

A Word from the Founder. . .

Best Friend of Charleston



Creating enterprise excellence consistent with the highest standards of ethics and civic responsibility through best practices.

What an auspicious day! It was Christmas 1830 in Charleston, South Carolina, and Nick Darrell pinched himself at the luck that had befallen him. Since October 1830 when the contraption in front of him arrived on a packet boat from New York, he had worked hard to assemble and test it and now was to make history. Before him in its festive and seasonally appropriate green and red paint stood The Best Friend of Charleston, the first steam locomotive in the United States to establish regularly scheduled rail service. It was all going to start today, and he was its engineer. He was really excited; bands played, and the sound of firearm salutes exploded into the sky.



Today the locomotive was only going to run six miles on its wood and metal rails, but it was intended to quickly open up the interior to reliable and fast connection with Charleston. The Charleston Courier described this first trip in the following terms, "The one hundred and forty one persons flew on the wings of wind at the speed of fifteen to twenty-five miles per hour, annihilating time and space...leaving all the world behind..." Though this first trip went without incident, the Best Friend's future was to be short lived, a careless fireman, tied down the pressure relief valve on the engine, and it blew up within two months of its maiden trip.

Not to be thwarted, however, it was rebuilt as "The Phoenix" and along with a second engine named "The West Point"; the railroad pierced the continent—or at least as far as the 136 miles to North Augusta.

Along with four additional engines, it succeeded in returning prosperity to Charleston and revolutionizing freight and passenger transportation. No longer dependent on river or weather conditions, commerce boomed. Mr. Darrell didn't realize how potent a force this bit of free enterprise had loosed on the nation. Before he died in December 1869, he would see not just one state spanned but the whole country.

In May 1869 at Promontary Point, Utah, the symbolic golden spike was struck creating an endless ribbon of steel binding the nation together. Rather than taking months to span the nation, travelers could span it in a week. Of course today the miracle of free enterprise and technology allow us to span the country in a few hours, and our images, voices, and data span the globe in microseconds. Today we gather not to see a train take leave but to see a Rocket hurtle



Inside. . .

- *Word from the Founder* 1
- *Acknowledgements* 1
- *Tony the Peanut Man* 2
- *Harmonization of Accounting Standards* 3
- *US health care- triumph in crisis* 4
- *Officers and Trustees* 5
- *Articles continued* 5 & 6

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Tony the Peanut Man by Devin Eakes

The story of Tony Wright is one of determination. It is an inspirational story of how one man overcame his misfortunes. Not only did he persevere through adversity, but he also started his own business and become a local celebrity while at the same time garnering international recognition. Mr. Wright was able to achieve all of this with little more than a helping hand...and peanuts.

In 1990, Tony Wright was a Veteran, having served in Korea, with a steady job at Lockheed Martin in North Charleston. However, in July of that same year, Mr. Wright, as well as many others, lost his job when the plant closed. Suddenly Mr. Wright had gone from a stable job as a factory worker, to having no way to support his wife and their four children.

After three unsuccessful trips to the unemployment office, Mr. Wright finally gave into neighborhood friend, Mr. Marion Heyward, who had been selling peanuts and wanted Mr. Wright to go into business with him. Putting pride aside and with the encouragement of his wife, Mr. Wright accepted Mr. Marion's offer. Mr. Wright was supposed to work the popular tourists' area of the Market in Charleston and eventually take over for Mr. Ben Campbell, another local peanut vendor. It was through the assistance and guidance of these two men that Tony Wright was able to get started in his new career.

Although his first few days of selling peanuts did not go as well as hoped, within three months Mr. Wright began to establish a steady business. One reason for this was a song that was handed down to him by Mr. Ben, "Got some boiled, got some roasted, got some stewed, got some toasted." This came to be known as Mr. Wright's trademark song, and he found that the "louder (he) hollered, the more people bought".

One day in 1993 he was approached by two men who offered to buy his entire basket worth of peanuts if he would accompany them back to the Francis Marion Hotel. Although a bit skeptical, Mr. Wright agreed to the two men's offer, not knowing that he had stepped into an impromptu audition. Mr. Wright was asked to perform his song and dance. This was the first step that eventually landed him in

Philadelphia on Bill Cosby's show, "You Bet Your Life". It was from this event that his notoriety began to grow, and he adopted the name, Tony the Peanut Man. His Cosby appearance was followed shortly thereafter with a spot on Good Morning America while the show was being televised on location in Charleston. After that Mr. Wright began to receive phone calls from as far away as Germany.

Around the same time, both men that gave Mr. Wright an opportunity at one of the lowest times in life died. During this sad time, Mr. Wright promised himself he would never forget all that Mr. Marion and Mr. Ben had done for him. He committed himself to giving as generously to others as they had to him. One way that Mr. Wright follows through on this is by going to the local shelter, Crisis Ministries. He finds those in a similar situation to that he once found himself and helps them in many ways, including giving them jobs as peanut vendors. Mr. Wright

also takes time to go to local schools and educate children on the importance of peanuts, their many different uses, and the work of George Washington Carver.

Mr. Wright has faced all sorts of opposition, but through his strong character and humble nature, he has persisted. In doing so he has acquired his own company, Phenomenut LLC, and the right to become the first black for profit vendor at most of Charleston's prominent sports venues such as The Citadel's football games and baseball games at Joseph P. Riley Jr.

Park and venues on Daniel Island.

As he has prospered, his desire to give back to others has taken greater portions of his time. In conjunction with Crisis Ministries, Mr. Wright has started Labor of Love. This is an all day event located at Crisis Ministries in Charleston with food and activities for all, free of charge. Labor of Love is entering its fifth year and will take place on Labor Day, September 6th. Those expected to be in attendance among others include Joe Riley; Mayor of Charleston and André Bauer; Lieutenant Governor of South Carolina.

Though successfully having overcome so many challenges, Tony remains as humble a man as you will find. He looks for the goodness in all. When asked about the hardships he had to struggle through he commented, "America is changing for the best, for everybody." This sums up his outlook on life. He is a shining example of the wonderful opportunities that this country has to offer and how a single man can profit through hard work and a noble heart.

Mr. Wright can be reached at phenomenut@bellsouth.net or (843)343-6362.



Above: Tony "The Peanut Man" Wright (at right), receiving some boiled peanuts from one of his employees.

Harmonization of Accounting Standards

by Eve Novakova-Cornejo

Thanks to the support of Tommy Baker we are blessed with the assistance of our Baker Free Enterprise Foundation Fellows. Mrs. Novako-Cornejo is the author of this fine piece on the continuing effort to develop an international accounting standard that all the principle trading nations would recognize.

Harmonization of Accounting Standards

After the creation of a European Union and the establishment of the Euro, the creation of International Accounting Standards or IAS is among the most controversial and discussed issues today. While some people still regard the harmonization process skeptically, the need to be able to meaningfully compare European and North American competing enterprises on a reliable basis continues to fuel the effort to achieve global harmonization of accounting standards. Just a few years ago most people would probably have said that achievement of a single accounting standard accepted by the major world countries is impossible, but slowly these standards are becoming a reality. The International Accounting Standards Board (IASB) is leading this process and has already created a usable set of accounting standards for The European Union (EU). This year over 7000 publicly traded companies in the EU will be required to apply those standards in their consolidated financial statements.

Justification for Harmonization

With globalization many companies are expanding their operations worldwide despite the added burden of having to coordinate a myriad of differing accounting standards. These companies are facing differences in languages, regulations and accounting systems. The purpose of adoption of IAS is to facilitate capital movement by reducing the costs of raising capital and to enhance comparability. Currently foreign companies wishing to be listed in the United States (US) capital markets have to reconcile their financial statements with the U.S. standard referred to as GAAP (Generally Acceptable Accounting Principles consistently applied). By developing and adopting the set of internationally accepted accounting standards countries will be able to reduce costs of capital for business by reducing administrative and transaction costs. They will also be able to improve investor relationships and make capital markets more efficient. It will be much easier for firms to access other world markets to raise capital. Uniform standards will simplify reporting by making it based on shared reporting concepts.

US companies previously were able to get listed in the European markets without having to reconcile the reports. This is probably one of the reasons why the US has not been eager to get involved in the harmonization process. This advantage is about to change as European regulators and specifically the Commission of European Securities Regulation (CESR) appear intent on putting in place regulations that would force some of the American companies trading in Europe to provide additional disclosures or discussions of the compatibility of the standard they used with IAS¹.

Differences between GAAP and IAS

The differences between the US GAAP and IAS can be explained by the difference in the underlying basis of these standards. The US accounting standards are rules-based while IAS are principles-based standards. This very difference explains the pros and cons of each standard and why one may be preferred over the other.

Rules-based standards are based on precise requirements and regulations. They are strict and leave no room for exercise of professional judgment. Rules-based standards include "bright lines", prescriptions, exceptions and detailed guidelines. Principles-based standards, on the other hand, is a short and to the point statement of accounting principles targeted to achieve accounting intention that has fewer prescriptions and the guidelines are just enough to appropriately implement the standard.

As rules-based standards are very prescriptive, they are much easier to apply as opposed to principles-based standards that require high levels of judgment. Rules based standards encourage a form over substance approach and can result in the loss of the economic substance of the underlying transaction. The rules-based standards are also more vulnerable to manipulation. They allow companies to take advantage of exceptions and details especially if to take into account that as detailed as GAAP is, it can never cover all the possible situations and therefore has loopholes. On the contrary, the detailed nature of rules-based standards limits the discretion management can exercise in preparing the numbers and disclosures in the financial statements. In the case of principles-based standards it can become much harder for auditors and regulators to impose particular treatment of transactions. Because these standards are more qualitative it is much easier to adapt them to different environments. This is why they may be preferable as a basis for international accounting standards.

Is it possible to harmonize?

The question that remains is whether it is possible to harmonize accounting standards. So far Europe has been able to proceed with the process of adoption and implementation of the IAS. But it remains

continued page5

Two days before Dr. Thompson died he sent me a small packet of articles that he had penned especially for the newsletter. This article is a natural follow-up to his fine presentation on Crisis and Opportunity in Medical care that can be found in streaming video on our website.

US health care - triumph in crises

by: Dr. Leigh Thompson

There are three reasons to consider change: cost, access, and quality.

Cost: In 1965 at the beginning of Medicare and Medicaid the 194 million Americans generated an average GDP of \$3700 each and spent 5.4% of it, \$200, on health. Today the 294 million Americans generate an average GDP of \$39,566 each and spend 16.5% of it, \$6546, on health. In an 80 year lifespan at today's spending that amounts to \$524,000. Healthcare costs inflate the prices of American products, reducing their world markets and shifting US jobs to foreign workers.

Costs can be reduced by doing less, doing it for less, or doing it for less patients. One cause of healthcare inflation is the entitlement mentality of US citizens and politicians – that everyone deserves everything paid for by someone else. Congress mandated that healthcare for all patients with chronic renal disease would be funded by Medicare, without providing the funds. Before that entitlement hemodialysis was available for selected patients but now 275,000 patients are being dialyzed whether or not they have Alzheimer's or metastatic cancer. In the UK if you are old and have renal failure you get a nice funeral. You have seen the advertisements for motorized wheelchairs or diabetes testing supplies that you can buy for patients with Medicare. Entitlements are incremental – new ones don't replace and old ones never die.

Some care is cost effective. Drugs for tuberculosis and psychosis have emptied the sanatoria and mental hospitals. Drugs that block stomach acid have eliminated surgery for peptic ulcers. Antidepressants have increased worker productivity and quality of life. Some cancers are being cured.

Entitlements don't select the most effective care within a fixed budget – once approved everyone is eligible for a new intervention and the taxpayers get the bill.

Rationing is anathema, but we do it routinely with the scarcest and most valuable resources – human donor programs. Regions in the UK have a fixed government-funded budget for health and allocate resources according to local priorities. They choose how many neonatal ICU beds will treat <1500 gram babies of mothers abusing alcohol and cocaine vs. lung volume reduction surgery patients with emphysema who continue to smoke etc. Resources may not be available for some patients needing expensive but marginally effective care. Of course any UK resident can pay for any private care. (Senator Clinton's proposed US health care revolution would have made paying for health care a crime.)

Malpractice costs far more than the payments to insurers, lawyers, and patients. To protect themselves, physicians order every imaginable tests and treatment so they won't be second guessed. We need a total quality management approach to health care that avoids and appropriately compensates for errors, but avoids lawyers and huge insurance premiums.

Access: Although 14% of Americans lack health insurance today, that does not mean that they don't get needed care. It does mean that their care is probably less comprehensive, poorly organized, and less cost effective than it should be. Since you pay for much of this care, and the costs of lack of good care, you should be concerned.

The federal government runs a large health care system for the uniformed services, merchant seaman, veterans, government employees and retirees, etc. It is in the forefront of implementation of electronic patient records and prescribing and evidenced-based treatment. It is the site of important research and training of health care professionals. Before 1965 these facilities were augmented by government-funded but locally-managed city hospitals – Bellevue, Boston City, Cook County, LA County, Charity, etc. had the best care, the best research, and the most sought-after training yet were highly cost-effective for uninsured patients. They were scrapped when all Americans became entitled to a private doctor and a private room. Perhaps care for the uninsured could be guaranteed in an expanded version of federal health care facilities that could recapture some of the qualities of the discarded city hospital system.

During the draft, all physicians served in the uniformed services. Today eight years of undergraduate and medical education in a top university may cost \$300,000 and new physicians aren't going to pay that off during their additional three to six years of specialty and subspecialty training. Why not make medical education free in return for perhaps two years of service for the same service requirement for licensing of foreign medical graduates? The additional 40,000+ physicians could care for all the uninsured, extend their own specialty training, enhance their skills, and provide the *pro bono* service that makes up a considerable part of the six-plus years of professional education of nurse practitioners and clinical pharmacists who are valued members of the health care team.

Quality: Robotic, fiberoptic, and micro surgery are amazing. Dynamic MRI, CT, and PET scans provide precise anatomy, guide care, and detect problems early in their evolution. The technological quality of our health care is truly amazing.

Although we have by far the most expensive health care, we rank 37th in overall performance nationally and 72nd in population health. Canada is 10th in spending and 30th and 25th in other ratings (WHO whr2001). Why don't we get what we pay for?

The institute of Medicine reports that more than 100,000 Americans die each year of preventable medical errors. Handwritten prescriptions are misinterpreted. Drug choices or doses are inappropriate. Multiple drugs interact but the prescribers are unaware the patient is taking other drugs. Tests are repeated because results are not provided to all the patient's

continued back cover

FEF News - 4

continued from "Harmonization of..."

to be seen whether the US and Eastern countries will follow its example. The US historically has been very careful before taking such major steps. Some of the difficulty has arisen due to a difference of opinion with regard to IAS between regulatory bodies. While The Financial Accounting Standards Board (FASB) and IASB have worked together over several years and signed a memorandum of understanding in 2002 to work on convergence of US and international accounting standards, the SEC has been reluctant to join the process. One of the reasons for it being the SEC's belief that US GAAP would provide more precise information and better protects investors as it is more complete and detailed. Due to this the Securities Exchange Commission has displayed hostility towards the IAS in the past. However, as IAS are getting more complete the SEC has shown a willingness to move towards IAS standards and has even hinted at adoption of such standards by 2009².



Above: Presentation by Mrs. Novako-Cornejo of the plaque to denote service as a Baker Free Enterprise Fellow to Tommy Baker for display at Baker Motors

The IASB arose to some degree due to Europeans concern that the United States exerts too much control over world capital markets. The main regulatory body, the SEC, historically put substantial effort into insuring that International Financial Reporting Standards (IFRS) prepared financial statements were reconciled with GAAP. To the degree the SEC has agreed to converge their requirements with IASB the European fears may be alleviated and momentum for harmonization will increase.

Two of the main issues that remain to be resolved are IASB compatibility with the Sarbanes-Oxley Act (SOA) and enforcement of rules by IASB. It is probably too early to pass judgment on this issue because SOA is too recently implemented in the United States, but one has to wonder to what degree this will slow down the harmonization efforts. Recent problems with the United Nations and WTO also demonstrate the difficulties world organizations have in enforcing rules over a large group of nations who selectively decide which decisions they will adhere to. IASB has already encountered several of these issues for example with a controversial IAS 39 on financial instruments.

Conclusion

Achieving the goal of harmonization will depend on consistency of application and interpretation of IAS across companies and countries. Of course now even if European companies were able to get listed without reconciliation they will still have other high costs associated with SOA and other US regulations. It is also not clear if the accounting profession is ready for principle-based standards. The need may also arise for more interpretation especially in the case of less developed countries that do not have sufficient experience in implementing accounting standards. Finally, the stringent enforcement of the standards is of vital importance if we are ever to achieve harmonized standards. Ignoring it will make the whole purpose of harmonization pointless.

¹ CESR. "Draft Technical Advice on Equivalence of Certain Third Country GAAP and on Description of Certain Third Countries Mechanisms of Enforcement of Financial Information." April 2005 www.cesr-eu.org

² Accounting Standards: EU Commissioner McCreevy Sees Agreement With SEC as Progress Toward Equivalence www.eurunion.org/News/press/2005/2005041.htm

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continued from "US health care..."

practitioners. Patients' arrive for emergency care but their handwritten chart can't be found. Such errors would be greatly reduced if medical records and prescriptions were electronic and shared with all the legitimate practitioners caring for the patient. The technology has long been available – more than a decade. Physicians however have not embraced computer technology, some of which has not been user-
seductive and time-saving. Recent privacy legislation complicates sharing of medical information. You may not want it widely known that you are HIV positive but should that concern prevent your gastroenterologist from knowing that your cardiologist has prescribed a drug causes nausea, vomiting, and diarrhea?

Professor Ron Howard suggested decades ago that we have different levels of health care reimbursement. Everyone would have a silver plan that provides basic services, perhaps in a governmental institution as described above. You and your employer could purchase a gold plan which reimburses for some or most of cost-effective but not all care in any facility. The premium for the gold plan might be reduced for patients who don't smoke, drink, or eat excessively; who wear seat belts and condoms; and who manage their blood pressure and blood sugar appropriately. For an additional premium you could also purchase a platinum plan which would reimburse most of almost any case.

We could decide to fund more health care and less social security and defense, but we will lose jobs to foreign workers whose health care costs are far less than ours. If you believe in big government entitlements then you must accept big government regulation of your health care. If you believe in free enterprise, there needs to be a marketplace to reward innovation and cost-effectiveness and the means to pay for it. If you believe in quality you shouldn't stand for being killed by poor penmanship and miscommunication.

What scares me is there seems to be no national will to examine reforms and instant resistance to every suggestion, yet the spending grows, the uninsured fraction grows, and the quality deteriorates. I guess we don't care about the bridge getting rusty until our car goes in the river.

"From the Founder" continued

men into space. Today we can create a permanent environment for man to work and live in space, and today we reach out to the stars. Truly the imagination and determination of a free people are daily demonstrating what can be accomplished when they are allowed to seek what their imaginations tell them is possible.

I ask, however, that you do not allow unbridled enthusiasm for technology's gifts to blind us to the hazard of falling into its thrall. Man has a dual nature, mind and soul. Without time for the soul to contemplate, to feel the rightness of the order in the universe, our journey is pointless. We ask our Creator how He permits so much misery here on earth, but we deafen ourselves to His echoing question back. It is for our better nature to respond to the suffering we've created. While curing disease is for the uniquely qualified, many embody consistent kindnesses to all they meet: the willingness to cut their brother a break, to reach out to the burdened with a smile, a hug, and a helping hand. Everyone in our society is a roughly hewn stone, but through simple considerations we can polish ourselves into gleaming jewels.

I ask that you encourage such compassionate humanity towards all of the living jewels you encounter each day. You too can and should be such a jewel. Technology has provided so much to us, but we must never forget that it serves us, not we it.

A great man I knew who died recently startled me by suggesting the accelerating agility of machines meant that "silicon" based "life" could replace "carbon" based intelligence within 50 years. To prevent that from occurring, we must grow our souls and humanity to rival our mental acuity or be undone by our own machines. After all, it is our humanity that connects us. Bless each of you...pass it on! You too can be a best friend of Charleston.

The Free Enterprise Foundation has been created as an independent nonpartisan institute dedicated to preserving and promoting those enterprises and practices that are consistently the best in our free market economy.

The Foundation, a tax exempt 501 (c) (3) organization, relies on donors to provide both critical financial support but also intellectual leadership to the Foundation in its discourse on policy and extending the institutions outreach into the education of the public on the vital role of free enterprise and setting the highest standards of ethics and civic responsibility through study, research, the funding of scholarship, publications, and awards. Please help us not only with your tax-deductible donation, but by forwarding names and addresses of those who would enjoy being added to our mailing list.

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