By Steve Simpson

SpeechNow.org is a new group of citizens formed to protect the First Amendment at the ballot box, but before it can do so, it must go to court to secure its own First Amendment rights. The Institute for Justice has teamed with the Center for Competitive Politics, co-founded by former FEC commissioner Bradley Smith, to bring *SpeechNow.org v. Federal Election Commission* to vindicate the rights of Americans to band together to advocate for or against politicians, without a limit on how much they can speak.

Created by long-time activist David Keating, SpeechNow.org is simply Americans talking to Americans about an issue of vital public importance: the right to speak freely about politics and whom to elect to secure that right. The group intends to produce and broadcast television advertisements calling for the election of candidates who support rights to free speech and association and the defeat of candidates who have opposed those rights—by, for instance, supporting campaign finance laws. In short, SpeechNow.org and its supporters want to do what the First Amendment was created to allow them to do—influence policies they care about by influencing the election of politicians who make those policies.

The catch? SpeechNow.org is silenced by the very campaign finance laws it opposes. Under those laws, any group that spends as little as $1,000 to support or oppose a candidate for federal office must register as a “political action committee” or PAC. PACs must comply with burdensome regulations that rival the tax code in complexity and, worse, must limit the funds they raise to $5,000 from any one donor per year.

This contribution limit puts effective political speech off limits to all but the most sophisticated orga-
By Clark Neily

Chris Johnson spent years learning how to float (or file) horses’ teeth from his father, Jim. By contrast, veterinary students in Minnesota typically receive about 40 minutes of instruction and practice in horse teeth floating, and they are not even graded for competence.

So who are state bureaucrats trying to put out of business when it comes to floating teeth in the North Star State? Thanks to the politically powerful veterinary cartel, the answer is Chris Johnson.

Enter the Institute for Justice Minnesota Chapter, which filed suit on behalf of Chris in August 2006 and took the case to trial in January 2008. The trial lasted four days and featured all the hallmarks of IJ-style public interest litigation, from the clarion call for economic liberty, to inspirational clients and witnesses, to outstanding teamwork among IJ lawyers and staff from multiple offices. This was also IJ-MN Executive Director Lee McGrath’s first trial as lead attorney, which is a major rite of passage for litigators and one that showed Lee at his dedicated, unflappable best.

As intense as trials are, the preparation and lead-up phase can be nearly as exhausting, with multiple filing deadlines, boxes of documents to cull, and witnesses to prepare. But Lee, along with IJ Staff Attorney Nick Dranias and paralegal Margaret Daggs, worked tirelessly to make sure IJ-MN’s trial debut would be a smash.

And it was.

The trial began with client Chris Johnson explaining the concept of horse teeth floating to an engaged and inquisitive trial judge. Chris described how horses’ teeth grow throughout their lifetimes and need to be filed down or “floated” periodically so the horse can chew its food properly. Taking his lead from Lee’s pitch-perfect direct examination, Chris even demonstrated how a float is done, using a horse’s skull and his own tools. By the end of his testimony, it was clear to everyone in the courtroom that Chris is a highly skilled, well-trained professional who knows more about floating horses’ teeth than most veterinarians.

Citing scheduling conflicts, the state’s lawyers next asked if they could call one of their own expert witnesses. As it turns out, the witness, a professor at Minnesota’s veterinary college, was more helpful to our case than to the state’s. Although the state’s direct examination was underwhelming, establishing little more than the fact that germs can be spread by people who do not wash their hands or their instruments after working with farm animals, the cross-examination was considerably more lively.

And that became one of the central—and, we think, devastating—themes of the trial: namely, that Minnesota has no coherent reason for singling out horse teeth floating among a wide range of other, far more invasive and potentially dangerous animal husbandry practices such as dehorning, castration and tail-docking, as something that can only be done by state-licensed veterinarians (or specially certified equine dentists working under the supervision of veterinarians).

Other witnesses included a local farrier who explained how much more invasive her
By Chip Mellor

A rock doesn’t know that the river is wearing it down. But, over time, the outcome is inevitable. That same observation could apply to Bert Gall’s opponents in litigation. Bert’s southern charm, calm demeanor and infinite patience consistently overcome the most resolute of opponents, often leaving them wondering just when the momentum shifted in Bert’s favor.

Bert arrived at IJ five years ago after spending almost two years at the Charlotte, N.C., law firm of Helms, Mulliss and Wicker. Prior to that he clerked for Judge Karen Williams on the 4th U.S. Circuit Court of Appeals. He received his law degree from Duke University and his bachelor’s degree from Rice, where he majored in history and political science.

From the start, Bert demonstrated a remarkable ability to jump into any issue and quickly master the substance at a very deep level. It is a great asset to the Institute to be able to deploy Bert’s talents in an array of pressing matters.

The fact that he is a consummate team player makes his transition into ongoing cases or issues a pleasure for all involved. During his time here, Bert has been in the thick of major litigation involving school choice, eminent domain and, most recently, campaign finance. In every instance, he took on complex and vital challenges under tough deadlines. His gracious manner and resolute work ethic inevitably earned the admiration of his colleagues and defeated strong adversaries.

When IJ launched our “Hands Off My Home” campaign to stop eminent domain abuse at the state level, we needed someone to lead the effort. This was to be a challenge of unprecedented scope and complexity for us. It required not only organizing and mobilizing in dozens of states, but also ensuring that our legislative activity remained consistent with our tax-exempt status. Bert took charge of the campaign, and one year later, 25 states had passed laws reforming eminent domain. (That number has now risen to 42.) This was no small undertaking considering the well-ensconced forces aligned against us.

Amidst all of this, Bert somehow finds time to be the office expert on college basketball and all things having to do with pop culture and television. He breathed a notable sigh of relief when the Hollywood writers’ strike ended, although not in time to ensure that his favorite show, “24,” would make it back this year.

All of this makes Bert a vital part of IJ’s ability to take on and beat tough adversaries. And it makes his colleagues eager to have him involved in the latest challenge that confronts us.

Chip Mellor is IJ’s president and general counsel.
Gun Ban Case Triggers IJ Brief For Individual Rights

By Robert McNamara

One of the Institute for Justice’s great strengths is our unwavering but creative focus on our four pillars of litigation: private property, economic liberty, free speech and school choice. Keeping our efforts focused maximizes the effectiveness of our advocacy by making sure we act only in areas where we have the expertise to make a real difference. We accomplish this, however, not only by excluding things that are irrelevant to our pillars, but by actively forging new connections between the issues of the day and our central litigation goals. There is no better example of this than our recent friend-of-the-court brief before the U.S. Supreme Court in District of Columbia v. Heller, this term’s landmark Second Amendment case.

Although the case—a challenge to the District of Columbia’s gun ban that centers on whether the Second Amendment protects an individual right or protects merely a “collective” right of state militias—has indirect connections to IJ (the lawyers challenging the ban are IJ Board Member Bob Levy, Senior Attorney Clark Neily and former IJ clerk Alan Gura), most people would see no connection between IJ’s pillars and the right to keep and bear arms. To us, though, the case presented an excellent opportunity to argue in favor of revitalizing the Privileges or Immunities Clause of the 14th Amendment of the Constitution.

The Privileges or Immunities Clause is important because it was intended to protect economic liberty. By using the gun brief to raise the profile of the Privileges or Immunities Clause, we advance our economic liberty mission. The clause suffered a near-total demise shortly after its ratification when the Supreme Court read the clause out of the Constitution.

“The case presented an excellent opportunity to remind the Court of how far astray its jurisprudence has gone in protecting other individual liberties.”

Just as the Privileges or Immunities Clause was meant to protect economic liberty, it was also meant to protect all of our other rights, including the right to bear arms. In our brief, available at http://www.ij.org/DCvHeller, we detail the voluminous historical evidence that the Reconstruction Congress was deeply concerned by widespread reports of the forced disarming of newly freed slaves, which they saw as a violation of the natural right to keep and bear arms; they clearly viewed these violations as among the evils the 14th Amendment would remedy. This view of the individual right to keep and bear arms, incorporated in the 14th Amendment, informs the proper interpretation of the Second Amendment. Just as importantly, this voluminous evidence underscores the powerful protection of individual liberties, including economic liberties, that was meant to be included in the Privileges or Immunities Clause—making clearer than ever just how wrong the Slaughter-House Cases were.

Out of a case that did not have an obvious connection to IJ’s pillars, then, we have created an opportunity to advance one of our most important goals. Besides providing the Court with important historical background in one of the term’s most important cases (our brief provides the only rebuttal to three different briefs filed on behalf of the government) we have found a new opportunity to remind the Court that the Privileges or Immunities Clause should be restored to its intended rights-protecting glory.

The fight for freedom is an uphill battle, but we make the climb easier by finding innovative opportunities to advance our goals through every practical avenue open to us.

Robert McNamara is an IJ staff attorney.
How IJ Helped Defeat A Would-be Cartel In Washington

By Michael Bindas

Thanks to a grassroots group of interior designers in Washington state, economic liberty won a mighty victory in February. With the assistance of the Institute for Justice Washington Chapter (IJ-WA), these dogged designers defeated a menacing attempt to cartelize the Evergreen State’s interior design industry.

A perhaps unlikely front in the battle for economic liberty, the interior design industry has been under siege by a powerful group of industry insiders and their nationwide campaign to “professionalize” (read: restrict entry into) the industry. Simply put, these special interests want to control competition by regulating their competition out of business. They have succeeded in a number of states, securing legislation in two forms: “title acts,” which restrict who may use titles such as “interior designer”; and “practice acts,” which prohibit anyone from practicing interior design without first obtaining a completely unnecessary government-issued license.

When IJ learned of this cartelization effort, we committed ourselves to defending the economic liberty of the tens of thousands of designers who simply want the freedom to earn an honest living in the field they love. To that end, IJ launched a massive counteroffensive, taking advantage of our many capabilities. We used litigation to successfully challenge New Mexico’s title act, and we continue to litigate a challenge to a similar law in Texas. We used our strategic research assets to publish “Designing Cartels: How Industry Insiders Cut Out Competition,” a devastating exposé of the self-serving motivations behind the national regulation effort. We placed op-eds that took on the pro-regulatory push. And we used our experience in outreach and grassroots activism to host a 2007 conference to train designers from across the country to fight the cartelization effort in their own states.

The victory in Washington is yet another success in this counteroffensive. One of the attendees at IJ’s 2007 activist conference was Leslie Jensen, a kitchen and bath designer from Tacoma. Shortly after Leslie returned from the conference, she learned that pro-regulation interests would be pushing an interior design bill in the Washington Legislature’s 2008 session. Using the skills she learned at the conference, she learned that pro-regulation interests would be pushing an interior design bill in the Washington Legislature’s 2008 session. Using the skills she learned at

Interior Design continued on page 10
David has prepared scripts for ads that urge voters to oppose two candidates who support campaign finance laws—Democratic Senator Mary Landrieu of Louisiana and Republican Congressman Dan Burton of Indiana—but producing the ads and broadcasting them even a few times would cost nearly $150,000. Producing ads for all the races involving candidates who support campaign finance laws would be considerably more expensive, to say nothing of reaching a national audience during the presidential race.

David is willing to donate $5,500 to SpeechNow.org, and he has lined up a few others who would donate as well, including Ed Crane, president of the Cato Institute, and Fred Young of Young Radiator in Wisconsin. With these initial donations, David would be able to produce and broadcast SpeechNow.org’s ads and get the organization up and running so he could make appeals for additional funds for additional ads in other races. The only things standing in his way are the campaign finance laws.

The alleged purpose of these laws is to prevent corruption of candidates. But SpeechNow.org raises no concerns about corruption because it operates completely independently of candidates. SpeechNow.org will not make contributions to candidates or parties, and it will not coordinate its activities with them. It is not a corporation and will not accept corporate or union funds, so it raises no concerns about corporate or union influence over elections. Simply put, SpeechNow.org is a group of independent citizens who want to spend their own money on their own speech.

According to the U.S. Supreme Court, a major purpose of the First Amendment was to “protect the free discussion of governmental affairs” because “speech concerning public affairs is more than self-expression; it is the essence of self-government.” Thus, the First Amendment protects “a marketplace for the clash of different views and conflicting ideas” in which debate must remain “uninhibited, robust, and wide-open.” SpeechNow.org simply wants to compete in that marketplace of ideas. Its supporters want to associate with one another in order to amplify their voices beyond what any of them would be able to achieve on their own.

Unfortunately, clear as these principles are, SpeechNow.org cannot act without fear of fines and even jail time for speaking about politics as a

“Anyone with doubts in respect of whether whittling down free speech would do well to look at a recent advisory opinion by the Federal Election Commission. It clarifies what regulations apply to an advocacy group by the name SpeechNow.org made free speech into something you must register for at the FEC.”

- New York Sun (Editorial), January 24, 2008

“SpeechNow’s suit against the FEC turns on complex regulations, but it speaks to something basic: the 1st Amendment right to petition the government for redress of grievances. . . . A victory for the group would restore some sanity to the campaign finance regulatory structure.”

- Los Angeles Times (Editorial), February 15, 2008

Freeing SpeechNow continued from page 1

organizations, with dedicated fundraisers, large donor lists, and the time to raise millions in small increments.

Client Ed Crane discusses his reasons for challenging campaign finance restrictions at a recent press conference at the National Press Club. (Independent of his participation in this case, Crane is president of the Cato Institute.)

IJ President Chip Mellor, left, discusses the implication of IJ’s challenge to campaign finance laws that burden groups of individuals who want to speak out in elections. He is joined by IJ Senior Attorney Steve Simpson, client David Keating and co-counsel in the case, Steve Hoersting, vice president for the Center for Competitive Politics.
“Speech costs money, and letting regular folks put their small- time cash together to support a cause, or defeat candidates, seems as reasonable as the freedom enjoyed by wealthier voters. Let’s hope the courts take this opportunity to rediscover their First Amendment principles.”


Under federal campaign finance laws, any time two or more people join together and spend just $1,000 to advocate for or against a candidate for federal office, they become a “political action committee,” or PAC, subject to burdensome red tape and government limits. One thousand dollars is barely enough to create a simple website, let alone influence a federal election. IJ’s clients in Parker North, Colo., spent at least twice that amount convincing their neighborhood of 300 to vote against annexation. David Keating estimates it would cost at least $500,000 for SpeechNow.org to help elect just two speech-friendly congresspersons in modestly sized (and therefore only moderately expensive) markets. If forced to become a political committee, SpeechNow.org would have to raise that funding in increments of $5,000 or less from at least 100 donors, and probably many more—a tall order for any new independent group that wants to form quickly to respond to ever-changing political debates. Federal contribution limits effectively bar all but the most sophisticated groups—those with professional fundraisers and the time to accumulate millions in small increments—from joining the debate.

Perversely, the limits of federal campaign finance law actually make it harder for truly independent citizen groups like SpeechNow.org to make themselves heard at the ballot box.

Did You Know?

Steve Simpson is an IJ senior attorney.
What are the major findings from the occupations you have studied?

Occupational licensing has either no impact or even a negative impact on the quality of services provided to customers by members of the regulated occupation. Additionally, as occupations become licensed, members of regulated occupations see their earnings go up.

Have these findings been consistent across occupations?

Yes. For example, tougher occupational regulation has no significant impact on service quality for dentists or teachers. For mortgage brokers, certain types of regulations are associated with fewer loans and higher prices for those transactions.

What are the costs of occupational licensing?

In current dollars, occupational licensing costs the national economy about $100 billion in lost output. This is a “dead-weight loss” because it results from higher prices unaccompanied by a measurable quality benefit. In addition there is also about $300 billion redistributed from consumers to licensed occupations.

What are the benefits of occupational licensing?

Consumers, especially ones with higher incomes, think that licensing ensures that lower-quality purveyors of a service are kept out of the occupation, thereby raising standards for the service. However, there is no evidence that licensing provides any greater benefits to consumers than certification that allows for competition.

What are “regulatory capture” and “rent-seeking”?  

“Regulatory capture” exists when the regulated occupation dominates the regulatory agency. “Rent-seeking” occurs when members of an occupation seek regulatory power to insulate themselves from competition and to increase their earnings or “rents” on their labor.

Why do trade associations and others seek to advance occupational licensing?

Primarily to restrict entry into an occupation to increase earnings. Further, if there is a perception of higher quality

By Lee McGrath

Whether we realize it or not, irrational occupational licensing laws—which restrict entry into jobs that don’t require a great deal of education or capital to enter—affect each of us in our daily lives. When government power is used to limit who may enter a field, what services they may provide, where they may be located, and how much they may charge, our freedom to secure these services is curtailed.

We asked Professor Morris M. Kleiner, a nationally recognized scholar on occupational licensing who teaches labor economics and public policy at the University of Minnesota’s Humphrey Institute and Carlson School of Management, a series of questions on the issue. Prof. Kleiner authored Licensing Occupations: Ensuring Quality or Restricting Competition? (Upjohn Institute), which was chosen as a “noteworthy book” for 2006 by Princeton University’s Industrial Relations Section. Here are our questions and his responses.
that licensing may suggest, there can be an increasing demand for regulated services that also can raise incomes for practitioners.

**WHY DO LEGISLATORS AND GOVERNORS ENACT OCCUPATIONAL LICENSING?**

Legislators may enact occupational licensing to receive financial and in-kind support from the licensed occupation. Additionally, because revenues generated from licensing are typically much greater than the costs of regulatory monitoring, governors have an incentive to enact licensing in order to increase revenues and gain political favor.

**HOW HAS LICENSING CHANGED OVER THE PAST 50 YEARS?**

Occupational licensing has skyrocketed. Fifty years ago, only about five percent of the workforce was licensed. Last year the number was almost 30 percent. By contrast, 50 years ago, 35 percent of the workforce was unionized; now that number is about 12 percent.

**IN THE PAST FEW YEARS, HAS THERE BEEN GREATER RECOGNITION OF THE COSTS TO CONSUMERS FROM LICENSING?**

Yes. For example, Governor Charlie Crist of Florida recently vetoed a proposed new licensing law for nail salon workers and cosmetologists. I think that there is greater recognition of the costs to consumers from licensing.

**HOW IMPORTANT IS IJ’S WORK IN THE EFFORT TO FIGHT LICENSING AND ADVANCE ECONOMIC LIBERTY?**

IJ’s work is critical. IJ is the only major public interest organization that has sustained an institutional effort to stop the growth of occupational licensing. IJ has focused a spotlight on the abuses of occupational licensing through its high-profile litigation that will educate the public and the judiciary.

Lee McGrath is the Institute for Justice Minnesota Chapter executive director.

Veterinarians—who charge up to three times more than horse teeth “floaters”—could not compete with Chris, or his father, Jim Johnson, above, so they looked to Minnesota’s Board of Veterinary Medicine to protect the economic booty that they could not earn in the market.

**Horse Teeth Trial continued from page 2**

work can be than a floaters’ because she drives nails into a horse’s hoof within millimeters of living tissue; a farmer who told us more than we ever wanted to know about pig castration; and a long-time horse owner who explained how hard it is to find any veterinarian (let alone a competent one) willing to float her horses’ teeth. Finally, we called University of Minnesota Economics Professor Morris Kleiner, who testified that the state’s regulation of horse teeth floaters showed all the hallmarks of “regulatory capture”—when industry insiders take hold of government power to keep out competition.

As usual in such trials, the judge did not issue a ruling at the end of the bench trial, but instead asked for post-trial briefs. We certainly won the moral battle in the courtroom, so our task now is to show that the just and reasonable result—allowing Chris Johnson to float horses’ teeth without pointless government restriction—is also the proper legal result. We believe the Minnesota Constitution is firmly on our side there, and we are optimistic about a favorable outcome.

Each of the Institute for Justice’s battles for economic liberty, no matter how seemingly arcane or obscure, is another important thread in the larger tapestry of precedents we are working to weave back into America’s constitutional jurisprudence. A victory for Chris will help win a victory for the next entrepreneur we represent. Step by step, case by case, we are moving toward a day when judges give our economic liberties, including the right to earn an honest living, the same respect they give other constitutional rights. With your help, we are working to get there.◆

Clark Neily is an IJ senior attorney.
the conference, Leslie and fellow designer Shiela Off launched a grassroots movement to defeat the bill.
Leslie and Shiela formed Washington Professionals Protecting Design Freedom (WA-PPDF), a group of designers committed to preserving economic liberty. Between October 2007 and January 2008, when the legislative session commenced, WA-PPDF hosted nine townhall-style meetings to discuss the legislation and the consequences it would have for designers, related industries that rely on the business designers generate, and consumers. I attended these meetings to discuss IJ’s efforts in fighting design regulation and the constitutional problems that such regulation presents.

Once the legislative session began and the bill—a full-blown practice act—was introduced, things kicked into high gear. IJ’s media team helped secure coverage of the bill, which was roundly criticized on the talk radio airwaves. I testified against the bill before the Senate Labor, Commerce, Research and Development Committee as did designers Marie Blackburn and Vonda Marsland, and WA-PPDF even organized a “lobby day” at the legislature, providing designers from around the state the opportunity to meet with their respective senators and representatives to voice their concerns about the bill.

The overwhelming opposition was more than the pro-regulation faction—or the Legislature—anticipated. In an Associated Press article published the day after the bill’s Senate committee hearing, the committee chair announced, “[T]here’s too much controversy with this bill for us to adequately deal with it all in a short session.” Just a few days later, the bill died in committee.

As a result of WA-PPDF’s and IJ’s coordinated efforts, interior designers remain free to practice their profession in the Evergreen State. But the battle to preserve the constitutional rights of designers goes on. (In early March, for example, we helped defeat a bill in Minnesota that would have expanded the state’s titling act into a full-blown practice act, limiting the economic liberty of hundreds in the state.) IJ will continue this fight in state legislatures and courtrooms across the country so that designers, and all of us, remain free to work in the fields we love.

Michael Bindas is an Institute for Justice Washington Chapter staff attorney.

“WHEN IJ LEARNED OF THIS CARTELIZATION EFFORT, IT COMMITTED ITSELF TO DEFENDING THE ECONOMIC LIBERTY OF THE TENS OF THOUSANDS OF DESIGNERS WHO SIMPLY WANT THE FREEDOM TO EARN AN HONEST LIVING IN THE FIELD THEY LOVE.”

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“IJ has helped everyone from New York jitney drivers to D.C. hair braiders . . . defeat unreasonable, frequently ridiculous legal restrictions that prevented them from earning a living in their chosen trade. In recent years the law firm has branched out to defend free speech against campaign finance laws and school vouchers against teachers unions, earning high praise along the way from the likes of [IJ President and General Counsel Chip] Mellor’s hero Milton Friedman. ‘The Institute for Justice,’ Friedman once said, ‘has become a major pillar of our free society.’”

The Wall Street Journal

“SpeechNow is not like all the other political committees. So far, it’s four guys who want to contribute more than the $5,000 political committee limit toward the group’s First Amendment advocacy . . . Speech costs money, and letting regular folks put their small-time cash together to support a cause, or defeat candidates, seems as reasonable as the freedom enjoyed by wealthier voters. Let’s hope the courts take this opportunity to rediscover their First Amendment principles.”

Forbes

“Today there are 1,100 occupations . . . that require a license in at least one state . . . That’s up from roughly 80 in 1981. ‘These are monopolies created by the government,’ says William Mellor, president of the Institute for Justice, a nonprofit in Arlington, Va., that litigates on behalf of property rights and other civil liberties. ‘They have requirements so onerous that they deter everyone except the most well-heeled or persistent.’ Indeed, in Louisiana florists face a harder test to get their licenses than do lawyers: The pass rate for the bar exam in 2006 was 76%; for the florist test it was only 68%.”

The Wall Street Journal

“Does restricting ‘eminent domain’—the power of government to seize private property—harm economic growth? A new report from the Institute for Justice looks at the evidence and concludes the answer is no. The verdict: So far, there has been no discernible hit to economic activity from the restriction of eminent domain, even in those states with the broadest reforms.”
I run a successful Country/Western steakhouse where customers sometimes dance outdoors to our family-friendly entertainment.

The government is threatening me with huge fines unless I act as the dance police and stop those who dare to do-si-do.

I won’t let the government’s ridiculous regulations stand in the way of my American Dream.

I am IJ.