



Celebrating our 10th year!

CASCADE UPDATE

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CASCADE POLICY INSTITUTE • PORTLAND, OREGON

SPRING 2000

Better Government Ideas Wanted!

\$40,000 for the best Oregon policy solutions

Cascade has embarked on its fourth biennial Oregon *Better Government Competition*. The Institute again asks Oregonians to tap into their pioneering spirit and submit ideas on to how to improve our state and local government. Further, Cascade is offering the most money ever—\$40,000—in awards and honoraria for the development of winning ideas.

Often described as a citizen suggestion box, the *Better Government Competition* serves as a bridge between citizen activists and public officials, and acts as a positive vehicle for change. All Oregonians benefit from the promotion and adoption of winning ideas that improve public services, reduce the cost of state and local government, and

increase opportunity.

This year's *Competition* theme is "Technology, Innovation, and Competition: 21st Century Solutions for Oregon." While all proposals for improving government are welcome, the 2000 *Competition* especially encourages ideas that are technology-related.

The *Competition* kicked off with the March 1st luncheon "The Dynamic Future: Greater wealth, health, opportunity and choice," featuring Virginia Postrel, editor-at-large of *Reason* magazine. Postrel is also a columnist for *Forbes* and *Forbes ASAP*, and author of the much-celebrated book, *The Future and Its Enemies: The Growing Conflict over Creativity, Enterprise and Progress*.

Making a practical and intellectual case for reducing the size and scope of government, Postrel's message was a fitting start to the *Better Government Competition*. She argued that the key to

progress and prosperity is creativity and open-ended trial and error.

"[T]he role for better government is not to 'drive' the future but to give citizens the freedom to make it happen in ways no one would predict."

—Virginia Postrel

Postrel warned against the stifling effects of bureaucracy and the danger of trying to impose a centrally planned vision for the future. She explained,

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School choice is its own reward

Reform is about more than dollars and grades

By Steve Buckstein

The good news in education is that choice is breaking out all over. School voucher programs continue to operate in Cleveland and Milwaukee; a new voucher program is now in effect in parts of Florida; at least 34 states, including Oregon, have authorized charter schools; and the national *Children's Scholarship Fund* (CSF) is providing privately-financed scholarships for more than 40,000 low-income children.

The arguments in support of school choice are many and varied. One primary—and valid—argument in the case for school choice is economic efficiency. A decentralized system, in which schools must compete for students, would prove more cost-effective than the current monopoly situation.

When former cabinet minister and member of the New Zealand Parliament, Maurice McTigue, visited Cascade last year, he reported on his country's successful education reforms. In moving to a nationwide charter school system, New Zealand was able to cut back its top-heavy education bureaucracy. New Zealand went from spending 30 cents of



Children's Scholarship Fund co-founder Ted Forstmann and two families that received scholarships to attend private schools. Cascade facilitates this program locally.

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The seen and the unseen

Bruce Miller worried aloud as tears rolled down his face. "I don't know what to do. I just don't know." Miller owns Professional Towncar Services, which transports customers from Portland International Airport. He recently ran into a regulatory wall, and now wonders how he'll pay for his daughter's cancer treatments.

Miller's concerns were heard at a recent Port of Portland meeting. Despite the testimony of Miller and others, Port commissioners sought "order and balance" for airport transportation and voted to limit the number of companies that could provide "on demand" executive transit services. More than 65 companies and their employees once offered such airport services. Instead of developing a system that allowed consumers to choose among numerous options, the commissioners decreed that only five companies were needed. Miller's company was not chosen.

A few years ago, Portland's Union

Gospel Mission dedicated a portion of its facility to HealthBridge, a nonprofit organization founded by doctors to provide an overnight clinic for the homeless. A profound need existed for those released from area hospitals who were well enough to recover at home, but who lived on the streets. Without shelter, these folks were easy targets for relapse and readmission into the hospital—often at taxpayer expense.

Oregon State Department of Health regulations mandate 24-hour-per-day nursing supervision for this type of facility. HealthBridge, a volunteer-based charity, was not sufficiently funded to pay for that level of service, and was forced to shut its doors.

The irony of the regulation: homeless patients could be released from hospitals to sleep on the streets, but when doctors tried to organize medical help for them, state regulations created an all-or-nothing scheme that tragically ended with nothing at all.

The counterproductive and negative

consequences of government actions are often overlooked. This can be partially attributed to the law of the seen and unseen.

Public servants and others cheerfully point to the select beneficiaries and the self-defined positive results of their actions. They don't talk about the victims they leave behind on their path of for-the-public-good intentions. Rarely do we hear about the indigent who don't get charitable care because of a regulation, or the father who cannot work to pay for his daughter's cancer treatments.

The nineteenth century economist Frederic Bastiat explained, "In the economic sphere, an act, a habit, an institution, a law produces not only one effect, but a series of effects." When confronted with government action, we must look beyond the advertised results and remember the unseen victims.

Kurt T. Weber

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Weber promoted to vice president

In January, Kurt T. Weber was promoted to vice president of Cascade. "As the Institute has grown in size and impact, Kurt has grown too, taking on increased responsibility," announced Institute chairman William B. Conerly. "We have great confidence in his ability, and we've given him goals to match our confidence."

Cascade president and co-founder Steve Buckstein states, "With Kurt's promotion, I am able to devote more time to policy issues, especially school choice, working with the media, and representing Cascade in public forums." In addition to his stepped up management role, Weber's responsibilities will include media and university outreach, program development, and strategic planning.

Weber joined the Institute in April 1993 as its program director. He has successfully managed the three previous Oregon *Better Government Competitions*, the Independence Essay Competition for high school students, which in its sixth year is one of the most popular essay competitions in Oregon, and organized the Institute's many events.

Weber has also represented the Institute on television and radio, and spoken before civic groups from Gold Beach to Hood River to Grants Pass. He has more than 70 published newspaper commentaries and 150 radio commentaries to his credit. He has been published in *The Oregonian*, *Capitol Press*, *Mail Tribune* (Medford), *Brainstorm* magazine, and numerous other

Oregon publications, as well as *The Orange County Register* and *The Houston Post*.

Weber graduated from Western Michigan University with dual degrees and honors in finance and public administration. He earned his masters degree in international relations from Thomas Jefferson's university, the University of Virginia.

"Cascade's ability to help successfully shape policy debates is directly related to the strength of our staff," says Weber. "We have a team that is highly capable and dedicated to advancing the principles of liberty and open markets. I relish the opportunity to celebrate more successes on behalf of Oregonians during Cascade's tenth year."



Cascade vice president Kurt T. Weber

Internet taxes will retard prosperity, progress

By Fred L. Smith, Jr

Portland-based 800.com has experienced explosive sales growth since it went online in the fall of 1998. The company's growth is attributable to good management—and the fact that Oregon does not have a sales tax, which gives 800.com and other Oregon businesses a price advantage over their out-of-state competitors.

Thanks to Oregon being a no sales tax state, 800.com is providing new e-jobs left and right, and shoppers everywhere get to save money. Unfortunately, the nation's governors and state and local officials, led by the National Governors' Association, are making a high-profile, passionate case for collecting sales taxes on the Internet. Many jobs, much prosperity, and a lot of privacy is at stake in the e-commerce taxation debate.

In 1997, Oregon's U.S. Sen. Ron Wyden co-sponsored the Internet Tax Freedom Act (ITFA). It passed the following year, placing a three-year ban on Internet sales taxes. The Act also created the Advisory Commission on Electronic Commerce (ACEC), to which Washington County Commissioner Delna Jones was appointed. The ACEC was charged with making a recommendation on whether to make the Internet tax ban permanent; ACEC's final recommendation will be made to Congress in April.

“Imagine trying to accommodate 7,400 taxing districts”

At the ACEC meetings, state and local government officials have argued that they seek to impose taxes on the Internet to “level the playing field” between Main Street businesses that pay taxes and untaxed Internet firms. They also claim the need to forestall a hemorrhaging of state tax revenues as customers make purchases online.

Last November the e-Freedom coalition, which includes Cascade, formally presented a proposal to the ACEC. That proposal advocated no new Internet taxes, and removing taxes and regulations that drive up the cost of Internet access. The e-Freedom coalition seeks to ensure no state collect taxes from firms that have no substantial physical presence within their borders. Refer to www.e-freedom.org.

Main Street business owners who may legitimately fear competition from untaxed Internet firms should realize that Internet tax proponents do not genuinely represent their interests. If tax-seekers win, such firms may find themselves bound to Main Street forever, at a time when the Internet increasingly puts the world at their doorstep.

“By collecting information on every sale, invasive Internet taxation schemes will harm emerging privacy innovations...”

Many of today's “bricks and mortar” Main Street firms have the opportunity to become the “clicks and mortar” innovators of tomorrow. And even if their aspirations aren't quite so lofty, many Main Street stores already boast a Web page, while others are embracing online auctions or erecting low-cost virtual storefronts through innovations such as Amazon's z-Shops and Yahoo! Shops.

Still others are outsourcing their entire online presence through services like Iconomy's “turnkey” online storefront, which handles customer service, billing, and shipping. With Iconomy, the merchant merely supplies a Website. These innovations are just the beginning of new avenues opening up for aspiring Main Streeters.

State and local government officials seeking to tax the Internet threaten such developments, while exaggerating their revenue plight. Not only are state tax revenues growing in this age of surplus, but most online sales today are business-to-business sales, which pay no sales tax; financial and travel services—very popular on the Internet—are also not subject to sales tax. Even as the world moves online, an unfettered Internet

means the creation of new businesses and jobs, and the increase in income taxes that accompany them.

There is a more fundamental objection to taxing Internet sales: extending taxation to remote jurisdictions is fundamentally unjust. Governments only have the authority to tax citizens within their particular jurisdiction. There must be no taxation without representation.

The advocates of e-commerce taxation ask that Congress require remote sellers without a physical presence to collect taxes on their behalf—while readily admitting there are 7,400 taxing jurisdictions that must be accommodated. On a purely practical level, budding entrepreneurs and small businesses could not possibly deal with such complexity.

Some claim that computer software is available that would make it easy for businesspersons to collect taxes from their customers. Trying to cope with software like Quicken or TurboTax to satisfy the IRS is difficult enough. Imagine trying to accommodate 7,400 taxing districts in the U.S., let alone tens of thousands more in other countries. Entrepreneurs and small businesspersons must be left alone to devote their energies to their businesses, creating jobs for others, and improving our lives through better products and services.

Moreover, e-commerce is new and uncharted territory, with relationships still evolving. Who will be liable for taxes: the

Turn to **Internet taxes**, page 7



Cascade's Steve Buckstein meets with Grover Norquist, member of the Advisory Commission on Electronic Commerce and president of Americans for Tax Reform. After Cascade facilitated a meeting between Norquist and *The Oregonian* editorial board, the newspaper ran the editorial, “www.don'ttaxtheinternet.com.”

Affluence, markets and the environment

By John A. Charles

As we celebrate Earth Day 2000, expect to hear many people decry the material wealth of Americans. This past January, in an impassioned speech to 500 Portlanders, environmentalist David Suzuki claimed that if everyone in the world attained a North American lifestyle we would need five more planets to sustain us. He received two standing ovations and went on to address 200 similarly receptive businesspeople the following day at a Rotary meeting.

“After a record 109 consecutive months of economic expansion, the most dominant characteristic of the economy is resource abundance, not shortage.”

It is easy to see why such a message has become popularized and accepted by many. Those who already feel guilty for their wealth are only too quick to accept blame for environmental degradation. Further, it might seem intuitive that the American lifestyle, with our cars and fast food, is more harmful to our natural environment than a third world village life. But the reality of the situation runs contrary.

It only takes one visit to a third world nation to discover that the image of an idyllic and environmentally benign peasant life is off the mark. Open sewers and litter line the streets; in large cities, the air is choked with emissions from diesel buses and older, high-polluting cars. Hours are spent on mundane tasks and backbreaking labor—hand washing clothes on rocks in rivers, collecting sticks or dried manure for cooking, and so forth.

Rest assured, we need not revert to hunting and gathering to save our planet. In fact, our market economy and affluence have led to substantial environmental improvements over the last decades. Looking at virtually any significant measure—air and water pollution, energy consumption, crop production, infant mortality, cancer rates, life expectancy at birth—one finds consistent trends towards an improved quality of life.

For example, levels of pollution in the

United States have dropped dramatically since the first Earth Day 30 years ago. Between 1970 and 1997, nationwide population increased 31 percent, vehicle miles traveled increased 127 percent, and gross domestic product increased 114 percent—yet total emissions of the six principal air pollutants regulated under the Clean Air Act actually *decreased* by 31 percent.

Per capita consumption of water is declining, agricultural productivity is rising, and we’ve been growing a net surplus of trees each year since the 1950s.

The growth of our economy—which most environmentalists mistakenly see as the problem—has generated the necessary wealth to invest in pollution control technologies. Nationwide, the amount of money spent annually by the business sector on pollution abatement rose from \$31.9 billion in 1973 to \$59.3 billion in 1993, in constant dollars.

One of the most telling statistics is the relationship between emissions and growth in Gross Domestic Product (GDP). Atmospheric emissions per constant \$1,000 of GDP have been consistently declining by approximately 3.6% per year since before WWII, from 380 pounds per \$1,000 of GDP in 1940 to 60 pounds in 1988. Emissions per capita during those years also declined, from 1.1 tons per person to 0.5 tons.

“Market competition imposes a never-ending drive for efficiency and innovation. Because pollution results from the waste of a resource, rising efficiency results in lowered pollution”

How is it that as the economy grows, emissions keep falling? The answer: market competition imposes a never-ending drive for efficiency and innovation. Because pollution results from the waste of a resource, rising efficiency results in lowered pollution.

A recent report by the World Trade Organization reinforces these points. The report concludes: “One reason why environmental protection is lagging in many countries is low incomes. Countries that live on the margin may simply not be able to afford to set aside resources for

pollution abatement...If poverty is at the core of the problem, economic growth will be part of the solution...”

Our own experience supports this conclusion. After a record 109 consecutive months of economic expansion, the most dominant characteristic of the economy is resource *abundance*, not shortage. The doomsday predictions of 30 years ago, which forecasted worldwide shortages of natural resources by the year 2000, have proven wrong.

Earth Day should be a celebration of all that has been accomplished since 1970. Oregonians are wealthier and healthier than at any other time in history. If we reaffirm our commitment to property rights, markets and the rule of law, this trend will continue.

John A. Charles is Cascade’s environmental policy director.

Liberty Link *Heartland Institute*

Founded in 1984, the Heartland Institute is dedicated to meeting the information needs of state and national elected officials, journalists and its members. Heartland’s work covers the policy spectrum, grounding its research in sound economic principle.

Among its noteworthy publications are two monthly newspapers, *Environment & Climate News* and *School Reform News*. The latter has a circulation of 45,000, which includes 33,000 school administrators and teachers, every state and national elected official, education journalists, activists and others. Heartland’s bimonthly *Intellectual Ammunition*, is the only magazine designed for elected officials which offers a free-market perspective on a variety of policy issues.

Also a valuable resource for policy makers and interested citizens alike is Heartland’s PolicyBot. The online research service provides access to over 7,000 public policy documents from more than 300 think tanks.

To contact Heartland visit www.Heartland.org, or write to: 19 South LaSalle St., Suite 903, Chicago, IL 60603. Call them at (312) 377-4000.

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each education dollar in the classroom, to 67 cents per dollar after the reform.

Many proponents also defend choice on the basis that competition brings about improved scholastic performance by students as measured by standardized test scores. We at Cascade have made that point, and will continue to do so. We are confident that the vast majority of students will show improved educational achievement when given the opportunity to enroll in a school of their own (and their parents') choosing.

Though student performance and economic efficiency are important, they are not the only reasons to support school choice. There are moral arguments as well. In the recent book, *Choosing Equality: School Choice, the Constitution and Civil Society*, Joseph P. Viteritti takes the equality of opportunity approach:

children of all economic backgrounds deserve the same access to quality education.

Taking the equality argument a step further, all families should be allowed to retain control over the important decisions in their children's lives. Thus perhaps the most overlooked and most fundamental reason for offering school choice is the choice itself. As members of a free society, parents should have the right to choose the school that is best for their children. It's entirely possible that some students might change schools and show no improvement at all in their scholastic achievement. Some may even show a decline. Still, people should be free to make those decisions for themselves and their children.

Besides, there is much more to schooling than grades. A student can exhibit mediocre academic performance and still consider the school experience a success on the basis of emotional maturation, participation in after-school activities or the development of a good

work ethic. Parents, in particular, may place a high value on the moral and spiritual guidance available in many private schools, now that government schools have been more or less declared "value-free" zones.

We all make decisions about important and not so important things every day. We choose our own diet, housing and recreation. We choose our life partners and our jobs. And, we accept the consequences of those decisions even when the outcomes are bad. That is what a free society is about. Nobody wants the state to begin arranging marriages, or choosing our careers for us. Why should the state tell us where to send our children to school?

School choice does not need to be defended on the basis of cost or performance. Choice is its own reward. Parents and children deserve it.

Steve Buckstein is president of Cascade.

Education roundtable

Local education experts field questions on reform

A room full of educators, business leaders, elected officials, media and concerned citizens gathered on February 2 to examine the state of education reform in the Portland Public School District.

Willamette Week staff writer Nigel Jaquiss and *Oregonian* associate editor David Reinhard directed questions to two of the most prominent figures on Oregon's education reform stage: Ron Saxton of the Portland Public Schools Board of Education, and Rob Kremer, president of the Portland-based Oregon Education Council. The event was jointly hosted by Cascade, *Brainstorm* magazine, and Oregon Tax Research.

A key theme was expressed by Master of

Ceremonies Molly Bordonaro who encouraged participants to continue questioning the education system in an effort to make it better.

In that spirit, Kremer and Saxton discussed the importance of competition in education. In addition to recognizing the benefits of outside pressures, Saxton identified competition within the district as an impetus for improvement.

Kremer, a leader in the local charter school movement, went beyond Saxton in his call for competition and emphasized the importance of decentralized "building-level control."



Two hundred fifty people gathered to hear Rob Kremer and Ron Saxton discuss the state of education reform in the Portland Public School District.

He argued that decisions regarding curriculum, teacher pay, school calendar, discipline, testing and instructional methods should be removed from the district level. These key decisions should be made by the professionals at the schools themselves, with parents free to chose the best schools for their children.

In response to the frequently-levied charge that many parents are not involved with their children's schooling and would not make wise educational choices, Kremer exclaimed, "I reject the notion that you have a substantial population of Oregon parents who don't care and who don't know enough to send their kid to a school that makes sense for them." His strong defense of Oregon parents was met with cheers from the audience.

"The public schools must bear the sunlight of public scrutiny. The sharpest scrutiny, unjust though it may be, is more wholesome than indiscriminate praise. The blows which our schools get, like the hammer of the car inspector, serve by the ring of their metal to prove their strength, and not destroy them."

—T.H. Crawford, Superintendent of Portland Schools, 1881

...Ideas wanted

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“[T]he role for better government is not to ‘drive’ the future but to give citizens the freedom to make it happen in ways no one would predict.”

The innovative solutions promoted in the *Better Government Competitions* are consistent with the sort of policies Postrel espoused. Past winners have detailed private alternatives to government programs, or identified ways to contract out services to achieve lower costs, greater accountability and more individual choice. Others have emphasized removing regulatory barriers to enterprise as in the 1996 report, “Preserve farmland through prosperity: Reform Oregon’s land use laws,” by organic farmer Ann Brentmar. Her report ultimately helped allow farmers to do more value-added processing of crops on their land, and thus stabilize and increase their income.

Oregonians have submitted over 600 entries to Cascade’s three previous *Competitions*. To date, 14 of the 26 winning ideas have been written up in

Residents of Arizona can now register their cars from the comfort of their own homes.

legislation, and seven have passed into law. Others have been acted upon at the local level.

Cascade president Steve Buckstein explains the time is right to explore high-tech solutions through the *Better Government Competition*. “Revolutionary advances in technology have opened new opportunities for reducing the cost of government. With its strong high-tech presence, Oregon is in a unique position to take advantage of these resources.”

As Buckstein indicates, state and local governments are increasingly going online to improve services while decreasing costs. Residents of Arizona can

The growing list of sponsors for the 2000 *Better Government Competition* includes: US West Communications, Jeld-Wen Foundation, Portland General Electric, *The Business Journal*, KBNP Business Radio, Advanced Direct Marketing, Jackson Foundation, Coffey & Assoc. Video, MP Plumbing Company, A-dec, StandardTV and Appliance, and W.G. Moe and Sons, Inc.

The 2000 Oregon *Better Government Competition* judges are:

- Sara Bentley, publisher, *Statesman Journal*
- Craig Berkman, Craig Berkman & Associates, and member, Oregon Internet Commission
- Robert J. Caldwell, editorial page editor, *The Oregonian*
- Karla Chambers, co-owner, Stahlbush Island Farms, and member, Portland Branch of the Federal Reserve Bank of San Francisco
- Ann Eike, corporate economist, Port of Portland
- James L. Huffman, dean, Northwestern School of Law at Lewis & Clark College
- Phil Keisling, vice president for Business Development, PROdX, and former Secretary of State
- Wendie L. Kellington, attorney, Schwabe Williamson & Wyatt, and former chief referee, Oregon Land Use Board of Appeals
- Randall Pozdena, PhD, managing director of ECONorthwest, Inc. and chairman, Oregon Investment Council
- Philip Romero, PhD, dean, Lundquist College of Business, University of Oregon, and former chief economist, State of California, for Governor Pete Wilson



Cascade’s Steve Buckstein (middle) looks on as *Competition* kickoff speaker Virginia Postrel signs her book for Andrew Hagedorn of the Senate Majority Office

now register their cars from the comfort of their own homes. IBM developed Arizona’s online vehicle registration program, which operates on IBM’s servers in exchange for \$1 per transaction and 2% of revenues.

Similarly, Los Angeles County expects to move up to 80% of its \$650 million in annual purchases to the Internet during 2000. The county expects the move to reduce the need for storage space and save \$29 million over five years, while generating an additional \$9.5 million from warehouse property sales.

Other innovations could render government provision of some services unnecessary by making private provision more viable. Robert W. Behnke’s 1994 winning *Competition* report shows how wireless technology can be used to connect existing public and private transit resources with consumers, thus bypassing the need for a public transit monopoly. A system based on his idea is now being designed for several Oregon cities and counties.

Finally, advances in technology could mean less reliance on licensing laws and

other business regulations. Such laws are often presented as a means to protect those who lack the information necessary to make wise consumer decisions. The Internet allows greater access to information than ever before, and with the advent of wireless technology, a consumer could find key information in an instant, anytime, anywhere.

All ideas for improving government, technology-related or otherwise, are welcome in the 2000 Oregon *Better Government Competition*. Entrants should submit brief idea papers to Cascade by June 30. Up to eight winners will be selected by the independent panel of judges. Cascade will coordinate the development of winning entries into formal reports, and distribute and promote them throughout Oregon and around the country. Winners will receive \$2,000 for being selected, with additional honoraria available to those who contribute to their idea’s development.

The *Competition* has been endorsed by the American Electronics Association – Oregon Council, Oregon Entrepreneurs Forum, and Southern Oregon Telecommunications and Technology Council. Numerous public officials, members of the media and community and business leaders across the state have leant their support as well.

“Competition and consumer choice are helping to improve service delivery and reduce taxes throughout the county and around the world,” says Buckstein. “We encourage businesspeople, community activists, and public employees to submit their ideas to empower citizens and help make Oregon a better place to live.”

For Oregon *Better Government Competition* guidelines visit www.CascadePolicy.org/bgc or call (503) 242-0900. Entry deadline is June 30.

Charles writes up a storm!

While Cascade environmental policy director John A. Charles has been in high demand as a speaker this winter, traveling to Omaha, Minneapolis, Berkeley and Palo Alto, he has also been busy writing for a variety of publications.

Cascade just released the Policy Perspective, *Squeezed Out: No Swingset, No Sandbox, No Space Left for the American Dream*, in which Charles describes how Portland's urban growth policies have severely diminished

consumer choices in the housing market. An earlier version of *Squeezed Out* appeared in the Dec./Jan. edition of *Brainstorm* magazine.

The forthcoming book, *A Citizen's Guide to Smart Growth*, jointly published by The Heritage Foundation and the Political Economy Research Center, contains a chapter by Charles on the "Portland myth." In this chapter, he debunks the common myths that light-rail, the urban growth boundary and the regional government have made major contributions to our regional livability.

As a resident of rural Clackamas County, Charles recently accepted an opportunity to write a regular column for the *Sandy Profile*. His columns run every three weeks and focus on the politics, policy and culture of Clackamas County and the Metro region.



John Charles describes the flaws of light rail in an interview with Arizona's KPNX Broadcasting. Phoenix is one of many U.S. cities around the country considering light rail.

For a copy of *Squeezed Out*, call Cascade at (503) 242-0900 or refer to www.CascadePolicy.org.

Liberty-loving college students

Internships and seminars available

Cascade offers research-intensive, paid internships for college students interested in public policy. For a unique opportunity to explore the principles of liberty and free markets in practical application, students should look to Cascade.

Our interns gain valuable experience in research and writing, all while gaining a better understanding of, and appreciation for, individual liberty, markets, property rights and limited government. Past interns have been published as a result of their work. Students gain valuable experience, especially for careers in public policy and journalism.

Liberty-loving students should also apply for one of the many free seminars offered around the country, organized by the Institute for Humane Studies (IHS). All IHS seminars are grounded in classical liberal philosophy, with special offerings available for those entering careers in journalism, policy, academia or the arts. The deadline for summer seminar applications is March 31.

To participate in, or help underwrite a Cascade internship, contact program coordinator Angela Eckhardt at Angela@CascadePolicy.org or (503) 242-0900.

The Institute for Humane Studies can be reached at (800) 697-8799 or visit www.TheIHS.org.

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consumer, the merchant, the consumer's ISP, or the merchant's Web host? How about the warehouse that stores goods in the pipeline? Adding to the complexity, all of these potentially liable parties may reside in separate states—or separate nations. The new kinds of business associations that are continually emerging, such as the merchant affiliations, auctions, and virtual storefronts, make it impossible to know what it is we're trying to tax. Everything about online commerce is in a state of flux.

One of the most important needs on the Internet today is the development of tools to protect customers' privacy. By collecting information on every sale, invasive Internet taxation schemes will harm emerging privacy innovations like anonymous digital money and encryption. Internet taxation threatens the very existence of such necessary developments.

State and local politicians say they want a "simple and fair" uniform tax, a

scheme whose ultimate—but unspoken—end is a national sales tax. Such a plan would be simple only from the perspective of the tax collectors, not from that of buyers and sellers on the Web. A simple tax is a simply raised tax, and thus not desirable.

"A simple tax is a simply raised tax, and thus not desirable."

Policymakers must ensure that there always exist competing tax jurisdictions, not uniformity in taxation across the states. Entrepreneurial flexibility in moving capital to escape the taxman provides a constraint on government overreach, and it is important to preserve that mechanism. A uniform system makes it simple only for multiple states to stake claims and propose new taxes.

Main Street businesses still tempted to embrace Internet tax schemes should realize one final thing. If new taxes are applied to the Internet via software, it is almost a certainty that such taxes will work their way down to Main Street businesses.

Those with faith may believe it would replace existing sales or other taxes; those more wary may reasonably suspect the tax would be added to what already exists.

Members of the Advisory Commission on Electronic Commerce should recall the American Revolutionaries' rallying cry of no taxation without representation. Commission members should also align themselves with proponents of progress and prosperity and recommend a permanent ban on Internet taxes.

Fred L. Smith, Jr., is the president of the Competitive Enterprise Institute in Washington, DC, and a contributing scholar to Cascade Policy Institute.

Sea Lion Caves

Sixty-eight years of private conservation

Oregon is home to one of the most successful examples of private wildlife conservation in the country. A familiar family stop on Route 101 between Newport and Florence, the Sea Lion Caves has been operated as a family-owned, for-profit business since 1932. It receives 200,000 visitors a year, is home to an average of 200 Northern, or Stellar, sea lions, and serves as the only mainland breeding and wintering area for these mammals.

Over the last century, man has been the primary predator of the sea lion. Lacking commercial value themselves, sea lions



Residents of the Sea Lion Caves thrive in their natural habitat.

were thought to pose a threat to the commercially valuable salmon industry by feeding on the salmonids and disrupting the salmon runs. They also damaged fishing nets and equipment. By the end of the 19th century, the commercial fishing industry had begun hiring sea lion bounty hunters.

In 1920 our legislature asked the State Fish Commission to exterminate the entire population of seals and sea lions along the Oregon coast.

In 1920 our legislature asked the State Fish Commission to exterminate the entire population of seals and sea lions along the Oregon coast, which was estimated to be about 3,000. A bounty of \$5 each was placed on the animals. The aptly named William Hunter, who is reported to have killed some 10,000 seals and sea lions along the Oregon and Washington coasts from 1914-1920, became the chief bounty hunter and collected \$5,000 in 1921 alone.

In 1927, while the State of Oregon was paying for the slaughter of sea lions and seals, R.E. Clanton purchased America's largest sea cave with plans to open it as a business. Sea Lion Caves opened five years later. The original and subsequent owners spent much of their time driving off the bounty hunters.

Over time, and under pressure from conservationists and tourism promoters, Oregon revised its sea lion policy. Indeed,

today it is illegal to kill or harass marine mammals, and the Stellar Sea Lions in residence at the Sea Lion Caves are now listed as a threatened species.

Regardless of official government policy, the Sea Lion Caves have maintained a role of private stewardship for the last 68 years. Mindful that their profitability depends on the presence of the animals, the owners take every precaution against disrupting the natural habitat. Thus, tourists are fenced out at a distance close enough for viewing, while the animals are free to come and go, unlike in an aquarium or zoo. Further, maintenance and improvements are undertaken only when the wildlife will not be disturbed.

The careful stewardship at the Sea Lion Caves has paid off: the population of the Stellar Sea Lion along the Oregon coast has increased from 1,000 in 1964 to approximately 4,000 today.

Given the bounty placed on the sea lions' heads at the beginning of this century, the current owners are especially proud of what has been accomplished—practicing conservation well before it became fashionable and well before the caves began to turn a profit. The Sea Lion Caves demonstrate that making a living and preserving wildlife can be compatible.

The Sea Lion Caves web site is www.sealioncaves.com. For more information on the caves and other examples of private conservation, contact Robert J. Smith at the Competitive Enterprise Institute's Center for Private Conservation. Call (202) 331-1010 or visit www.cei.org.

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