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Summaries of important new research from the nation's universities, think tanks, and investigative publications



POLITICS

Keep Congress Going

Lloyd Cutler, et al., *Preserving Our Institutions: The First Report of the Continuity of Government Commission*, June 4, 2003, the American Enterprise Institute and the Brookings Institution (continuityofgovernment.org)

On September 11, 2001, two hijacked planes slammed into the World Trade Center towers, another one rammed into the Pentagon. A fourth airplane, however, crashed in a Pennsylvania field thanks to the heroism of passengers on board. People with ties to terrorist groups have stated on al-Jazeera and CNN that the plane's target had been the United States Capitol.

Had the plane hit the Capitol, a significant number of members of Congress would have been killed. This, in turn, could have resulted in a real Constitutional crisis: While governors can fill Senate vacancies as they arise, only special elections can fill open seats in the House of Representatives. In normal circumstances, this does not pose a problem but if a large number of House members were to die, the nation would be left with a rump body with little legitimacy. New elections could take months to hold; in the meantime, Congress might have trouble acting decisively. AEI and the

Brookings Institution have formed the Continuity of Government Commission to address this problem. In the first stage of its work, the Commission held a series of public hearings to determine what Congress should do to make sure that the House continues to operate.

The Commission recommends a Constitutional amendment to give Congress the power to fill vacancies "in the event that a substantial number of members are killed or incapacitated."

It also proposes a number of more complex alternatives such as requiring state governors to appoint replacement members of Congress from lists provided by each person running for office.

The Commission argues that the amendment would both allow Congress to function after a catastrophic attack and, just as important, "send a message that we have addressed issues in the continuity of government and that an attack on Congress would not produce chaos and inaction."

SCIENCE AND MEDICINE

Let the Market Fix Medicare

Newt Gingrich, *The Future of Human Longevity: How Markets and Innovation Can Transform Medicare*, June 3, 2003, Senate Special Committee on Aging (thomas.loc.gov)

In testimony before a special Senate committee on aging, AEI senior fellow Newt Gingrich opines that the United States currently stands "at the dawn of an explosion of knowledge that will change everything we know about science and, therefore, the human body." He outlines new technologies that promise to improve medicine through better understanding of man's genetic makeup, technologies which can grow new types of cells, and efforts to customize other treatments to fit individuals' precise genetic codes.

Gingrich argues that making these new treatments available to baby boomers will require an overhaul of the "bureaucratic, red-tape-ridden, regulatory, third-party-payer system," that constitutes Medicare (the primary health insurance program for elderly and disabled people). Medicare, Gingrich believes, is based on 1960s policy decisions and technologies and cannot hope to cope with today's medical realities.

Gingrich describes himself as an optimist and states that a combination of improved patient safety, better technology, new management techniques, and personal responsibility can transform Medicare for the better. He argues that the current system fails to protect patients by allowing an unacceptable number of medication errors, and failing to give customers enough information. Electronic systems for writing and filing prescriptions

coupled with improved information about the prices of drugs and procedures, Gingrich believes, would empower patients to make better decisions while simultaneously reducing errors. Such reforms would be “the key to creating a better, healthier, more financially stable system.”

OTHER COUNTRIES

Castro the Crook

Mark Falcoff, “Castro’s Gambit,” in *Commentary*, June 2003 (commentary.org)

In April 2003, Fidel Castro’s Cuban regime arrested over 70 human rights activists, put them on “trial” (with no effective defense allowed), and sentenced them to terms as long as 20 years. In an overview of the situation in Cuba, AEI resident scholar Mark Falcoff sees a regime that, although communist in name and vision, has a great deal in common with the right-wing Latin American klepto-cracies that the United States sometimes supported during the Cold War.

While Cuban society was once radically egalitarian (everyone lived in poverty with the exception of a few Communist Party bosses and gangsters) the modest opening of the economy created when Castro legalized possession of dollars has created huge wealth disparities. Those with relatives in the United States—mostly white Cubans—can enjoy some middle class luxuries while the island’s black population lives in utter poverty.

For most of the population, and Afro-Cubans in particular, the situation is dire: The economy is in shambles thanks to an end to Soviet aid. A foreign-investor dominated tourist trade has replaced some jobs in the declining sugar industry, but Communist Party bosses keep the money. “What we are witnessing in Cuba is an incipient alliance between thuggish colonels and unscrupulous foreign investors,” writes Falcoff. The tourist trade, however, will not prove a panacea: Cuba doesn’t have the resources, tourist

facilities, or level of investment needed to replace the jobs lost in the sugar industry. The regime blames the American embargo for the nation’s sorry state of affairs, although a great many problems (including a lack of basic medical supplies) are of Castro’s own making.

But the regime remains devoted to socialism and committed to opposing the United States. Falcoff sees little hope for a better future without serious changes in the way Cuba operates: “Cuba has been forced to mortgage its future to the proposition that an end to the U.S. trade embargo will suddenly render work-able an economic system—Communism—that has failed everywhere else on the globe.”

A Mid-East Solution?

Martin Indyk, “A Trusteeship for Palestine,” in *Foreign Affairs*, May/June 2003 (foreignaffairs.org)

Despite a long series of promises to stop, Palestinian terrorists have continued to attack Israel in the wake of every peace agreement. This has blocked the establishment of a Palestinian state even though almost everybody (including Israel itself) has accepted the need for one. Martin Indyk, a Brookings Institution scholar, says that peace efforts fail because the Palestinians have “no credible institutions” to control terror.

As a way out of the current quagmire, Indyk proposes a trusteeship for the areas where Palestinians live. Under such an agreement—used with some success in Kosovo and East Timor—a council of nations led by the United States would control Gaza and the West Bank. These nations would work to build democratic institutions, infrastructure, and civil society. In addition to the intrinsic benefits of a less-corrupt regime, the new trusteeship arrangement would include a specific timetable for Palestinian independence provided that both Israelis and Palestinians kept their parts of the agreement. The U.N. would authorize the

agreement but the United States and its allies would call the shots.

Within the trust territory, Indyk envisions an American-led force of troops from English-speaking countries fighting terrorists alongside a reconstituted Palestinian security force. While such a system would not be cheap, it would cost far less than rebuilding Iraq. Indyk, however, does not believe that the current administration is up to it. “Given the Bush administration’s reluctance to become engaged in a sustained effort to put the Israelis and Palestinians back on the path to a negotiated solution, it is hard to imagine that it would look kindly on this even more ambitious undertaking,” he writes.

BUSINESS AND ECONOMICS

Control the Funds

Tracie Woidtke, et al., “Reining in Activist Funds,” in *Harvard Business Review*, March 2003 (harvardbusinessonline.org)

Public employee pension funds now rank as some of the nation’s largest stockholders. Many of these funds, such as California’s \$136 billion CalPERS are willing to flex their mighty financial muscles to advocate for issues such as affordable housing and human rights in developing nations. To Texas A&M scholar Tracie Woidtke and her two co-authors, this behavior “often represents a clear conflict of interest” for managers who are responsible for improving funds’ returns and, at the same time, want to realize political goals.

Citing her own previous work, Woidtke finds that companies with large numbers of shares held by activist pension funds tend to have lower market values than comparable companies with different stockholders. Pension funds tend to make trouble for companies by making proxy proposals related to their political agendas that often have a negative impact on the companies’ profitability. Woidtke and her co-authors suggest

that states work to depoliticize pension funds by turning their administration over to professional governing boards.

They also propose increased regulation of shareholder proxy proposals that public employee pensions funds often submit to advance their social agendas. The three believe it should be harder to re-submit proposals that do not draw significant shareholder support, and that groups making proposals should have to pay some of the costs to re-submit them after they have failed twice.

A Bad Solution

Richard Epstein, "How Not to Prevent Another Enron," in *Hoover Digest*, Spring 2003 (hooverdigest.org)

The high-profile troubles of Enron, Tyco, and MCI (Worldcom) have led many Americans to believe that corporate governance has simply gone awry. This fostered a perception that government must overhaul it. Hoover Institution senior fellow Richard Epstein believes that Congress' response—the Sarbanes-Oxley Act—will have far-reaching and ultimately negative effects on the stock market and business management.

The act will lead to sweeping changes in the way corporations operate. Most notably, it requires auditing committees to operate largely independently of corporate boards of directors and to appoint more independent directors. But while independent directors prevent conflicts of interest, they often lack interest in securing the well-being of the company. Epstein predicts that the quality of personnel on corporate boards will decrease as a result of independent directors' ignorance, incomprehension, or indifference to a business's success.

Epstein concludes that contract law is the only legal tool with the power to regulate the complexities of corporate life. Unwieldy federal regulations for corporations like the Sarbanes-Oxley Act simply add another layer of complexity to federal regulations with great cost to cor-

porations and investors alike. "The final irony is that Sarbanes-Oxley may interfere with the operation of capital markets, to the detriment of the very investors it is trying to protect," he warns.

—Rachel Jurado

SOCIETY

A Third Way on Drug Law

David Boyum and Mark A. R. Kleiman, "Breaking the Drug-Crime Link" in *The Public Interest*, Summer 2003 (thepublicinterest.com)

In public policy debates, the case for drug legalization is usually pitted squarely against arguments for increased enforcement of drug laws. Legalization proponents contend that laws against drug use encourage crime while legalization opponents tend to argue that drugs themselves cause crime.

David Boyum, a public policy consultant, and Mark Kleiman, a UCLA professor of public policy, eschew the dichotomy, arguing that *both* enforcement of drug laws *and* actual drug use are key factors in the drug-crime connection. So, refusing to choose between drug legalization—which is sure to increase drug use—and increased enforcement of drug laws, Boyum and Kleiman explore alternative policies that will decrease drug-related predatory crime.

Mulling over the options of targeted enforcement of drug laws and revamped prevention programs, Boyum and Kleiman soon settle on their favorite policy: Widespread efforts to "mandate desistance from the use of illicit drugs for persons on probation, parole, or pre-trial release."

Periodic testing of a substantial portion of the fingerprint database, conducted under threat of certain sanctions, would deter would-be users and quickly spot "those unable to control themselves." Identifying the latter group would allow for a more directed treatment program, in which patients would have strong incentives to cooperate if they wanted to avoid more prison time.

The record of treatment in reducing drug-related crime is already impressive; the careful selection of potential patients, and the stronger-than-usual incentives, would further improve matters.

—Jed Lewinsohn



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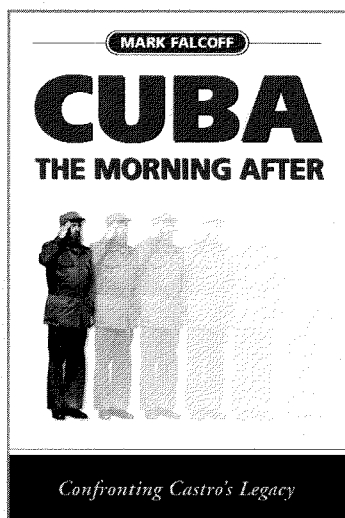
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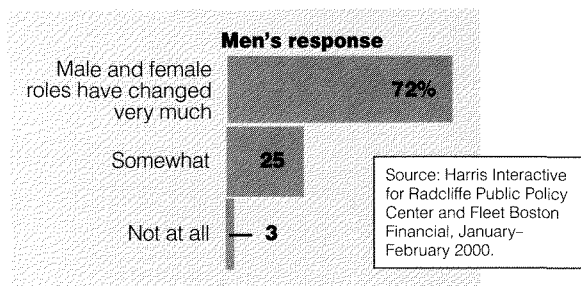
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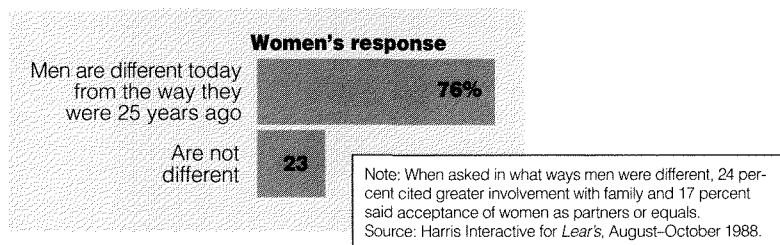
Men Today

The polling archive at the American Enterprise Institute contains dozens of studies on women's attitudes—their concerns, their politics, their goals—but hardly any that focus solely on men's attitudes. Both men and women see changes from the past, and both applaud more opportunities for women at work and more involvement by men in the home. Seventeen percent of women and 30 percent of men agree that today's dads are too soft.

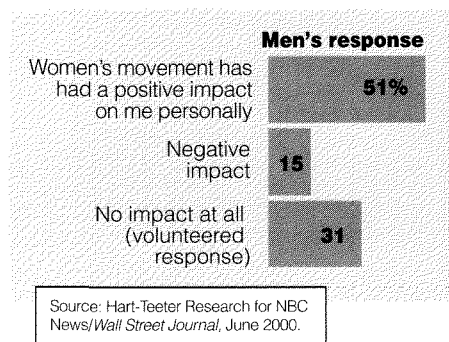
Question: Compared to your parents' generation, do you think...?



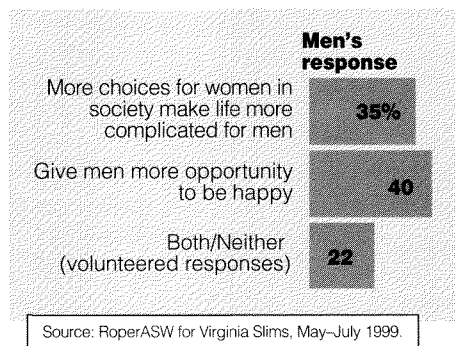
Question: In general, do you feel...?



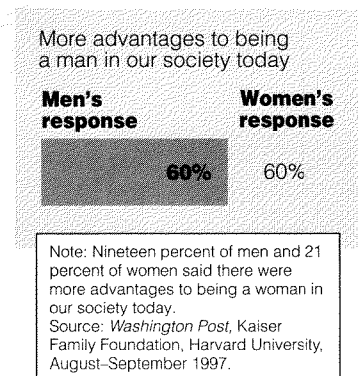
Question: Now I'd like to ask you about the women's movement...?



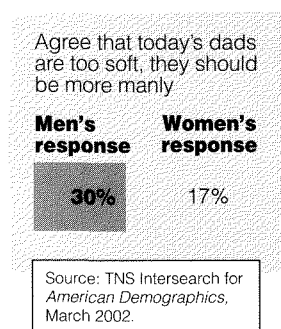
Question: Which of the following statements better reflects how you feel...?



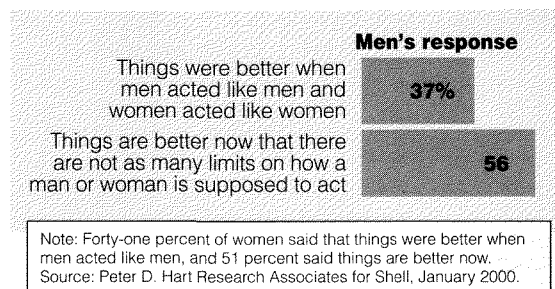
Question: All things considered, do you think there are...?



Question: Do you...?



Question: Now I'm going to read some pairs of statements on different subjects, and in each case please tell me which statement you agree with more...?



Question: Generally speaking, how well do you think...?

