



Economic fallacies

Post September 11 economic theories under the microscope

On November 27 Cascade hosted a luncheon with the new president of the [Foundation for Economic Education](#), Mark Skousen, Ph.D. Known as a maverick of economics for his contrarian and optimistic views, Dr. Skousen has built a reputation for accurately identifying economic and political trends. The following is adapted from his talk, "Attack on capitalism: Seven lies, myths and realities," in which he examines several theories about the current economy.

In his classic book *Economics in One Lesson*, Henry Hazlitt warned, "Economics is haunted by more fallacies than any other study known to man." Since the war on terrorism began in earnest after September 11, these fallacies have blossomed. So far I've come up with seven myths popularized by establishment economists and the news media.



Dr. Mark Skousen discusses economics with Nicole Williams of viaLanguage.

Myth #1: "War is good for the economy." The World Trade Center and the Pentagon have to be rebuilt, right? Paul Krugman, for example, is certain that the rebuilding will "increase business spending" and stimulate the economy. Yet this Keynesian argument violates an elementary error, known as the "broken window" fallacy.

The French economist Frederic Bastiat was the first to counter the idea that bad news (war,

natural disaster or crime) is good news for the economy. One hundred and fifty years ago in his essay, "What Is Seen and What Is Not Seen," Bastiat told the story of a hoodlum who breaks a store window. Although the glass has to be replaced, which brings new business to the glazier ("what is seen"), the storeowner no longer has the funds to buy other things, such as a suit ("what is not seen"). The end result is the window is made whole again, but the storeowner is without the suit. As Bastiat concludes, on net balance, "destruction is not profitable." [To read Bastiat's essay, go to www.fee.org.] To bring Bastiat up to date, the funds used to rebuild the World Trade Center and the Pentagon are no longer available for better uses.

Myth #2: "If you save your tax rebate, it won't help the recovery." I've heard this anti-saving argument by a top economist on CNBC as well as a headline in the *Orlando Sentinel*, "Help Save the Economy: Spend Your Tax Rebate!" This anti-saving mentality comes out of the Great Depression era when worried Americans hoarded their cash and banks built up excess reserves instead of lending savings.

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School choice next civil right

Speaker addresses minority achievement

On October 25 Cascade hosted a visit by [Cory Booker](#), Newark (NJ) City Councilor and board member of the [Black Alliance for Educational Options](#) (BAEO). Booker came to Portland to explain why empowering parents is the best method to improve education and an extension of the civil rights movement.

Booker represents one of America's poorest communities, Newark's Central Ward, and has earned a reputation as one of the country's most ardent community activists, innovative



From left, State Sen. Charles Starr with Cascade's Steve Buckstein and Newark City Councilor Cory Booker.

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Forget states' rights, it's individual liberty that counts

Oregon's pioneering spirit can sometimes be a headache. The statewide obsession with land use planning. The ban on self-serve gas. Need I say more? But despite the occasional misstep the Beaver State has proven to be an innovative laboratory of democracy in the great tradition of *these* United States. Lately our laboratory has been challenged, raising fundamental questions of federalism.

It should be no surprise, given Oregonians' affinity for the Initiative system, that we do things differently here. After all, Oregon was the first state to determine an Initiative system was even necessary—that individual citizens should have recourse to make changes to their government and protect their rights when elected officials fall down on the job.

In recent years Oregon has used the Initiative to break ranks with federal policy and allow physician assisted suicide. Attorney General John Ashcroft's challenge of the

Oregon law has sparked a battle of state vs. federal government. The unmovable object meets the irresistible force.

Those who would jump on the "state's rights" bandwagon should remember that such arguments were used to uphold slavery—the state-supported violation of individual rights. Let's be clear: states have no rights. States exist to protect the lives, liberty and property of individuals. When states violate this edict, the federal government should intervene, and vice versa.

No matter what your opinion on physician assisted suicide, it ultimately does not amount to a violation of individual rights. The decision to end one's life is a personal choice, entered into voluntarily. Oregonians do not require rescuing by the federal government in this matter.

But protection of rights isn't even the federal government's goal. Instead, Ashcroft is relying on a broad interpretation of the

commerce clause—assuming authority to regulate medical practices within states—to justify his interference in the lives and voting decisions of Oregonians.

Even those who disagree with physician assisted suicide should stand with Oregon, not because of state's rights, but because the federal government should not have authority in this matter.

So long as individual rights are upheld, states should be free to implement diverse policies. Why? Competition spurs innovation and excellence wherever it is allowed. Competition between states is no different. States that implement the best public policies—those that limit taxes and regulations, and uphold property rights—will attract individuals, businesses, and prosperity to their borders.



Angela Eckhardt, Director of Publications

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Cascade Update is published quarterly by Cascade Policy Institute, Oregon's premier public policy research organization. Nothing in *Cascade Update* should be construed as an attempt to aid or hinder the passage of any legislation, or as an endorsement of any candidate.

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Eckhardt named director of publications

Cascade's Angela Eckhardt has been named director of publications after three years with the Institute, most recently serving as program director. Eckhardt has been editor of the *Cascade Update* since June 2000; she took over responsibility for web content during the site redesign more than a year ago. Eckhardt works closely with Cascade staff, academic advisors and adjunct scholars to produce Cascade Commentaries and policy reports. She will continue overseeing the Independence Essay Competition and research internship program.

Since joining Cascade, Eckhardt has written on a wide variety of policy issues. She has been published in newspapers and magazines across the state, including *The Oregonian*, *The Business Journal of Portland*, *Capital Press*, *Cascade Business*

News, and *Oregon's Future* magazine. Eckhardt joined Cascade in 1998 after receiving a Bachelor of Arts in religion from Reed College.



Cascade's Angela Eckhardt (right) and King City Councilor Judith Anderson discuss land use at the League of Oregon Cities annual conference.

In memory of Robert D. Randall

Cascade lost a good friend when Robert D. Randall passed away October 15 at the age of 67. A supporter of Cascade since the Institute's second year in 1992, Bob embodied the entrepreneurial spirit that he promoted philanthropically. As a young man he read a book about how to turn \$5,000 into \$1,000,000 in real estate. Bob ultimately built a business, Randall Realty Corp., worth many times his original goal.

In public policy his first love was education. In addition to supporting Cascade and the Children's Scholarship Fund – Portland, Bob attended many of our events and brainstormed with policy analysts about how we could bring choice and competition to all levels of Oregon government.

A generous man in life, his good works will continue on through the Robert D. and Marcia H. Randall Charitable Trust. Bob's wife, five children and ten grandchildren will miss him, as will we.

Charles appointed to Road User Fee Task Force

Cascade environmental policy director John A. Charles has been appointed to a special legislative task force that will draft a new financing plan for Oregon roads.

Established under [Oregon House Bill 3946](#) (a law passed by the legislature earlier this year), the Road User Fee Task Force is charged with developing a “design for revenue collection for Oregon’s roads and highways that will replace the current system for revenue collection.” The impetus for the task force came from an understanding that the state gasoline tax will be a declining revenue source over the next several decades due to the rising fuel efficiency of motor vehicles and the inevitable mass production of vehicles using alternative technologies, such as hydrogen-powered fuel cells.

The legislature grappled with the declining revenue problem during the 2001

legislative session, but was not able to come up with a long-term revenue replacement plan. HB 3946, sponsored primarily by Rep. Bruce Starr (R-Hillsboro), was enacted to begin a process of evaluation for alternative finance mechanisms that could be implemented over a ten-year period.

John Charles, who has testified on transportation policy numerous times at the capitol, was nominated for the task force by House Speaker Mark Simmons. Task force members have each been appointed to four-year terms. After attending the first meeting in November, Charles was pleased to report, “The group is eager to look at new concepts, including market-oriented ideas such as tolling and privatization.” The next meeting will be on February 1, at 9:00 a.m. in the Salem ODOT building; it is open to the public.

Over the past ten years Cascade has

published a variety of papers on highway finance, supporting a gradual transition away from the state gasoline tax (currently at twenty four cents per gallon), to be replaced by user fees (roadway tolls) collected electronically. Such technology is in widespread use around the world and has also been tested extensively in Oregon for collecting heavy truck weight-mile taxes.

In crowded urban areas variable tolls that are higher during peak-hours and lower at off-peak times can minimize traffic congestion. Revenues from all tolls should be re-invested in the facilities where the tolls were collected to ensure that users benefit from their payments.

Read more on transportation policy at www.cascadepolicy.org/transpubs.asp.

Buckstein receives prestigious Roe Award

Congratulations are in order for Cascade president Steve Buckstein. In October he received the prestigious Roe Award, a tribute to those in the state public policy movement whose achievements have greatly advanced the free market philosophy. The Roe Award, presented by the [State Policy Network](#), is a Stueben glass eagle, a symbol of liberty and the courage and conviction necessary for its preservation. In addition to Buckstein, Bridget Wagner, director of coalition relations at [The Heritage Foundation](#), was also honored with the award.

Buckstein’s dedication to liberty and open markets predates Cascade. Of particular note, in 1990 he coordinated the campaign for an Oregon school choice ballot initiative, the first statewide school choice initiative in the country. After the campaign concluded Buckstein decided to turn away from politics and enter the arena of ideas. Leaving his stockbroker career behind, Buckstein founded Cascade Policy Institute as a research and educational organization to focus on a broad spectrum of Oregon policy issues.

Thanks to his leadership Cascade has consistently struck out ahead of the public policy curve. It was the first state think tank to hold a health care conference on Medical Savings Accounts in February 1995, a year before Congress passed an MSA law. In April 1995 Cascade was one of the first think tanks to launch and maintain a website. In 1997 Buckstein worked with the legislature to make Oregon the first state in the country to ask Congress for waivers allowing states to opt out of Social Security.



Roe Award recipients Steve Buckstein (right) and Bridget Wagner (left) with Carl Helstrom chairman of State Policy Network.

With Buckstein’s guidance, as an editorial board member of *The Oregonian* put it, “Cascade has established itself as a major player in Oregon’s public policy debates.”



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But today there is no such risk, and saving is simply another form of spending. If taxpayers save their Treasury checks, the funds will be invested through the commercial banks, insurance companies, and brokerage firms. This increased pool of investable savings will reduce interest rates and encourage capital investment, thus helping the very area that has been hardest hit by the slowdown.

Myth #3: “Consumer spending drives the economy.” The news media and even President Bush are obsessed with the idea that consumers—rather than savers and business investors—are the pivotal players in an economic recovery. President Bush announced that his \$75 billion stimulus package aims at, first and foremost, getting consumers to spend again. The news media defends this Keynesian worldview by repeating ad nauseam, “after all, consumer spending represents two-thirds of economic activity.” But this statement is misleading.

Personal consumption expenditures do account for 68 percent of current GDP, but GDP measures *final* output only, and deliberately ignores goods-in-process. When you add in all sales or exchanges of goods and services at intermediate stages of production, you’ll find that consumer spending accounts for only *one third* of total economic activity. Fixed private and government investment, plus intermediate production, account for over 50 percent of the economy.

This view is more in keeping with the dynamic forces behind economic growth and performance. Note that the majority of leading economic indicators in the United States (and other industrial nations) are linked to early-stage production and investment, such as manufacturing, construction and capital markets—not consumption or retail sales figures. In fact, retail sales, which have only recently shown signs of decline, have been a poor predictor of the economy and the stock market. Consumption in general is far more stable than investment over the life of the business cycle. The key indicator of economic performance, both in the short and long term, is capital investment, not consumption. As Say’s Law demonstrates, consumption is the effect, not the cause, of growth-driven production.

Myth #4: “You can create prosperity by printing more money.” In a recent *Wall Street Journal* article, Milton Friedman described the Fed’s aggressive easing as a “permanent shot of adrenaline.” But the reality is that there is no free lunch, even in monetary policy. The Fed’s decision to inject over \$100 billion in new liquidity since September 11th may offer a short-term stimulus, but will inevitably raise the specter of inflation and

“Wise investors avoid buying stocks for emotional reasons, preserve their capital during a slump, cut out unnecessary expenditures, stay out of debt, and build a strong cash position, so that when the crisis is over and the economy shows signs of recovery, they will be the first people to step forward and use their buying power to rebuild the economy.”

– Mark Skousen, Ph.D.

maldistribution of productive capital. After all, the Fed’s easy-money policy of 1995 to 1999 undoubtedly contributed to the excessive boom in the new economy and the “irrational exuberance” of high-tech stocks. There is a danger that the Fed’s latest attempt to jumpstart the economy could cause another round of artificial prosperity. A more

“Whenever the capital gains tax has been reduced (1978, 1981, and 1996), the stock market has tended to rally.”

– Mark Skousen, Ph.D.

appropriate strategy would be to replace the easy/tight money policies of the past with a stable non-inflationary monetary policy. Hazlitt rightly observes, “The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy.”

Myth #5: “The Fed should inflate until the price of gold reaches \$330-350 an ounce.” Steve Forbes, Art Laffer and other supply-siders have been pushing for Greenspan and Company to link monetary policy to the gold price. With gold currently around \$290 an ounce, such a program means that the Fed should be even more aggressive than it is right now. But a gold-linked monetary policy would surely be national folly. Since the world monetary system was delinked from gold in 1971 the price of the Midas metal has been decidedly volatile, moving between \$42 and \$850 an ounce, and between \$250 and \$400 an ounce in the 1990s. Given the lags between an expansion of the money supply and its impact on price inflation and the gold price, such a

commodity-based monetary policy could easily overshoot its target by a considerable margin, thus creating an even more unstable policy than the recent past.

Myth #6: “A capital gains tax cut is a bad idea because it could make the bear market even worse.” This fallacy is based on the belief that a reduction in the long-term capital-gains tax from 20 to 10-15 percent would generate a dramatic increase in the number of sellers in the stock market. There are two reasons why this scenario is unlikely. First, given the sharp decline in the prices of most stocks over the past two years, the prospects for capital losses are far greater than capital gains if investors were to sell. Second, this pessimistic view ignores the new buyers who are likely to enter the market who are attracted to the relatively low-tax advantages of stock market investing. In fact, whenever the capital gains tax has been reduced (1978, 1981, and 1996), the stock market has tended to rally.

Myth #7: “Buy stocks for patriotic reasons.” This recommendation made by many Wall Street firms and even political conservatives (“Fight Back: Buy Stocks!”) is perhaps the most dangerous of all. Patriotism is the last refuge of a wounded bull. It’s not

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KATU’s Amy Morrow (left) interviews Cascade chairman of the board William B. Conerly on the state of the economy.

Skeptical Environmentalist challenges doomsday myth

By John A. Charles

Most new books about the environment are depressing. Before we even pick one up we know what to expect: a statement of how polluted the world is, a condemnation of western culture, and a forecast of pending doom.

The Skeptical Environmentalist: Measuring the Real State of the World is a refreshing change. Written by Bjorn Lomborg, an associate professor of Statistics at the University of Aarhus, Denmark, *The Skeptical Environmentalist* challenges the conventional wisdom and gives us plenty of reasons to be optimistic about the future.

Five years ago Lomborg was not planning to write such a book. At that time he was a member of Greenpeace, and believed claims of the coming environmental apocalypse were true. In 1997 Lomborg read a *Wired* magazine interview with the late Julian Simon (author of *The Ultimate Resource*) in which Simon explained why most environmental trends are positive, not negative.

Lomborg's initial reaction was that Simon had to be wrong, and he decided to do some research to prove it. He persuaded ten of his

“According to the [United Nations] we have reduced poverty more in the last 50 years than we did in the preceding 500, and it has been reduced in practically every country.”

– Bjorn Lomborg, Ph.D., author, *The Skeptical Environmentalist*

top students to help. Much to his surprise, Lomborg concluded that most of what Simon had to say was actually correct.

That was the beginning of a four-year project, which resulted in the publication of Lomborg's book. It starts by re-stating the standard litany of claims made by environmental groups—pollution is increasing, we are running out of resources, the world has a population problem, and market economies are unsustainable—then shows that such claims are not supported by the facts. Like Simon, Lomborg analyzes both environmental trends and quality of life trends, such as infant mortality and per capita income.

Lomborg concludes, “We are not running out of energy or natural resources. There will be more and more food per head of the world's population. Fewer and fewer people are starving. According to the United Nations [UN] we have reduced poverty more in the last 50 years than we did in the preceding

“It's sad to say, but the environmental movement has morphed into a cult. For the true believers, no amount of information will ever change their pessimism. But for those interested in fairly assessing the state of the world, The Skeptical Environmentalist will serve as a valuable guide.”

– John A. Charles

500, and it has been reduced in practically every country.”

In cases where he finds some trends that might be problematic, such as the gradual warming of the earth's atmosphere in recent times, Lomborg realistically concludes that draconian measures to reduce greenhouse gasses (such as the now-dead Kyoto Treaty) would have almost no benefits while imposing substantial misery on the world's population due to higher prices for energy.

Lomborg asserts that we would be better off allowing alternative energy technologies to emerge through market mechanisms, which will lead to widespread adoption when they become cost-effective.

Allowing the market to function will also help create worldwide wealth, which is vital for environmental progress: “...environmental development often stems from economic development—only when we get sufficiently rich can we afford the relative luxury of caring about the environment. On its most general level, higher income is correlated with higher environmental sustainability.”

This is a book that resonates deeply with me because Lomborg and I have traveled the same intellectual journey. In my college years, as I learned about the problems of “environmental externalities” (pollution), I became a socialist because I could not see how profit-seeking businesses would ever have any incentives for cleaning up their waste. Upon graduation I embarked on a 20-year career in the environmental movement.

At first I advocated central planning through environmental regulatory agencies. But gradually it became clear to me that central planning suffered from its own flaws, and that those problems were insurmountable.

At the same time a growing body of literature was promoting a concept called “free-market environmentalism,” arguing that

the institutions of markets, property rights and the rule of law would better protect natural resources, while also promoting personal freedom and the creation of wealth. This understanding led me to terminate my career in the mainstream environmental movement. For the past five years I have been researching and writing about free-market environmentalism for Cascade.

The Skeptical Environmentalist has been met with tremendous hostility by established environmental groups. Lomborg had a pie thrown in his face at a European speaking engagement, and a website has been set up (anti-lomborg.com) to discredit his work. The electronic magazine *Grist* even commissioned an entire panel of specialists to critique the book (gristmagazine.com).

Aside from specific disagreements over data

“...environmental development often stems from economic development—only when we get sufficiently rich can we afford the relative luxury of caring about the environment.”

– Bjorn Lomborg, Ph.D.

interpretation, what seems to bother critics most is Lomborg's optimistic assessment of our future. As one of the *Grist* reviewers stated, “When it comes to the world's energy problems, Bjorn Lomborg's unbridled optimism is quite enough to ruin anyone's day.”

That may seem like a stunning reaction to most people, but as a former leader in the mainstream environmental movement I know the reason: professional environmentalists hate good news because it threatens their fundraising. Environmental groups need the myth of the never-ending crisis to generate donor contributions. Anything challenging that world-view is a threat to their livelihood.

It's sad to say, but the environmental movement has morphed into a cult. For the true believers, no amount of information will ever change their pessimism. But for those interested in fairly assessing the state of the world, *The Skeptical Environmentalist* will serve as a valuable guide.

John A. Charles is environmental policy director at Cascade. Bjorn Lomborg's *The Skeptical Environmentalist: Measuring the True State of the World* was published this fall by Cambridge University Press.

Students to describe role of government

Cascade's eighth annual Independence Essay Competition is now in full swing, offering a total of \$5,000 to the Oregon high schools students with the best essays on liberty. This year students are asked to write an essay answering the question: What is the proper role of government in a free society?

"The essay question for 2002 is one we would all do well to reflect upon. It should be the first consideration of voters and

lawmakers when deciding any public policy issue," said Cascade's Angela Eckhardt.

She added, "Students are taught the importance of civic participation. It's vital they also be encouraged to think about which activities are properly undertaken by government, and which are not."

The deadline for entries to the Independence Essay Competition is March 15. The contest is open to all Oregon high school students, not just college bound seniors. Public, private and home-schooled students are all invited to participate. Complete entry guidelines, as well as links to short recommended readings, are available online at www.cascadepolicy.org/essay.asp.

An independent panel of judges will select the winners, who will receive up to \$1,000 each. The judges are: **Dominic Biggi**, vice president, Beaverton Foods, Inc.; **Lois Ditmars**, vice president, Peterkort Management Company; **William C. "Chris"**

Girard, Jr., chairman of the board, Plaid Pantries; **Susan Nielsen**, associate editor, *The Oregonian*; and **Scott Staff**, vice president for college relations, Lewis & Clark College.

"I look forward to seeing the responses to this year's topic," Eckhardt commented. "Recent events have given Americans a new perspective on government, freedom, and what's at stake. Now is a good time for students to consider the proper role of government in a free society."

The 2002 Independence Essay Competition sponsors include the Bonavia Family Charitable Trust; Constructive Management Foundation; Friesen Lumber Company; William K. Blount Fund of the Oregon Community Foundation; and Centerpoint Graphics, Inc. Learn how you can support Cascade's student outreach programs; please contact Tamar Hare at (503) 242-0900 or tamar@cascadepolicy.org.

Please help inform Oregon high school students, parents and educators about the Independence Essay Competition. To obtain flyers or discuss marketing ideas please contact Angela Eckhardt at (503) 242-0900 or angela@cascadepolicy.org.



Dominic Biggi



Lois Ditmars



William C. "Chris" Girard, Jr.



Susan Nielsen



Scott Staff

Cascade's first high school debate workshop a success

Over fifty high school speech and debate students attended Cascade's first Oregon high school debate workshop on September 29. The full-day event featured **Rich Edwards, Ph.D.**, associate professor of communication studies at Baylor University, and **Greg Rehmke**, director of speech and debate at the Foundation for

Economic Education (FEE). Cascade partnered with FEE (www.fee.org) to bring this opportunity to Oregon, drawing upon the Foundation's more than 50 years of experience as a resource for debate students.

Edwards, who is regarded as one of the foremost experts on policy debate, began with an overview of the current debate topic, "Resolved: That the United States federal government should establish a foreign policy significantly limiting the use of weapons of mass destruction." In his second talk Edwards gave students tips on how to win debate rounds.

In Rehmke's speech, "A non-interventionist approach to foreign policy," he offered an historical overview of American foreign policy, reminding students of the founders' original intent to avoid foreign military entanglements, and engage in trade instead. Rehmke cited involvement in the Spanish American War and the subsequent suppression of the Philippine revolution at the turn of the century as a pivotal point in American foreign policy. He suggested

that a return to non-interventionism could help reduce the likelihood that weapons of mass destruction would be used against the U.S.

Rehmke's second talk was titled, "Open trade or economic sanctions? Reducing the dangers of weapons of mass destruction by promoting stability overseas." Rehmke sided with open trade, positing that trade strengthens relations and reduces tensions between countries because the financial investments act as a deterrent to conflict. In contrast, he noted that economic sanctions undermine the positive effects of trade and hurt the economies of all countries involved, contributing to greater instability.

Cascade received positive feedback from attendees following the workshop. Education policy analyst Nick Weller, who coordinated the event, commented, "Students and teachers were grateful for the history and insight that the speakers provided. This proved to be a great way to reach a new audience of people, and we expect to further develop these workshops in the coming years."



The Foundation for Economic Education's Greg Rehmke addresses students at Cascade's first debate workshop.

“The great tragedy of America is that generations since slavery, when people had to hide away to educate themselves, the government is forcing people to attend government institutions even if they fail year after year.”

– Cory Booker, Newark Councilor

problem solvers, and passionate advocates for justice. A graduate of Stanford University and Yale Law School, and an Oxford Rhodes Scholar, this Democrat was the youngest person ever elected to Newark City Council at age 29.

In addition to the usual duties of a city councilor, Booker is committed to improving education. He works with BAEO and New Jersey’s [Excellent Education for Everyone](#), both of which focus on raising awareness about school choice.

Cascade organized a full day of events and meetings for Booker at Self Enhancement, Inc. (SEI) in Portland. SEI is a nonprofit community center that works with schools, families, and community organizations to provide inner city youth with opportunities for personal and academic success.

At an afternoon meeting Booker spoke with a number of local leaders, including State Sen. Avel Gordly, D–Portland; Tony Hopson, founder of SEI and a leader of the Education Crisis Team; Roy Jay, president of National Association for the Advancement of Colored People of Portland; Baruti Artharee, board chair of Portland Urban League; and Maura White-Cioeta, executive director of Police Activities League. The group engaged in thoughtful dialogue about improving education, with Booker arguing passionately for parental empowerment as one of the most important pieces of the puzzle.

After the meeting White-Cioeta, who is an advisor to Cascade’s [Children’s Scholarship](#)

The failures of Newark’s school system are all the more discouraging considering it spends an astonishing \$16,000 per pupil.

Fund – Portland, said, “I was very impressed with Booker. The meeting convinced me I need to be more actively involved in school choice.” Another attendee expressed interest in a Portland chapter of BAEO.

At the public evening event, “Quality education for all,” Booker addressed a diverse group of about 75 people. He wasted little time in explaining his frustration with the current education system, “People who have taken on criminal slum lords in my neighborhood felt impotent to change the schools. We’ve tried everything. We got a corporation to adopt the school and provide a health center for all kinds of needs, but test scores didn’t change. Kids continued to fail.” The failures of Newark’s school system are all the more discouraging considering it spends an astonishing \$16,000 per pupil.

Experiences in Newark confirmed what Booker had previously seen in East Palo Alto, Harlem, and New Haven, convincing him that “the great tragedy of America is that generations since slavery, when people had to hide away to educate themselves, the government is forcing people to attend government institutions even if they fail year after year. . . . We have in America

“I was very impressed with Booker. The meeting convinced me I need to be more actively involved in school choice.”

– Maura White-Cioeta,
Police Activities League

a caste system, where depending on where you are born, you have access to abundant education. But if you are born poor and minority you are forced to attend failing institutions, and parents have to keep listening to the same rhetoric about reform.”

Despite being in the midst of a busy mayoral campaign, Booker was excited to visit Portland and speak about school choice because, “Change will not roll in on the wheels of inevitability. It must be carried in on the backs of people willing to sacrifice for it and fight for it. I stand here because I know in my heart that if we keep doing the same things, we’re going to get the same results. As people debate policy issues, children in my hometown are slipping behind in school and losing their potential and as they lose their potential, this country loses its.”

Ultimately, Booker believes, “The greatest thing we could do as a people, an American people, is to take our country that next step to freedom, liberty and equality and afford everyone education options.”

BAEO

Founded in 2000, the Black Alliance for Educational Options (www.baeo.org) is a national, nonpartisan organization whose mission is to “actively support parental choice to empower families and increase educational options for Black children.”

In August 2000 BAEO initiated a campaign to raise awareness about the need for, and value of, extending quality educational options to African American and low-income families. The project has included a series of television, radio, and print advertisements in several regions across the country. In mid-November BAEO expanded this information and awareness-building effort through television and radio ads in the greater Washington, D.C. area.

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unlike the time in the early 1930s when British economist John Maynard Keynes and Harvard economist Frank Taussig urged consumers to stop saving and go out and spend money to ward off the Depression. Anyone who followed their advice lost money and may have gone bankrupt. Henry Ford tried to help by keeping wages high for his workers in Detroit, but car sales continued to slump, and he was forced to cut wages and workers like everyone else.

Wise investors avoid buying stocks for emotional reasons, preserve their capital during a slump, cut out unnecessary expenditures, stay out of debt, and build a strong cash position, so that when the crisis is over and the economy shows signs of recovery, they will be the first people to step forward and use their buying power to rebuild the economy. But this classical medicine may be too strong for today’s pundits steeped in the Keynesian myths of interventionism.

Mark Skousen, Ph.D., is president of the [Foundation for Economic Education](#) (www.fee.org) in Irvington, New York. A former economic analyst for the Central Intelligence Agency, Dr. Skousen is a columnist for *Forbes* magazine and edits *Forecasts & Strategies*, a monthly investment newsletter. He is the author of 20 books, including his latest, *The Making of Modern Economics: The Life and Ideas of the Great Thinkers*.

Study shows benefits of buses over light rail

A new report from the United States General Accounting Office confirms what Cascade Policy Institute studies have been saying for years: buses are a better investment than light rail.

"Light rail has been the political favorite in Portland for over a decade, but the empirical evidence shows buses have the clear advantage," said Cascade environmental policy director John A. Charles.

The two-year study, released in September, determined that Bus Rapid Transit is cheaper, faster and more flexible than light rail in most American cities.

Bus Rapid Transit encompasses a variety of approaches to faster bus service, including the use of exclusive busways, High-Occupancy-Vehicle (HOV) lanes, and improved bus service on city arterial streets.

Publications

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- **Rethink civic education**, Nick Weller, CC 2001-37, November.
- **Sustainable myths**, John A. Charles, CC 2001-36, November.
- **The mythical world of Transit Oriented Development**, John A. Charles, Policy Perspective No. 1019, October.
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The Federal Transit Authority acknowledges that buses tend to have a poor public image relative to light rail, but because actual performance is so much better, the agency has adopted a slogan of, "think rail, use buses."

The only such project currently under design in Oregon is in Eugene, where a 10-mile Bus Rapid Transit system is planned to connect east Springfield to west Eugene using exclusive busways, traffic signal priority, prepaid fares, and express service.

The GAO report found that Bus Rapid Transit has significantly lower construction costs than light rail. In 2000 dollars, the average capital cost for 18 light rail lines built in 13 cities since 1980 was \$34.8 million per mile. In contrast, Bus Rapid Transit capital costs averaged \$13.5 million per mile on busways, \$9.0 million per mile for buses on HOV lanes, and \$680,000 per mile on city streets.

Additionally, the GAO report determined that Bus Rapid Transit systems operate at considerably higher speeds. In Dallas, for example, high-speed buses average 56 MPH, while light rail averages only 16



KOIN TV's Mike Donahue (left) interviews Cascade's John A. Charles about the GAO study findings.

MPH. Buses are more than three times faster than rail in Denver, and twice as fast in both Pittsburgh and San Jose.

Light rail in Portland originally ran at 19.7 MPH in 1986, but has slowed to about 15 MPH due to the addition of new stations.

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Cascades' transportation policy studies are online at www.cascadepolicy.org/transpubs.asp. The GAO report, "Mass Transit: Bus Rapid Transit Shows Promise" is at www.gao.gov.



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