

25 February 2010

# Today's Tabbloid

PERSONAL NEWS FOR [Ign@limitedgovernmentnetwork.com](mailto:Ign@limitedgovernmentnetwork.com)

FISCALLY CONSERVATIVE BLOG FEEDS

## Cato Experts Live-Blogging Health Care Summit [Cato at Liberty]

FEB 24, 2010 10:19P.M.

By Cato Editors

The White House meeting on health care will begin at 10:00 AM EST Thursday and Cato health policy experts will be here to offer live commentary on the event.

We'll also stream the meeting live here at Cato@Liberty. Questions for the experts during the live-blog are welcome.

Cato Experts Live-Blog Health Care Summit 

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## Burger King Catches ObamaCare Fever! [Cato at Liberty]

FEB 24, 2010 07:08P.M.

By Michael F. Cannon



Photo Credit: Aaron Powell 

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## Ending Don't Ask Don't Tell [Cato at Liberty]

FEB 24, 2010 04:46P.M.

By David Rittgers

Contrary to the claims of some conservatives, gays can and do serve in the military. This video highlights the story of a combat medic at Fort Hood, Texas, one of the major troop installations in the United States. Warning: long video (13 minutes).

Sergeant Darren Manzella served as a combat medic, and his chain of command investigated the claim that he was gay. Manzella provided pictures and video of him with his boyfriend, but found "no evidence of homosexuality."

The story makes clear that Manzella gave them plenty evidence of homosexuality, but it didn't make any sense to get rid of a good soldier in a critical field when he wanted to continue serving and there was a war going on.

The British and Israeli armed forces allow gays to serve openly and still have first-rate combat units. When Admiral Mullen, Chairman of the Joint Chiefs of Staff, says it is time to repeal DADT and believes that we can do so without compromising readiness, objections based on domestic politics, and not on military grounds, lose a lot of credibility.



FISCALLY CONSERVATIVE BLOG FEEDS

## ATRF Analysis: Limit Earning Stripping by Expatriated Entities [Americans for Tax Reform]

FEB 24, 2010 04:17P.M.

This is part of a series of posts analyzing proposed changes to the U.S. international tax system. For the rest of the series, please click here.

Current Law Under current law, a debt... 

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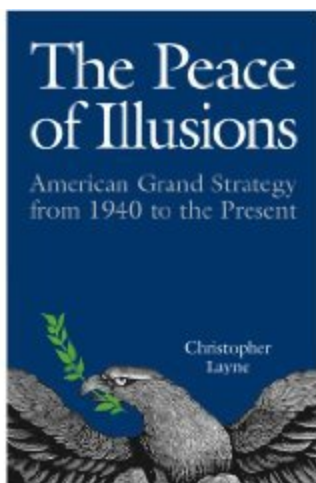
## What Do You Do Once You Get the Fight Out of Europe? [Cato at Liberty]

FEB 24, 2010 04:15P.M.

By Justin Logan

Yesterday Defense Secretary Bob Gates complained that European defense spending is too low:

The demilitarization of Europe — where large swaths of the general public and political class are averse to military force and the risks that go with it — has gone from a blessing in the 20th century to an impediment to achieving real security and lasting peace in the 21st.



If Gates is really upset about this, he should blame his predecessors. The United States has played an active role in stifling European defense, and

is now reaping what it has sown. As Alex Massie points out, American opposition to anything that would “duplicate, decouple from, or discriminate against” NATO meant that anything the Europeans decided to do would have to be kept within the context of NATO and the “transatlantic alliance.” For more on this phenomenon, see this paper by Cato research fellow Chris Layne, and pages 105-117 of Layne’s excellent and very provocative book *The Peace of Illusions*.


As we know in the context of public goods and alliance behavior, the bigger countries are forced to carry disproportionately big loads. By extension, when there is one super-giant country in the alliance, the only reason smaller countries would contribute would be if it were outside of the alliance context, which we have just seen the U.S. opposes. Accordingly, the European abrogation of its own defense has only gotten more pronounced since the end of the cold war, because Uncle Sucker has insisted on picking up the tab. Call your Congressman.

And we have recent evidence of U.S. opposition to increased European efforts: on a trip to Europe last month, Secretary of State Clinton was asked about the prospect of an independent European defense force. Her answer, in full:

Well, again, this is a European matter. It certainly is a French and German matter. And I respect the decision making of allies like France and Germany, so it is really within those two countries’ sphere of authority.

**I think the U.S. view is that we would not want to see anything supplant NATO.** If it were able to supplement NATO, that would be different. But given the strains that already exist on NATO’s budget and military expenditures in our countries, we think it’s smarter to figure out how to use the resources we have more effectively, use the alliance that we’re members of in a more strategic way. But again, that is ultimately a decision of the French and the German people.

What America is asking is for European countries to refuse transfer payments from U.S. taxpayers who are currently paying for their defense. Not likely to happen.

Bonus question of interest to theory hounds: What does American opposition to the formation of an autonomous European security and defense policy tell us about IR theory? Given that the countries in question definitely qualify as democracies, wouldn’t liberalism tell us that the United States should be encouraging, rather than stifling, an autonomous European defense? 

FISCALLY CONSERVATIVE BLOG FEEDS

## A Campaign Finance Lesson [Cato at Liberty]

FEB 24, 2010 03:46P.M.

By John Samples


The *Washington Post* offers an instructive campaign finance story this morning. The essence of the story: employees of banks and brokerage houses contributed more to candidate Barack Obama in 2008 than to his rival John McCain. A lot more in fact: such employees gave almost twice as much to the current president as they did to the Arizona senator.

Now, however, President Obama is attacking the banks and Wall Street for greed and selfishness, not to mention for ruining the economy. Moreover, Obama is proposing curbs on Wall Street pay and heavy regulation of banks. It would appear, in other words, that contributions don't buy many favors with this administration.

But the story goes deeper. Wall Street is now shifting its contributions to the GOP. That's not surprising. In fact, being an intelligent man, President Obama must have known his attacks on Wall Street might deprive his party of contributions. Yet, he went forward with the attacks and proposed laws.

Why? In the coming election, contributions will matter a lot less than votes. Obama thinks his attacks on Wall Street will cast the Democrats as the party of "us" against the detested "them." The votes gained will greatly outweigh the donations lost. The currency of politics is votes in the market for election.

The next time someone tells you that donations are "legalized bribery," ask them why Obama took \$18 million from Wall Street and gave them in return endless abuse and hostile legislation.

Quid pro quo, indeed. 

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FISCALLY CONSERVATIVE BLOG FEEDS

## The Violation of Human Rights in Venezuela and Cuba [Cato at Liberty]


FEB 24, 2010 03:44P.M.

By Ian Vasquez

A report (PDF) released today by the Inter-American Commission on Human Rights condemns in well documented form the growing violation of human rights under the regime of Hugo Chavez. The 302-page study is yet another confirmation of the multitude of ways in which individuals, NGOs, union leaders, politicians, activists, businessmen, students, judges, the media and others who disagree with Venezuelan government policies are targeted by the government and its supporters through intimidation, arbitrary use of administrative and criminal law, and sometimes violence and homicide.

Among the many cases it documents, the report describes how the government last year shut down a publicity campaign in defense of private property run by our colleagues at the free-market think tank CEDICE. The government claimed that it did so to safeguard public order and the mental health of the population.

Particularly interesting is that the commission issuing this report (produced in December but for some reason only made public today) is part of the Organization of American States, which has proven itself useless at best and counterproductive at worst, in the face of blatant rights violations by the Venezuelan and other populist Latin American governments in the last decade. Will the same OAS that invited Cuba to rejoin the organization last year now debate the new report or will it and its head, Mr. Insulza, remain silent as they have for so many years?

Meanwhile in Cuba, the country Chavez holds as a model, political prisoner Orlando Zapata Tamayo died yesterday after going on a hunger strike, suffering beatings and having been denied water by prison authorities for 18 days. The mistreatment led to kidney failure. According to Cuba Archive, an NGO that documents deaths attributable to the Cuban regime, Zapata "was then held naked over a powerful air conditioner and developed pneumonia." What will the Permanent Council of the OAS have to say about that? 

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FISCALLY CONSERVATIVE BLOG FEEDS

## Google Execs Convicted in Italy [Cato at Liberty]

FEB 24, 2010 02:40P.M.

By Jim Harper


Google executives who had nothing to do with the creation, uploading, review, or display of a video have been criminally convicted in Italy for its brief appearance on a Google site.

The video, which showed Italian children taunting an autistic schoolmate, was promptly taken down after Italian authorities notified Google. The company assisted the authorities in locating the girl who uploaded it, according to Google's account. (Her subsequent conviction makes it safe to assume that Google was cooperating with a criminal investigation as required by Italian law.) But four Google employees were charged with criminal defamation and failure to comply with the Italian privacy code.

That can't happen here—unless we let it happen here.

This is a good time to review and extoll the Communications Decency Act—not because it attempted to censor Internet speech (that part was overturned), but because it protected providers of interactive services (like Web sites) from having to become gatekeepers over Internet content. The law shielded them from liability for what users of their services do.

I believe common law would have eventually reached that result had the statute not been passed, but without protections like that in the CDA's section 230, the wide-open, rollicking, soapbox-for-all Internet we know would not exist—it would be just a plussed-up television because everything uploaded would have to get a professional's review for potential liability.

That's what Italy stands to end up with if it allows liability against providers of interactive services. It's what we stand to end up with if the many threats to CDA section 230 get traction. 

FISCALLY CONSERVATIVE BLOG FEEDS


## Ban on Short Sales Benefits Banks and Hurts Investors [Cato at Liberty]

FEB 24, 2010 01:50P.M.

By Mark A. Calabria

Today, in what seems like an endless string of 3-2 votes, the SEC moved to restrict the ability of investors to short stocks, claiming that such restrictions would restore stability and protect our financial system. The truth couldn't be more different. Short sellers have long been the first, and often only, voice raising questions about corporate fraud and mismanagement. For instance, shorts exposed the fraud at Enron, WorldCom and other companies while the SEC largely slept.

Bush's SEC, lead by former Congressman Chris Cox banned the shorting of various financial industry stocks during the crisis. The SEC then, as now, would have us believe that Bear, Lehman, AIG, Fannie, Freddie and others were not the victims of their own mismanagement, but rather victims of bear raids by short sellers. In another instance of Obama and his appointees reading from the Bush playbook, SEC Chair Mary Shapiro finds ever creative ways to expand Cox's misguided policies.

Short sellers only profit if they end up being correct. Sadly Washington instead believes in punishing market mechanisms that work and throwing increasingly more money at failed agencies, like the SEC. Rather than attacking short sellers we should applaud them for doing the SEC's job. But then if we had more short selling, providing greater incentives for investors to root out fraud, we might start to question why we even have the SEC. 

FISCALLY CONSERVATIVE BLOG FEEDS

## We Can't Lose If We Don't Leave [Cato at Liberty]

FEB 24, 2010 01:31P.M.

By Justin Logan

On last Sunday's Defense News TV, I suggested that although we are officially supposed to have zero troops in Iraq by the end of next year, there was a real prospect that we might have a harder time getting out than most analysts are suggesting. This suggestion was roundly pooh-poohed, and I'm aware that it's a minority view. An *extreme* minority view.

Monday, though, Gen. Odierno remarked that the withdrawal could be slowed. Although we're supposed to be down under 50K troops by the

end of this summer,

“I have contingency plans that I’ve briefed to the chain of command this week that we could execute if we run into problems,” Gen. Odierno said. “We’re prepared to execute those.”


The commander said he would consider slowing the withdrawal “if something happens” in Iraq over the next two to three months.

This is nothing like a knockout punch for my position, but it’s interesting. So is Tom Ricks’ column in the *New York Times* today, which says, as best I can tell, that we should stay in Iraq basically forever:

All the existential questions that plagued Iraq before the surge remain unanswered. How will oil revenue be shared among the country’s major groups? What is to be the fundamental relationship between Shiites, Sunnis and Kurds? Will Iraq have a strong central government or be a loose confederation? And what will be the role of Iran (for my money, the biggest winner in the Iraq war thus far)?

[...]

Extending the American military presence will be even more politically controversial in Iraq, and for that reason, it would be best to let Iraqi leaders make the first public move to reopen the status of forces agreement of 2008, which calls for American troops to be out of the country by the end of next year. But I think leaders in both countries may come to recognize that the best way to deter a return to civil war is to find a way to keep 30,000 to 50,000 United States service members in Iraq for many years to come.

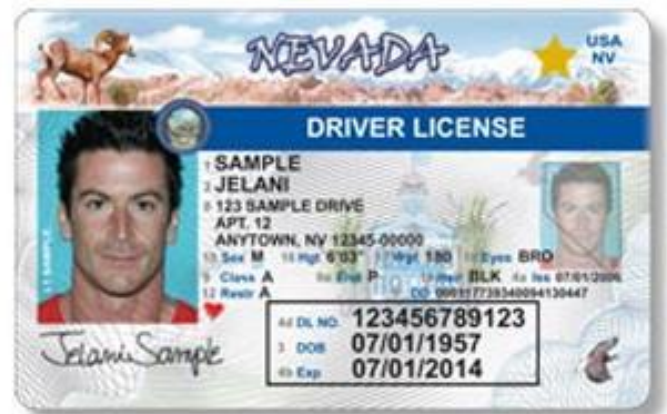
This, too, is far from a knockout punch for my view that we might be in Iraq well beyond 2011. But keep an eye out for more pieces like this from analysts like Ricks, who is well-connected to the counterinsurgency gurus here in DC and to Odierno himself. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Symbols, Security, and Collectivism [Cato at Liberty]

FEB 24, 2010 11:43A.M.

By Jim Harper



The state of Nevada is one of few that is tripping over itself to comply with the REAL ID Act, the U.S. national ID law.

It’s worth taking a look at the sample license displayed in this news report, especially the gold star used on the license to indicate that it is federally approved.

The reasons for “improving” drivers’ licenses this way are complex. The nominal reason for REAL ID was to secure the country against terrorism. The presence of a gold star signals that this the card bears a correct identity and that watch-list checking has ensured the person is not a threat.

Don’t be too thrilled, though. The weakness of watch-listing was demonstrated again by the Christmas-day attempt on a Northwest airlines flight. The underpants bomber wasn’t listed, so checking his name against a watch-list didn’t do anything.

The real reason for REAL ID, though, was anti-immigrant fervor. If the driver licensing system distinguished between citizens and non-citizens, the theory goes, possession of a driver’s license can be used to regulate access not just to driving, but to working, financial services, health care, and anything else the government wants. Illegal presence in the country could be made unpleasant enough that illegal immigrants would leave.

Alas, human behavior isn’t that simple. If ‘driven’ to it—(I had to...)—people will get behind the wheel without licenses—and without the training that comes with licensing. Then they’ll crash. When the governor of New York briefly de-linked driver licensing and immigration status in 2007, he cited public safety and the likelihood that insurance rates would fall, to the benefit of New Yorkers. (When the state of New

Mexico de-linked driver licensing and immigration status, uninsured vehicle rates in the state dropped from 33 percent to 17 percent.) But the governor suffered withering criticism from anti-immigrant groups and quickly reversed course.

Like linking immigration status and driving, linking immigration status and work through an ID system imposes costs on the law-abiding citizen. Complications and counterattacks raise costs on workers and employers while reducing the already small benefits of such programs. I articulated those in my paper on employment eligibility verification.

REAL ID transfers well-being and wealth from individuals to the state.


But let's return to this gold star...

The article says that the Nevada ID is becoming one of the hardest in the country to forge. But it's hard to be sure. The gold star may undermine the anti-forgery goal.

Forgery is the making or altering of a document with the intent to defraud or deceive. The question is not whether the whole document can be made—I'm sure the new Nevada license is bristling with security doodads—it's whether a document can be made *to deceive*.

Watch for the people who check licenses to fall into the habit of checking the gold star and taking that as evidence that the document is "good." By a small but relevant margin, ID checkers will forget to compare the picture on the license to the face of the person presenting it. (Gold star? Go.) Putting a gold star on the license may make forgery easier. It's not about the technical feasibility of creating the card; it's how to fool people.

But this gold star. It will be taken as a shorthand for "citizen." There are examples from the past in which governments used symbols to assign status to populations. It's easy to go overboard with such comparisons, but the Nevada license, with this gold star, takes a dramatic step toward carving the population into groups—groups that can be divided. Maybe soon two stars will be for military veterans, or people licensed to own firearms. Three stars could be for elected officials.

With this gold star system, a Nevada license-holder is a little less of a free, independent person with rights and privileges based on individual merit. A Nevadan becomes an undifferentiated status-holding subject. We're a long way from the day when the "gold star" people are assigned to better rail cars, but the idea is that it should never happen. We should reject entirely the tools that could allow the government to do that. 

FISCALLY CONSERVATIVE BLOG FEEDS

## Son of the Stimulus [Cato at Liberty]

FEB 24, 2010 10:03A.M.

By Daniel J. Mitchell

Like the sequel to a horror film, the politicians in Washington are talking about another stimulus proposal. Only this time, they're calling it a "jobs bill" in hopes that a different name will yield a better result.

But if past performance is any indicator of future results, this is bad news for taxpayers. By every possible measure, the first stimulus was a flop. But don't take my word for it. Instead, look at what the White House said would happen.

The Administration early last year said that doing nothing would mean an unemployment rate of nine percent. Spending \$787 billion, they said, was necessary to keep the unemployment rate at eight percent instead.

So what happened? As millions of Americans can painfully attest, the jobless rate actually climbed to 10 percent, a full percentage point higher than Obama claimed it would be if no bill was passed.

The President and his people also are arguing that the so-called stimulus is responsible for two million jobs. Yet according to the Department of Labor, total employment has dropped significantly – by more than three million – since the so-called stimulus was adopted. The White House wants us to believe this sow's ear is really a silk purse by claiming that the economy actually would have lost more than five million jobs without all the new pork-barrel spending. This is the infamous "jobs saved or created" number. The advantage of this approach is that there are no objective benchmarks. Unemployment could climb to 15 percent, but Obama's people can always say there would be two million fewer jobs without all the added government spending.

To be fair, this does not mean that Obama's supposed stimulus caused unemployment to jump to 10 percent. In all likelihood, a big jump in unemployment was probably going to occur regardless of whether politicians squandered another \$787 billion. The White House was foolish to make specific predictions that now can be used to discredit the stimulus, but it's also true that Obama inherited a mess – and that mess seems to be worse than most people thought.

Moreover, it takes time for an Administration to implement changes and impact the economy's performance. Reagan took office in early 1981 during an economic crisis, for instance, and it took about two years for his policies to rejuvenate the economy. It certainly seems fair to also give Obama time to get the economy moving again.

That being said, there is little reason to expect good results for Obama in the future. Reagan reversed the big-government policies of his predecessor. Obama, by contrast, is continuing Bush's big-government

approach. Heck, the only real difference in their economic policies is that Bush was a borrow-and-spender and Obama is a borrow-and-tax-and-spender.

This raises an interesting question: Since last year's stimulus was a flop, isn't the Administration making a big mistake by doing the same thing all over again?

The President's people actually are being very clever. Recessions don't last forever. Indeed, the average downturn lasts only about one year. And since the recession began back in late 2007, it's quite likely that the economic recovery already has begun (the National Bureau of Economic Research is the organization that eventually will announce when the recession officially ended).

So let's consider the political incentives for the Administration. Last year's stimulus is seen as a flop. So as the economy recovers this year, it will be difficult for Obama to claim that this was because of a pork-filled spending bill adopted early last year. But if the White House can push through a supposed jobs bill, that puts them in a position to take credit for a recovery that was already happening anyway.

That may be smart politics, but it's not good economics. The issue has never been whether the economy would climb out of recession. The real challenge is whether the economy will enjoy good growth once the recovery begins. Unfortunately, the Obama Administration policies of bigger government – combined with the Bush Administration policies of bigger government – will permanently lower the baseline growth of the United States.

If America becomes a big-government welfare state like France, then it's quite likely that we will suffer from French-style stagnation and lower living standards. 

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#### FISCALLY CONSERVATIVE BLOG FEEDS

## Businesses Cite Government as the Problem [Cato at Liberty]

FEB 24, 2010 09:10A.M.

By Tad DeHaven

According to the latest *Small Business Economic Trends* survey conducted by the National Federation of Independent Businesses, 31 percent of respondents said the *single most important problem* facing small businesses is “poor sales.” “Taxes” and “Government Regulations and Red Tape” came in second and third place at 22 percent and 13 percent respectively. Combining the two, the biggest problem facing small businesses according to respondents is *government*.

Unfortunately, when the media discusses the NFIB survey, it conveniently ignores this fact. Take for example this February 11th post

from *The Economist's* Free Exchange blog:

What's the biggest problem?

‘Small business owners entered 2010 the same way they left 2009, depressed,’ said William Dunkelberg, NFIB chief economist. ‘The biggest problem continues to be a shortage of customers.’

That will tend to make life hard on a businessman. Of course, that biggest of problems won't be going away until the economy begins adding more jobs than it's destroying, and obviously small businesses aren't there yet. The Obama administration is betting that by creating an incentive to hire, it will change the math—firms will move from cutting jobs on net to adding jobs on net, which will increase the number of customers out there, which will, in turn, feed more hiring. Hopefully, that will be enough, but the proposed \$33 billion looks awfully small given the 15 million unemployed.

Free Exchange, which cheerleads almost daily for more government spending, somehow sees in the NFIB survey a need for more government. But in the survey's write-up, the NFIB makes it perfectly clear that its membership doesn't view more government spending as part of the solution:

Instead, Congress is focusing on a health care bill that features crippling taxes and mandates for small firms, fully expecting to have it in place and implemented (10 years of taxes, seven years of “reform”) this year with unemployment at 10 percent and expected by many to rise. Lawmakers also allowed the minimum wage to rise by nearly 11 percent in July 2009, catapulting teen job loss to over 500,000 and an unemployment rate of 27 percent in the second half even though the economy started growing. This was double the loss in the first half when GDP growth was plummeting. If the administration wants to count “jobs created and saved” it should also be accountable for “jobs destroyed or prevented.

On top of all that bad news, small business owners fear Washington will then feel the need to “stimulate” us with even more spending and larger government (and taxes), the death knell for private sector vitality...The loss of a lock on 60 Senate votes for the Democrats may be encouraging to some owners, but the President and Congressional leaders still sound like they plan to press on with their agenda, not good news for small business owners.

The NFIB released a new report yesterday that surveyed small businesses on their ability to obtain credit. 51 percent of respondents cited slow or declining sales as their principle problem. Only 8 percent cited access to credit. Although taxes and regulations weren't choices, the second largest problem (21 percent) cited by respondents was “the unpredictability of business conditions.”

From the report:


The second most cited immediate problem (21%) is the unpredictability of business conditions. Virtually the same level (23%) of concern with predictability was expressed one year ago. **Data produced elsewhere suggest that the nature of unpredictability (certainty) may be shifting somewhat from economic to political concerns, such as new taxes.** Regardless of its cause however, the risk to investment rises during periods of unpredictability, making investment less likely to occur at that time. Confidence matters. Small Business Economic Trends, for example, shows capital investment over the last several months bouncing around record low levels and staying there.

Thus, we have more evidence that “regime uncertainty” is contributing to the economic downturn. But reading the *Washington Post's* write-up on the NFIB report, one will find zero mention of the concern small businesses have with government fiscal policies. The *Post* article merely says this:

William J. Dennis Jr., the NFIB senior research fellow who headed the survey, said recent administration proposals, including \$30 billion in new federal aid for community banks, were not likely to help. But he also said the NFIB was at a rare loss for ideas on what the government should do instead. ‘We’re really in a quandary right now,’ Dennis said.

Speaking of that \$30 billion in federal TARP subsidies to community banks, the *Washington Post* also reports that Treasury officials are considering excluding the small business-lending initiative from oversight by Neil M. Barofsky, the special inspector general for the TARP bailout. Gee, might that have anything to do with the unflattering reports on TARP from Barofsky’s office?

Alas, Washington doesn’t appear to be listening to what small businesses and the American people are saying they want: less taxes, spending, and regulations. Instead, in a vain effort to end a recession that government policies helped foster, policymakers continue to throw trillions of taxpayer dollars off the wall in the hopes that something sticks.

Note: See Chris Edwards’ recent testimony before the Senate Finance Committee on taxes and small business job creation. 

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