KLIN-AM (NE) and KTLK-FM (MN) on the findings of *Not as Good as You Think*.



ENVIRONMENTAL STUDIES

key issue >> Energy policy in California

POLICY BRIEFING

Over Labor Day weekend 2007, temperatures climbed in California. Hundreds of thousands endured power outages that led to 16 deaths by September 4. The tragedy recalled past energy woes. On June 14, 2000, a blackout left nearly 100,000 San Francisco residents without power. On January 17, 2001, after a similar outage, Governor Gray Davis declared a state of emergency, but this action failed to prevent further blackouts in March, which affected some 1.5 million Californians. “Rolling blackouts” continued to plague the Golden State, and as a result Californians began to think more about energy. Such power outages, in their view, might be expected in the Third World, but not in a high-tech state like California, with its strong economy. Six years after Governor Davis’ declaration of a state of emergency, power outages are still claiming victims, forcing Californians to face key energy questions.

PRI PERSPECTIVE

On November 25, PRI Fellow in Environmental Studies Tom Tanton released *Lights On—An Energy Policy Survey for California*. This groundbreaking study is a free-market look at how Californians use energy—and what threats and solutions exist to that energy usage. After 30 years of increasingly heavy-handed government regulation, with little to show for it, the time has come for California to seriously consider free-market environmentalism and protection of property rights. California should strive to increase energy supply options, rather than limiting them to fads favored by regulators and interest groups.

PRI IMPACT:

- Tom Tanton posted an essay on the PRI weblog about the Environmental Protection Agency’s (EPA’s) introduction of new web-based tools for understanding air quality in the United States.
- On November 9, Tom’s op-ed, “Green Boom is Not a Job Boom,” was published in the *Sacramento Union*. The piece assessed—and dismissed—the claims that environmental regulation leads to more jobs and economic growth.
- The *Hawaii Reporter* featured PRI’s *2007 Index of Leading Environmental Indicators* in an article titled, “Media, Global Warming, and Junkscience”.



HEALTH CARE STUDIES

key issue >> Presidential Candidates on Health Care

POLICY BRIEFING

Still competitive in their respective parties in the presidential race, Mayor Rudy Giuliani and Senator Hillary Clinton have entirely opposite plans for health-care reform in the United States.

PRI PERSPECTIVE

We have worked hard at PRI to show that for his part, Giuliani offers the most freedom-friendly health-care proposal for America, with free-market alternatives to big government solutions, including income tax deductions for Americans to use toward health spending and simplified rules to participate in Health Savings Accounts. Senator Clinton's American Health Choices Plan is based on mandates and increased taxes, borrowing much from former Governor Romney's plan for Massachusetts.

PRI IMPACT:

- PRI President and CEO Sally C. Pipes has continued to talk, write, and debate in support of free-market health proposals. The *Washington Post* questioned her on Rudy Giuliani's health-care plan, and she appeared on the *Rusty Humphries* radio show discussing RomneyCare vs. RudyCare. Her op-ed, "RomneyCare Revisited," for *Townhall.com* outlined the trouble with former Governor Romney's health plan for the state. Sally's assessment of RomneyCare was mentioned in the blog, "Bad Timing on Health Care for Romney," published in the *Boston Herald*.

- Sally was interviewed on NPR's *To The Point* radio show in Los Angeles, where she debated health-care issues with Michael Tomasky from *The Guardian UK*, Robert Blendon from Harvard, and Ron Brownstein from Atlantic Media.
- John R. Graham's op-ed in the *Wall Street Journal*, "The Health Cost Myth," was widely publicized and led to numerous radio and television appearances nationwide. The op-ed was also re-published in *Medical News Today*, *Rx Journals.com*, and featured in the National Center for Policy Analysis' "Health Policy Digest."
- John responded to inaccuracies in a *Washington Post* column by syndicated columnist Eugene Robinson, which criticized Rudy Giuliani's statements on the superiority of prostate-cancer care in the United States.
- Sally addressed the 3rd Annual Consumer-Centric Health Care Congress in Arlington, VA; she addressed the Novato (CA) Republican Women's Group; and she debated Dr. Risa Lavizzo-Mourey, M.D., M.B.A, president of the Robert Wood Johnson Foundation on the issue of "Childhood Obesity an Epidemic?", at the Philanthropy Round Table's Annual Meeting.
- John blogged actively this month for PRI and the State Policy Network on presidential health plans and flaws in Massachusetts health reform."

TECHNOLOGY STUDIES

key issue >> Wireless Service

POLICY BRIEFING

As a result of several developments this month, consumers will soon experience vastly more freedom, flexibility, and choice in wireless products.

1. Sprint and T-Mobile, following AT&T's announcement last month, relaxed their fees and restrictions, making it easier for customers to switch plans and carriers.
2. Google announced that it is developing an "open" software platform, which will increase the selection, quality, and compatibility of mobile applications.
3. Verizon customers will no longer be limited to using Verizon's phones. Soon, customers will be able to use any device or application they choose.
4. Google took initial steps to build its own wireless phone and Internet service, bringing more competition and innovation to the market.

PRI PERSPECTIVE

In the past, lawmakers and regulators have proposed complicated and burdensome rules in an effort to promote each of the above outcomes. Market forces, however, succeeded where government failed. The actions by Verizon, Sprint, and other providers were not reluctant concessions, but rather bold, voluntary initiatives to fight for customers in a competitive marketplace. Companies understand, far better than government, the needs of the customers they serve. When companies have the freedom to adapt and innovate, customers benefit from more choices, better service, and lower prices.

PRI IMPACT:

- In *Tech Central Station*, Daniel Ballon, policy fellow in Technology Studies, explains how a project dedicated to providing students around the world with "\$100 laptops" actually exploits, not empowers, impoverished children. The article, entitled "Let Them Eat Laptops," was featured in the National Center for Policy Analysis' *Daily Policy Digest*, and *Cato On Campus*. Daniel also discussed the piece on *WDRC*, *The Talk of Connecticut*.
- Daniel also published an editorial in *The Hill* (Washington, D.C.) explaining why "Net neutrality" is not a solution for Comcast's alleged discriminatory behavior. This piece was quoted in *Free Press*, *CIO Today*, *Sci-Tech Today*, and *TopTechNews.com*.
- As Sacramento considers whether to continue pursuing its municipal Wi-Fi project, Daniel argues in *Capitol Weekly* that the project will waste money and discourage innovation.
- PRI's study, *Wi-Fi Waste: The Disaster of Municipal Communications Networks*, was cited in *Capitalism Magazine*.
- Sonia Arrison, senior fellow in Technology Studies, authored two columns in *TechNewsWorld*, discussing the Internet's "open future" and Verizon's decision to open its network to all devices and applications (see Policy Briefing above).