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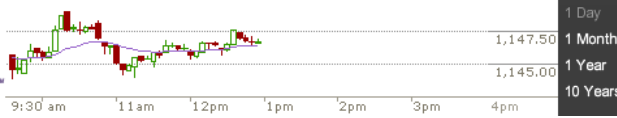


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January 14, 2010 11:40 AM EST by John Stossel
CRONY CAPITALISM

Thank goodness that libertarian think tanks like CATO, Reason, Heartland, The Manhattan Institute, CEI, and PERC defend free markets. I say that because, although people believe that businesses stand up for market competition, they rarely do. Take Altria, which owns Phillip Morris. I love Altria, because it supports some of the free market think tanks. I also hate Altria, because it's quick to partner with government to quash competition. For years, cigarette manufacturers lobbied against regulation. Then, in 2001, Phillip Morris suddenly said it supported "soup to nuts regulation of the entire industry, and we think that the FDA should be involved in all of that". They said it's because they want "a common set of high standards for all tobacco manufacturers and importers doing business in the U.S." Maybe, I think it's more likely that it's because they realized that, since they control 50% of the cigarette market, FDA regulation of new tobacco products would stop competitors from challenging their dominance. Ironically, when President Obama signed the "Family Smoking Prevention and Tobacco Control Act", he called it "The fourth piece of bipartisan legislation that I've signed into law over the last month that protects the American consumer and changes the way Washington works and who Washington works for." Bunk. Instead of "change," it perpetuates the way Washington works. Big business embraces Big Regulation to protect its market share. It's called crony capitalism. That's my subject for my FBN show on this tonight at 8pm ET. It re-runs at 11pm ET (8pm PT) and on Friday at 10pm ET, Saturday at 7pm ET, and Sunday at 11pm ET. One of Phillip Morris's competitors, Lorillard Tobacco, pointed out how Phillip Morris had gamed the system. From Slate: Lorillard Tobacco Co., calls the Kennedy bill the "Marlboro monopoly act." [Marlboro is a Phillip Morris brand.] "It will virtually eliminate our ability to communicate with adult consumers, thereby locking in Marlboro's dominant position," says Lorillard spokesman Steve Watson. The bill also bans all flavored cigarettes, but arbitrarily exempts menthol- flavored ones. The week before the bill passed, Phillip Morris introduced a new menthol cigarette. The market rewarded Phillip Morris's strategy. Between the time the bill was introduced and the time it was passed by both houses of Congress, Phillip Morris's stock was up over 35%. As the bill's sponsor, Henry Waxman admitted in a print interview: "Phillip Morris is supporting it for their own reasons." Lobbying pays off. It will keep paying off as long as government is so big and powerful.

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January 14, 2010 at 12:53 pm

Economiser

It's hard to argue with a 35% stock gain. The fault lies with the government. The whole crony capitalism situation reminds me of an athlete arguing with a referee over a call. The athlete's always going to argue, but it's the referee's fault if he shifts the playing field to favor one side over another.
January 14, 2010 at 12:47 pm

Pirate

Don't even get me started on smokers and smoking. And, you left out the fact that Obama is a [closet] smoker. I think NOW would be a great time to shut down big tobacco. First, unemployment can't get a whole lot worse (tongue in cheek), and we can simply convert all of the smoking industry employees to "green jobs".
January 14, 2010 at 12:44 pm

Vake

Just as you are thanking these wonderful think tanks for defending free markets, I think everyone should be thanking you for bringing the message of liberty to a wider audience. Thanks John!
January 14, 2010 at 12:08 pm

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- John Stossel joined FOX Business and FOX News in October 2009. His show, **Stossel**, airs on the Fox Business Network on Thursdays at 8 p.m. ET
- He is the New York Times best-selling author of **Give Me A Break** and **Myths, Lies and Downright Stupidity**. His "Give Me a Break" commentaries take a skeptical look at a wide array of issues, such as education, the economy, parenting, and more.
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