NewsLink

THE BEACON HILL INSTITUTE AT SUFFOLK UNIVERSITY

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Reductions during Giuliani era contributed to city's economy

BHI STAMP to NYC: Drop tax hikes

Citing a Manhattan Institute study based on the Beacon Hill Institute's New York City STAMP, Mayor Rudolph Giuliani declared his four-year-old tax cuts a success in creating jobs and restoring the city's competitiveness.

"[This] study illustrates an important chapter in the story of our city. Tax reductions have helped more than 80,000 New Yorkers find work in newly created jobs," declared Giuliani during a press conference on September 5. "Tax reductions have helped even more New Yorkers put food on their dinner tables, take their children to baseball games, and build better lives for themselves and their families."

It has long been an article of faith that the nation's most populous city requires the imposition of above average tax rates. But the Manhattan Institute set out to prove that even in a city that doesn't sleep tax cuts matter.

"Our model underscores the important role that tax cuts can and should play in promoting continued growth of the New York City economy in years ahead," wrote the institute in the study, titled "What New York Has Gained from Tax Cuts."

The Manhattan Institute released the study showing that the tax cuts implemented in New York City over the past four years have created approximately 80,000 private sector jobs. In addition, the institute noted that increasing tax rates, long a first option in New York, would cost the city tens of thousands of jobs.

Even with the tax cuts, New York City remains by far the

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TAX-CUT TRIUMPH- NYC Mayor Rudolph Giuliani (l) addresses Manhattan Institute press conference detailing the benefits of his record tax cuts. Seated (l-r) Edmund J. McMahon, Senior Fellow, Manhattan Institute, David G. Tuerck, BHI Executive Director, Anthony Coles, Deputy Mayor and Adam Barsky, Director of the Mayor's Office of Management and Budget.

In This Issue

Drive for new stadium revenues may oust a tradition

Are the Red Sox pitching a sausage shut-out?

For 20 years, Helen Paters and her family have been selling soft drinks, hot dogs and sausages in front of Fenway Park. Along with other pushcart vendors, Paters is a fixture among Boston Red Sox fans milling around before home games at Fenway. Like the fabled Red Sox, who draw fans from around the country, Pater's pushcart is a hit. "People even come from out of state, from Texas, Connecticut, California," she remarks greeting friends. "I've known these people for 15 years."

The motley ensemble of street vendors has long been a part of the pre-game texture that's distinguished Fenway Park from other stadiums across the nations. The scent of grilled

sausage, onions and peppers wafts past stands that sell baseball caps and memorabilia. And then, of course, there's the

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From the Executive Director

Stop the presses! That's what we said when we were about to go press with this issue and word came from the Manhattan Institute that Mayor Giuliani of New York City wanted to conduct a news conference that would show how tax cuts enacted under his administration had contributed to the expansion of the city's economy. The mayor had learned how, using the NYC-STAMP model we'd developed for the Manhattan Institute, he could show just how many new jobs those tax cuts had created. You can find the full story on p. 1. We hope that you'll agree that it was a story worth waiting for.

In other developments, BHI got directly into a budding health care debate in Maryland, with the publication of its report detailing how proposed universal health care would inflict job losses on the state economy. A group called Health Care for All has targeted Maryland as a state that is ripe for implementation of a process deemed likely, by some observers, to culminate in single-payer health care. BHI developed a Maryland-STAMP to support its report on Maryland health care as part of its strategic relationship with the Heritage Foundation.

An observation attributed to Bismarck has it that "if you like laws and sausages, you should never watch either being made." This summer, BHI intern Georgia Pellegrini discovered that, if it's sausages you want to see being made, you won't have much luck around Fenway Park. Stories about Georgia and about her findings concerning the Red Sox' war against small vendors also appear in this issue.

Staying on track

Massachusetts legislators are agonizing over projected revenue shortfalls, supposedly made all the worse by last year's state tax cut. They join the same chorus that is trying to tie the national economic slowdown to the Bush tax cuts. Those of us who see tax reduction as a means of permanently expanding real private-sector output have to keep the debate on track. To do this, we have to keep stressing the economic fundamentals:

- Lower tax rates expand jobs and capital formation.
- The national slowdown began under the Clinton administration and was an inevitable consequence of the low private saving rates and trade deficits that characterized the Clinton economy.
- There is not now, nor was there ever, such a thing as a "social security surplus." The money comes in. The money goes out. Sometimes the money that comes in exceeds the money that goes out. Sometimes it doesn't. What matters is (1) how much goes out, (2) how it is spent and (3) how we collect it. The rest is the kind of rhetoric that should be put into…well…a lock box.
- Any state deficit that might materialize as a result of the current slowdown will do no more economic harm than the repeated surpluses that the state has been running for years. These surpluses, themselves the result of poor forecasting and poor budgeting, were made possible by overly high tax rates that cost the state thousands of private sector jobs – the real cost of fiscal mismanagement in Massachusetts.


The New York Times

METRO

Tax Increases Would Cost Jobs, Mayor Warns

Stepping into the race again, with an armload of statistics.

A fond farewell

We were sorry to say good-bye last month to Ellen Foley, BHI Director of Communications. Ellen came to us ten years ago from the Suffolk University Development Office, where she had directed a large variety of events and publications, including the Suffolk University Magazine. Ellen directed the Allison International lecture series, the BHI conferences on banking, the BHI Washington, DC conference on welfare reform, and, most notably, our dinner honoring the life of founder Ray Shamie. Ellen oversaw the writing of our biography of Ray Shamie and conceived, named and produced BHI NewsLink. We will miss her creativity, her attention to detail and, most of all, her stewardship.

David G. Tuerck

NewsLink is published quarterly by the Beacon Hill Institute for Public Policy Research at Suffolk University. The Beacon Hill Institute focuses on federal, state and local economic policies as they affect citizens and businesses, particularly in Massachusetts. The institute uses state-of-the-art statistical, mathematical and econometric methods to provide timely and readable analyses that help voters, policy makers and opinion leaders understand today's leading public policy issues.

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BHI launches summer internship program

Digging into the economics of baseball revenues, tax cuts and tort reform kept Georgia Pellegrini very busy at the Beacon Hill Institute this summer.

The 20-year-old Wellesley College junior was the first student assigned to the BHI Summer Internship program. The program provides an opportunity for students to participate in the research and administration of a busy think tank.

Pellegrini is no stranger to the world of public policy. In 2000, she gave briefings on Social Security privatization for the Rick Lazio for U.S. Senate campaign in New York. She also worked for the Women and Public Policy Program at the John F. Kennedy School of Government at Harvard University.

Pellegrini currently is a double-major student at Wellesley College studying International Relations and German. She hopes one day to apply her interest in economics in an investment banking setting. She says her on-the-job training at BHI should be helpful.

"I learned to think more quantitatively and, more specifically, what kind of work goes into putting together a study," says Pellegrini, a native of Sparkill, NY. "And l learned about public policy issues, whether it be tort reform, universal health care or business regulation. I didn't even know what tort reform was about until I got here."

Her investigative work on the anti-competitive efforts of the Boston Red Sox toward small vendors near Fenway Park is a subject of a feature in this edition of *NewsLink*. Pellegrini also provided the comparative research for upcoming BHI projects.

"Georgia's hard work made it possible for us to dig deeper into stories that have intrigued the Institute, but that would have had to take a back-burner without extra staff," says Rebecca Moryl, Fundraising Coordinator for BHI. "Her contribution to BHI this summer was substantial. Neither of these stories would have gotten off the ground without Georgia's inquiring mind and dedication."

The mission of the summer internship program is two-fold: to provide students

GEORGIA PELLEGRINI

with a real-world work environment and to introduce them to the free-market model.

"My experience definitely broadened my knowledge of free market economics and how it applies to public policy," says Pellegrini, who is an active student at Wellesley. In addition to membership in the Phi Sigma Lecture Society, she plays the cello in various chamber groups and sings in The Blue Notes, an *a cappella* group. She is also a member of the Wellesley College Republicans.

BHI hopes to expand the internship program over the next few years. Participation runs over the course of the summer and is open to students interested in learning how the free-market model is applied to public policy issues in Massachusetts and across the nation.

Pellegrini, a die-hard New York Yankees fan, was undaunted by her assignment to attend her first Red Sox game at Fenway Park. "That was yet another broadening experience that I hadn't expected," she says. "And it proves that the Beacon Hill Institute is truly nonpartisan."

Interested students should contact Rebecca Moryl at BHI to interview for an internship position. Donor sponsorship enables BHI to offer this opportunity to more students. If you would like to help sponsor an intern, see the coupon on page 4.

Study highlights flaws of universal health care in Maryland

Because of the potential for huge losses in jobs and payroll, the State of Maryland should think long and hard before establishing a universal health care system according to a report by the Beacon Hill Institute.

Universal health care has emerged as a major issue in Maryland with proponents citing both a need to expand coverage to all citizens at cost savings not realized by the current system.

However, proponents seem unwilling to consider the costs that implementation of universal health care might inflict on the state's economy. Yet, such costs are an inevitable, if unwanted, byproduct of the sweeping increases in tax rates or employer costs that its implementation would necessitate.

The devil, as usual is in the details, and the details about how universal health care would be implemented remain unclear. Nevertheless, it is likely that the system would take one of four forms: 1) expanding Medicaid 2) creating a pool for the uninsured, 3) establishing a play or pay or multi-payer systmer, or 4) establishing a single-payer system.

Applying its State Tax Analysis Modeling Program (Maryland-STAMP) to Maryland, BHI found that all four approaches would incur major costs. Maryland-STAMP shows how each method of implementing universal health care would affect employment, payroll, tax revenues and the capital stock, which is the stock of factories, office buildings, machine tools, computers and other forms of private fixed non-residential capital.

A single-payer system would be the most expensive in terms of cost to the Maryland economy resulting in the loss of 117,531 jobs and $4.8 billion in payroll in 2002. In fact, BHI found that a single payer system would cause job losses amounting to the equivalent of an increase in Maryland's unemployment

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The Effects of Universal Health Care on the Maryland Economy (Dollar amounts in millions of 2002 dollars)				
Economic Effect of Proposal	**Medicaid Expansion**	**Pooling the Uninsured**	**Multi-payer System**	**Single-Payer System**
Change in Number of Jobs	-30,618	-61,488	-54,188	-117,531
Change in Capital Stock	$0	$0	$0	$14,958
Change in Payroll	-$1,274	-$2,558	-$2,255	-$4,890
Tax Effects				
Dynamic Tax Effect	-$78	-$187	-$127	-$746
Required Increase in the Personal Income Tax	23%	46%	13%	233%
Net Tax Revenue Required to Fund the Program	$1,162	$2,319	$565	$11,885
Change in Employer Health Insurance Costs	$0	$0	$1,142	-$7,714

Maryland

continued from page 3

rate of 4.7 percentage points. In contrast, an expansion of Medicaid to cover more of the uninsured would cost 30,618 jobs and $1.2 billion in payroll. Expanding the current Medicaid system would cause the equivalent of a 1.2-percentage-point increase in the state unemployment rate.

The loss in jobs and payroll depends on whether a particular system would be financed mainly from business payrolls or mainly from taxes and on how far-reaching any plan might be.

All four health care systems would require the state to raise additional tax revenues, ranging from $565 million for the multi-payer System to nearly $12 billion for the single-payer System in 2002.

Given the magnitude of the revenues involved, the state would ultimately have to turn to the personal income tax to defray its portion of the costs of providing universal health care. This is owed to the unreliability – and to a degree, the unpopularity – of other revenue sources for funding a large program such as universal health care.

The required increase in the personal income tax rate would exert negative "dynamic" effects on the state economy. In order to raise the new revenue needed to fund a single-payer system, for example, the state would have to raise the average effective personal income tax rate by 233%, from the projected 2002 effective rate of 5.01% to 16.69%. The shrinkage in payroll brought about by this increase in the tax rate would in and of itself cause the state to incur a revenue loss of $746 million. The state would therefore have to increase tax rates enough to raise $12 billion in revenues, after adjusting for this "dynamic" revenue loss.

Health insurance costs would change under the multi-payer system and the single-payer system. Under the former, employers would incur $1.14 billion in additional health insurance costs as they extended coverage to currently uninsured employees.

Under the single-payer system employers would save $7.7 billion in health insurance costs. This would, in turn, induce employers to engage in $14.9 billion in new capital spending. The negative effects on jobs and payroll would, however, be much larger. See table nearby.

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Fenway

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Peanut Man, Nicholas "Nicky" Jacobs whose family has been hawking hot, brown-bagged peanuts for 89 years. Buying a hot dog or a bag of peanuts is as much a part of the experience as what takes place in the shadow of the Green Monster in left field.

But these days, morale – and sales – are low. Where vendors once dotted the perimeter of Fenway Park, they are now relegated to a small strip on Yawkey Way, far from the turnstiles where thousands of fans enter each game. And Red Sox management likes it that way.

If the Red Sox have their way, the sausage vendors will fade into history, right along with the 1986 World Series. Observers suggest that this move is part of a larger drive to build the team a new stadium. Any new facility, whether in Fenway, Suffolk Downs or the South Boston, will most likely have more in-stadium concession stands from which the Red Sox can derive revenue. And that spells the end of a way of life for the handful of peanut sellers and the diminishing of an old ballpark experience for thousands of fans.

On December 4, 1998, lawyers for the Red Sox presented a two-page request to Boston's Commissioner of Public Works, Joe Casazza. In the letter, Red Sox management withdrew consent for the issuance of city licenses to the street vendors outside Fenway Park.

A 1905 city ordinance requires that any vendor seeking to sell his wares on a public property must first obtain the permission of owners of abutting private property. Only then will the city of Boston grant a permit.

The Red Sox said their reversal was made "in the interest of public health and safety," citing traffic problems and sanitary conditions. But some, like Paters, don't buy this rationalization. "For 20 years there wasn't a problem, now there is?" she protests.

The Red Sox were only partly successful in limiting the pushcarts. That same December, after taking a public relations whipping, the Sox struck a deal with Boston Mayor Thomas M. Menino that allowed vendors to operate in a cordoned off section of Yawkey Way.

With the sale of the Red Sox imminent and with plans for a new Fenway floating about in the political winds, some pushcart owners are reluctant to talk. But some do: "There's a lot of money involved," says Paters. "We're taking away sales [from Red Sox concessions], no question."

And that interferes with the Red Sox master plan. The Red Sox blueprint for a new ballpark, made public in May 1999, calls for 44,130 seats, 100 luxury boxes, two extra decks of seating and additional room for concession stands.

While it may seem like small change, the vendors are depriving the Red Sox of an important stream of what is called "local revenue." This revenue – derived from concessions and luxury seats, among other items – is the largest component of most baseball clubs' revenue. As of 1999, the Red Sox ranked eighth among the majors in "local revenue."

Squelching competition from pushcart vendors outside the park smacks of a calculated move to increase revenues. And certainly increased revenues are something the Red Sox must have, with the price tag on the new Fenway Park currently set at $545 million, $130 million of which is to be financed with taxpayer dollars. Pushcart competition is just what management doesn't need as it tries to project profits commensurate with front-end costs.

"The modern stadium doubles as a shopping mall complete with food courts whose operation serves to minimize the neighborhood economic impact," writes the well-known sports economist Robert A. Baade of Lake Forest College. "The fact that souvenir venders are prohibited from operating too close to some new stadiums in the U.S. is one overt manifestation of excessive team influence and a lack of citizenship."

Shopping for Peanuts and Cracker Jacks			
Inside Fenway Park (2001)		**Outside Fenway Park (2001)**	
Hotdog	$3.25 - 3.75	Hotdog	$3.00
21 oz. Soda	$3.50	21 oz. Soda	$2.00
7 oz. Bag of peanuts	$3.00	Peanuts	$2.00
12 oz. Beer	$4.50		
Soft-serve cone	$3.25 - 3.75		
6-inch Pizza	$4.50 - 5.00		
Large Box of Cracker Jacks	$4.25		
Sausage	$4.00 - 4.25	Sausage	$5.00
Steak Sandwich	$4.50		
Water	$3.00		
Pretzel	$2.75		
Clam Chowder	$4.75		
Lemonade	$3.50		
		Kielbasa	$4.00

Source: *Beacon Hill Institute*

While Red Sox fans are superlatively loyal to the home team, paying the highest ticket prices in professional baseball ($24.05 for an average ticket) and setting attendance records year after year, they also are paying some of the highest concession prices. According to a November 1998 survey of 94 professional sport venues by the *Sports Business Journal*, concessions at Fenway are the highest, on average. Management anticipates that loyal fans attracted to a long-sought-after new baseball park will spend even more at the concession stands. But for that to happen, fans will have to spend less elsewhere, and that means less for the pushcart vendors who've become part of the Fenway tradition. Pushcart lawyer Glen Hannington calls that "a variable money can't buy."

But the Red Sox are clearly looking to remain competitive and that means paying to keep its star players, as well as finance a new stadium. A July 2000 report by the independent members of the Commissioner's Blue Ribbon Panel on Baseball Economics (of which Red Sox President John Harrington is a member) observes that in a majority of major league baseball markets, the cost of trying to be competitive is escalated ticket and concession prices. Another cost appears to be driving a few stalwart entrepreneurs into extinction.

Intern Georgia Pellegrini contributed to this report.

NYC-STAMP

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most heavily taxed big city in the country.

Nonetheless, the enactment of local tax cuts on a record scale has been one of the cornerstones of New York City's fiscal recovery over the past seven years. A major rationale for these tax cuts, as stressed by Mayor Giuliani and other city officials, was to encourage new growth in New York's economy. While tax cuts are not solely responsible for the city's economic turnaround, says Edmund J. McMahon, a Senior Fellow at the Institute, they are a crucial component that can't be ignored. The study found that about one-fourth of New York's recent job growth—not an insignificant share, can be attributed to the tax cuts.

> ***By developing STAMP for New York City, BHI helped show that tax cuts contribute to economic growth.***

Specifically, the study found that:

- The personal income tax, sales tax and property tax reductions enacted by the city in the last four years have generated 80,000 new private sector jobs, or roughly one fourth of the city's total employment growth since 1997.
- More than 6,500 new jobs will be generated by tax cuts included in the City's fiscal 2002 budget that are still awaiting the state Legislature's approval.
- Nearly 15,000 new jobs could be added to New York's employment base by eliminating the remainder of the income tax surcharge first adopted a decade ago.
- Restoration of the 12.5% income tax surcharge, repealed in 1998, would result in the destruction of approximately 25,000 jobs. Restoring both surcharges would cost the City nearly 37,000 jobs.

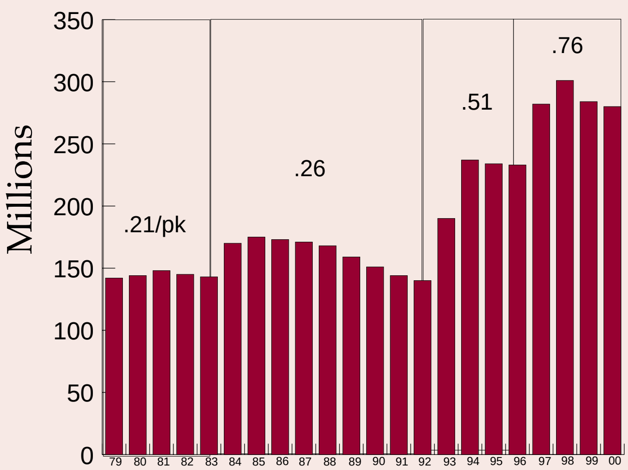
The model developed for the Manhattan Institute by BHI was the first city model in the series of State Tax Analysis Modeling Programs. The model estimates the impact on New York City employment, wages, capital and tax revenues of changes in four broad-based city taxes—the personal income tax, the sales tax, the property tax and the general corporation tax.

The NYC-STAMP model estimates the revenue effects of tax changes on a "dynamic" basis, taking into account both the immediate revenue loss and the revenue gained from new employment and economic activity generated by the tax cuts. Thus the model can quantify two crucial and often hotly debated issues—the extent to which tax cuts "pay for themselves," and the extent to which tax increases fail to raise as much money as expected.

"By developing New York City STAMP," said executive director David Tuerck, "BHI made it possible for the Manhattan Institute and for Mayor Giuliani to put hard numbers behind the common-sense but hitherto undocumented view that recent tax cuts have contributed substantially to the growth of the City's economy."

Cigarette taxes in MA: The long drag

At $.76 per pack, the Massachusetts sales tax on cigarettes is already one of the highest in the nation. Nonetheless, a new coalition of legislators would like to put Massachusetts at the top of the list. Under a proposal that is making its way through the Legislature, the state would raise the tax by $.50 cents per pack – bringing to the total state tax take to $1.26.



Source: Mass. Department of Revenue

While cigarette taxes comprise only a small portion of the state's annual revenues (1.6% of FY 2001 revenues), they are increasingly popular. A recent poll found that 69% of the state's voters favor raising the tax to fund programs that prevent teen smoking and expand access to health care.

However, support for a tax increase rubs up against economic reality. Over the long term the state realizes a spike in tobacco tax revenues after the enactment of a tax hike (See chart.) But those revenues level off. Are cigarette tax revenues sufficiently reliable to fund expanded access to health care?

Not if the chart shown here is to be believed. In each of the four instances in which cigarette taxes were increased over the last 22 years, revenues have initially risen but then quickly tapered off. In the second instance, in which the tax was increased to $.26, revenues eventually fell below the level attained before the tax was increased. From 1979 to 2000, the tax increased by 262% while revenues rose by only about 100%.

Perhaps it's time that policy makers recognize the contradiction between a policy aimed at discouraging smoking and a policy aimed at funding health care through cigarette taxes.

The fearful symmetry of peer-to-peer computing

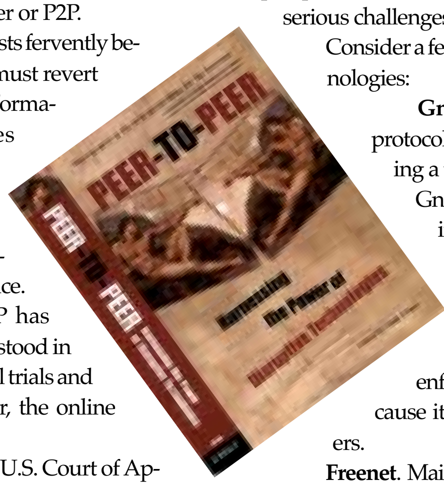
Peer-to-Peer: Harnessing the Power of Disruptive Technologies
Edited by Andy Oram, O'Reilly, 2001, 432 pages.

Reviewed by Frank Conte

Not long ago, in a more restive age, the Internet was a collection of very large computers communicating with each other on a fairly equal basis. However, with the rise of the World Wide Web and e-mail, this peer-to-peer model has moved offstage, deferring to the ascendant client-server paradigm. With the Web, users connect to a server that distributes Web pages or redirects mail to recipients. Commercially this makes perfect sense since centrally-located resources are more efficiently managed.

But today a subtle shift is taking place. Millions of users worldwide are connecting their desktop computers to each other – collaborating spontaneously to form groups, their own file systems, search engines and even virtual supercomputers. This movement is aptly called peer-to-peer or P2P.

P2P enthusiasts fervently believe that the Internet must revert to its initial design. Information and resources should be shared more directly without the elaborate and sometimes limited infrastructure now in place.



To date, P2P has been widely misunderstood in part because of the legal trials and tribulations of Napster, the online music sharing server.

Recently, the U.S. Court of Appeals effectively forced Napster to shut down in a celebrated blow for copyright protection and the recording music industry. At its height, Napster was popular among music lovers because it enabled users to exchange music files between two computers using the Internet as a medium. However, several prominent musicians and recording artists successfully argued that Napster encouraged piracy of their copyrights. The Recording Industry Association of America argued that Napster put a damper on compact music sales.

As controversial as the application of old property rights laws in the digital economy may be, the technology underlying Napster is only the tip of the iceberg. In other words the message to litigious copyright holders is: *you ain't seen nothing yet.*

Just as the emergence of the personal computer severely disrupted the world of mainframes, so too will peer-to-peer technologies disrupt the conventional wisdom surrounding the Internet. P2P is positioned to dislodge the market institutions that have served the old economy well. The low marginal costs of file copying, the redefining of fair use of copyright material, the impossibility of censorship, the prevalence of anonymity and the prospects for distributional computing all pose serious challenges to market institutions.

> *The peer-to-peer paradigm contradicts the copyright protection outlined in the Constitution. In the digital age, copyrights need the equivalent of a software update. If only it were so easy.*

Consider a few of the prominent P2P technologies:

Gnutella. This file exchange protocol is far more effective in cloaking a user's identity than Napster. Gnutella permits users to punch in keywords; computers chosen randomly then respond if files are matched. Thus, it is more difficult to sue Gnuttella users and enforce copyright protection because it's impossible to identify users.

Freenet. Maintained mostly by volunteers across the globe, Freenet's distributed resources provide anonymity, prevent censorship of documents, remove single points of failure and provide plausible deniability for contributors. Freenet is tailor made for whistle-blowing and the trafficking of trade secrets. One report notes that it will not be long before drug formulas will be traded over P2P by Third World nations.

Publius. Named after the pen name of the authors of *The Federalist Papers*, Publius, like Freenet, is a Web-based publishing system that resists censorship, enabling authors to update previously published material anonymously. Publius is geared to assist dissidents who live under repressive governments.

SEIT@home. Astronomers currently use SEIT@home to collect data to detect intelligent life outside Earth. This is not science fiction. SEIT@home employs a technique that allows users to exploit the enormous amounts of idle time wasted on personal computers. Intel recently announced plans to employ millions of PCs in a computer intensive molecular research effort that will use idle cycling time.

These are among the cutting edge technologies explored in a fascinating new book *Peer-to-Peer*. The contributors to this highly technical book are technologists but they write with an eye toward the economics.

One such example is the free rider problem, long a concern of economists who study the allocation of public goods. While the success of P2P relies upon cooperation, there will always be those who take from the system without contributing anything back. Because it's difficult to initiate any kind of pricing system, free riders can significantly harm the efficiency of peer-to-peer.

Part of P2P's disruptive nature is that it can, like other applications and protocols, overwhelm the infrastructure at large, depending on whether the use is benevolent or not.

P2P may turn out to be just another variation on the Internet infrastructure, another chapter in the ongoing wave of productivity growth and innovation rather than an investment opportunity with a direct rate of return. But it is affecting fundamentally the question of how copyright laws can realistically be enforced.

Information owners are trying, perhaps vainly, to extend their control into domains where they have previously been excluded as Andy Oram the editor of this compilation notes. Technology, according to this school of thought, only muddles the issue further.

In Article I of the U.S. Constitution, the Founding Fathers, recognizing the powerful incentives created by copyrights and patents, granted exclusivity for limited times to authors and inventors. P2P contradicts this careful plan. Copyrights, themselves products of compromise between producer and consumer, will have to mature in the digital age; they need the equivalent of a software update.

If only it were so easy. ❖

In Point of Fact

Oops, California gets a lesson in market economics.
After months of grave warnings about power shortages and forced blackouts, an unusually cool July and effective conservation efforts have put California in a stunningly unexpected position: It has so much electricity on its hands that it is selling its surplus into a glutted market.
James Sterngold, *New York Times*, July 19, 2001.

Booming charitable donations.
As Baby Boomers grow older — the most senior of them just hit the big Double Nickel, 55 — they seem increasingly eager to give more of their assets to charity. So, too, do their parents, now in their 70s, 80s or even older. They all realize that donating part of their wealth to charity probably won't bribe St. Peter and buy their way into heaven, but what the heck, it sure can't hurt. For whatever reason, Americans of just about all ages are donating growing amounts of cash, appreciated stock and other material assets to various charities, churches, colleges and other good works. Charitable giving climbed to $203 billion in 2000 from $191 billion in 1999 and $124 billion in 1992. There is no evidence yet that the economic slump has nicked the philanthropic surge.
Marshall Loeb, *CBS Marketwatch.com,* June 21, 2001.

Particulates nix romance.
Candles are now being blamed for global pollution problems. Burning candles can lead to high levels of pollutants, called particulates, released into the atmosphere. Research by the U.S. EPA shows the pollution from a burning candle can exceed standards the agency sets for outdoor air quality.
Ananova.com, June 14, 2001.

Basic economics, Greenspan signals the role of prices.
Federal Reserve Bank Chairman Alan Greenspan used his energy speech before the Economic Club of Chicago to emphasize the importance of increasing production of all kinds of energy sources from oil and coal to nuclear power and renewable energy sources. He also warned against imposing price caps on energy costs, saying interference with market forces would send the wrong pricing signals. "We must remember that the same price signals that are so critical for the allocative process in the short run also signal profit opportunities for long-term supply expansion," Greenspan said.
Associated Press, *USA Today* , June 28, 2001.

Set apart: Ireland and the Netherlands show the way.
During the past two decades, Ireland and the Netherlands have achieved dramatic labor market improvements after undertaking wide-ranging reforms. … The evidence suggests that wage moderation could indeed help lower unemployment rates elsewhere in Europe. Such a strategy is most likely if it has the backing of the government, trade unions, and employers and if limits on wage growth are accompanied by tax cuts or other measures that soften the negative effects on worker earnings.
Cedric Tille and Kei-Mu-Yi, Federal Reserve Bank of New York, May 2001.

Check this out.
Checks continue to dominate the market for non-cash retail payments in the United States. Each year, U.S. residents write between 65 and 70 billion checks, an average of one check per business day per resident. … By switching from checks to other forms of payment, Americans could save up to $100 billion per year.
Federal Reserve Bank of Atlanta, *Financial Update*, April-June 2001.

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