

A LETTER FROM THE PRESIDENT

October marked the launch of my latest book *The Top Ten Myths of American Health Care: A Citizen's Guide*, accompanied by a well attended reception in our new San Francisco office. Since the book's release I have embarked on a media outreach campaign, which has included op-eds in newspapers across the country critiquing president-elect Barack Obama's health plan, analyzing the 46 million uninsured, and looking at the problems of socialized systems like Canada's.

In our Business and Economics department, director Dr. Lawrence McQuillan, argued in a series of op-eds that restrictions on economic freedom will deepen the downturn and delay the recovery from our current economic malaise. Lawrence's op-eds were tied to the recent release of the third edition of PRI's *U.S. Economic Freedom Index*, published in association with *Forbes* magazine.

Also in October, our senior director of Education Studies, Lance Izumi, dissected Barack Obama's education proposals in his online columns in *The New York Times*. According to Lance, Obama's wish list of education proposals would cost taxpayers upwards of \$20 billion and would greatly expand federal involvement in education.

In Technology Studies, policy fellow Daniel Ballon exposed how California lawmakers are quietly using copyright protections to profit from laws and regulations passed by the legislature. In the *Eureka Reporter*, Daniel noted that "by selling laws for profit, the state operates a shakedown racket on its own residents."

Finally, in Environmental Studies, policy fellow Tom Tanton had an op-ed published in *Capital Weekly*, "California's air-quality enforcers miss an opportunity." Tom debunked the California Air Resources Board's (CARB) claim that the state could add 100,000 more jobs, increase economic production by \$27 billion, and expand personal income by an additional \$14 billion by 2020, all under the mandate of Assembly Bill AB 32.

As you can see, despite the distractions of the election, this month has been incredibly successful for PRI and its scholars. As we enter our end-of-the-year drive, I hope you are as excited by our work as we are. Please keep in mind that none of this success would be possible without your continued support, especially during these difficult political and economic times.



Sally C. Pipes,
President & CEO
Pacific Research Institute

BUSINESS AND ECONOMIC STUDIES

key issue >> Expanded Economic Freedom Is Cure for Economic Woes

POLICY BRIEFING

The popular press and conventional wisdom has concluded that the financial meltdown was caused by foreign investors, lax federal and state regulations, excessive CEO compensation, and greed. In response, the federal government took control of mortgage giants Fannie Mae and Freddie Mac on September 7, and then insurance giant AIG the following week. Treasury Secretary Paulson asked for and received \$700 billion to buy mortgage-backed securities and other “toxic” assets from troubled financial companies in order to reassure lenders and unplug the credit markets.

PRI PERSPECTIVE

PRI economists predicted that these government interventions would not calm markets, and they haven't, because the popular diagnosis is wrong. The cause of the financial meltdown was too much government intervention, not too little. Expanded economic freedom at federal and state levels is needed.

In a series of op-eds, Lawrence J. McQuillan, PRI's director of Business and Economic Studies, argued that restrictions on economic freedom will deepen the downturn and delay the recovery. The op-eds were tied to the recent release of the third edition of PRI's *U.S. Economic Freedom Index*, published in association with *Forbes* magazine. The *Index*, which measures state policies toward free enterprise and consumer choice, ranks the states based on a comprehensive evaluation of fiscal, judicial, and regulatory indicators such as tax rates, state spending, occupational licensing, environmental rules, income redistribution, tort reform, and prevailing wage laws, to name a few.

Lawrence's op-eds were published in some of the nation's top newspapers: “Northeast Policies Oppress Enterprise,” *Providence Journal* (RI), October 10; “Upper Midwest: Land of Economically Free,” *Chicago Sun-Times*, October 16; “Californians Voting with Their Feet,” *City Journal*, October 23; and “To Dig Out of the Hole, N.Y. Must Expand Economic Freedom,” *New York Daily News*, October 29.

PRI IMPACT:

- In October, Robert P. Murphy, PRI's senior fellow in Business and Economic Studies, also published a series of articles on the financial crisis and California's state budget mess. On October 2, Robert's op-ed “Price Speculators Aren't the Cause of High Petroleum Costs” was published in the *Prince George's Sentinel* (Lanham, MD). The next day his commentary on the federal bailout, “Let Entrepreneurs Fix the Problem Government Made,” appeared in the web publication *American Experiment*. On October 8, Robert examined California's continuing budget crisis in “Riding the Revenue Rollercoaster,” his regular column for the *Sacramento Union*. Robert returned to the federal bailout in “Paulson's Plan Making Things Worse,” his October 30 *Sacramento Union* column.
- Lawrence continued his work in legal reform with “Tort Reform is Needed to Refill the Nation's Medicine Chest,” an October commentary piece for *Commerce Magazine* (NJ).



EDUCATION STUDIES

key issue >> Obama's Education Agenda

POLICY BRIEFING

Although he has styled himself as the agent of change, a close look at Barack Obama's education agenda shows that his vision boils down to the same old liberal prescription of more spending and more government programs.

PRI PERSPECTIVE

In his October online columns in *The New York Times*, Lance Izumi dissected Senator Obama's education proposals. It turns out that Obama's wish list of education proposals would cost taxpayers upwards of \$19 billion and would greatly expand federal involvement in education. For example, he envisions a new multi-billion-dollar federal push for universal preschool. Also, he would make the federal No Child Left Behind Act much more complex and ineffective by requiring that classroom work by students be used as a measure of school performance, a practice that has proved a costly failure in states that have tried it. These calls for increased federal activism in education come in the face of the federal government's massive bailout of the financial industry. If less revenue is available for programs, what then remains of Mr. Obama's education agenda?

PRI IMPACT:

- On October 31, *The New York Times* published Lance's post "Grading Obama," which detailed the deficiencies of Obama's proposals to change the No Child Left Behind Act.
- On October 22, *The New York Times* published Lance's post "Why We Need Choice," which described the differing views of the presidential candidates on school choice.
- On October 13, *The New York Times* published Lance's post "The Fiscal Reality of School Spending," which critiqued Obama's \$19 billion education agenda.
- On October 15, PRI published Lance's *Capital Ideas* column "Choice and Good Schools – Swedish Style," which described Lance's experience filming voucher-receiving private schools in Sweden for an upcoming PRI documentary. The column was subsequently re-published in the *Sacramento Union* and the *Eureka Reporter*.
- On October 6, Vicki Murray, PRI's senior policy fellow in Education Studies, was interviewed on *The Andy Caldwell Show* on KINF-AM (Santa Maria, CA). Vicki discussed empowering teachers with school choice.
- On October 24, the *Sacramento Union* published "What California Can Learn From New Jersey's K-12 Scholarship Plan," an op-ed by Vicki and PRI education intern Evelyn Stacey.



ENVIRONMENTAL STUDIES

key issue >> Government-sponsored wishful thinking

POLICY BRIEFING

According to a new study by two University of California at Berkeley economists, the California Air Resources Board's (CARB) plan to reduce carbon emissions under the mandate of Assembly Bill AB 32, will actually make money for the state. According to their assumptions, the state will add 100,000 more jobs, increase economic production by \$27 billion more than it could expect, and expand personal income by an additional \$14 billion by 2020.

PRI PERSPECTIVE

On October 2, Environmental Studies policy fellow Tom Tanton had an op-ed published in *Capital Weekly*, "California's air-quality enforcers miss an opportunity," which dissected the CARB claim. If California mandates a rollback of greenhouse gas emissions to 1990 levels, it is likely to harm numerous industries in the state and weaken its tax base, not improve it. In the end, cuts in greenhouse gases may be necessary. But cuts must be done in a responsible fashion, which requires a realistic assessment of all possible outcomes. If California is to remain a competitive giant, the implementation of greenhouse gas controls must not be based on faulty, unrealistic economic and technological assumptions about emissions controls.

PRI IMPACT:

- On October 21, PRI published *Environmental Studies* policy fellow Dr. Amy Kaleita's *Environmental Notes* column, "James Hansen Goes Extreme," which discusses NASA's head of the Goddard Institute for Space Studies, James Hansen, and his increasingly extremist environmental views. Last year, Dr. Hansen was forced to revise NASA's surface temperature records after an independent researcher pointed out that Hansen's analysis incorrectly identified the 1990s as the hottest decade on record. A new analysis of the data showed that the decade of the 1930s was in fact the warmest.
- Tom Tanton authored "Costing Out California's Global Warming Solutions Act," an October 16 op-ed in the *Sacramento Union*. Tom was also quoted in a Heartland Institute's *Environment & Climate News* column, "National Park Service Scientist Caught Spreading False Environmental Data."



HEALTH CARE STUDIES

key issue >> Although polls indicate that most Americans are satisfied with their own health care coverage and do not want the government to direct and ration health care, Americans largely accept a number of myths about the appropriate role of government in health care. Many fail to appreciate the degree to which the government already interferes with their right to spend their own money on the health care of their choosing.

POLICY BRIEFING

Sally C. Pipes, PRI President and CEO, released a new book, *The Top Ten Myths of American Health Care: A Citizen's Guide*. In plain English, this book debunks some of the notions perpetuated by those who want the government to exert even more control over our health care. She also provides solutions on how to improve our system.

PRI PERSPECTIVE

Sally identified ten health care myths: that we spend too much on health care; that government-run health care is more efficient; that health care in foreign countries is cheaper and better than America's; that government can motivate better preventive care; that 46 million Americans cannot get health care; that bigger government programs will insure more Americans; that forcing everyone to buy health insurance will achieve "universal" coverage; that health information technology is a "silver bullet"; that high drug prices drive up health care costs; and that "re-importing" drugs from other countries will reduce costs.

PRI IMPACT:

- PRI launched Sally's book with a reception in our new office in San Francisco attended by about 100 guests. The Generation Next organization also hosted Sally for speeches in Southern California and Seattle about *The Top Ten Myths*, and she conducted radio interviews on her new book, including an appearance on the nationally syndicated *Jim Bohannon Show*. Sally also published op-eds across the country on the competing presidential candidates' health plans, the uninsured, and a piece in the *New York Daily News*, "Celebs, stop taking poisonous shots at vaccines," which discussed "junk" lawsuits against manufacturers of vaccines.
- John R. Graham, director of Health Care Studies, released *Presidential Prescriptions: Diagnosing the Candidates' Health Reforms*, which analyzed the consequences of Senator McCain's and Senator Obama's proposals. This resulted in op-eds and radio interviews, including one on KQED, Northern California's largest National Public Radio affiliate. John also wrote a *Health Policy Prescription* this month, criticizing Congress for rushing a new mental health parity bill into law under cover of the financial bailout. His *Capital Ideas* article addressed a federal court's decision to allow San Francisco to hike taxes on small businesses to fund its public health bureaucracy under the guise of "universal" health care. John also authored an op-ed in the *Phoenix Business Journal* discussing the benefits of Arizona's Proposition 101, which would have prevented the state government from outlawing private health insurance.

TECHNOLOGY STUDIES

key issue >> White Spaces

POLICY BRIEFING

The Federal Communications Commission (FCC) has unanimously voted to open up a large swath of the airwaves, giving private innovators complete freedom to develop the next generation of wireless broadband technologies. Because these frequencies were originally allocated for television broadcasting, they have the ability to travel long distances and penetrate walls. For decades, these “beachfront” airwaves lay dormant, seen by television viewers only as the empty static-filled channels in between their local broadcast stations. In most television markets, broadcasters use less than half of the available channels. The rest become unused and untouchable sections known as “white spaces.” By opening the white spaces for unlicensed use, the FCC will make these frequencies available to any entrepreneur at no cost.

PRI PERSPECTIVE

The FCC’s white space ruling will trigger a flood of cheap new Internet-enabled mobile devices. Without traditional government oversight and mandates, many of these devices could initially interfere with each other as they compete for the same frequencies. Ultimately, however, market incentives will spur the development of advanced technologies for sharing the airwaves without interference. As new discoveries transform the airwaves from a scarce resource to an unlimited one, the FCC’s entire mission and purpose must be reevaluated. According to the recent PRI study, *Wireless with Strings Attached: Net Neutrality and the Grounding of Wireless Innovation*, most of the nation’s wireless frequencies are held hostage by an 80-year-old patchwork of government regulations. Opening white spaces is the first step toward taking these frequencies away from bureaucrats, and putting them in the hands of America’s brightest innovators.

PRI IMPACT:

- In a *CBS Interactive/CNET* story on Silicon Valley’s participation in the presidential election, PRI policy fellow Daniel Ballon provided perspective on why the McCain campaign failed to gain traction with many of the Valley’s traditionally free-market technology leaders.
- In the *Eureka Reporter*, Daniel exposed how California lawmakers quietly use copyright protections to profit from laws and regulations passed by the legislature. According to Dr. Ballon, “by selling laws for profit, the state operates a shakedown racket on its own residents.”
- In *TechNewsWorld*, PRI fellow Sonia Arrison explains how the current financial crisis can be explained by network theory, and why the tech sector is well positioned to weather the storm. According to Sonia, “entrepreneurs with strong spirits have a new environment in which to make things happen, and they are.”
- In another *TechNewsWorld* column, Sonia describes how future advances in artificial intelligence will transform society.