

EXCERPTS FROM TOM SCHELLING'S LECTURE

"The most spectacular event of the past half century is one that did not occur. We have enjoyed sixty-one years without nuclear weapons exploded in anger.... Can we make it through another half-dozen decades?"

"We depend on non-proliferation efforts to restrain the production and deployment of weapons by more and more countries; we may depend even more on universally shared inhibitions on nuclear use. Preserving those inhibitions and extending them ... to cultures and national interests that may not currently share those inhibitions will be a crucial part of our nuclear policy."

"[T]he most effective use of the bomb, from a terrorist perspective, will be for influence. ... Even terrorists may consider destroying large numbers of people as less satisfying than keeping a major nation at bay."

Intellectual Entrepreneurship at the University of the Yellowstone?

By John Baden

For some folks, the Gallatin Valley was a more pleasant and rewarding place a generation ago. Ramona and I first came here in the '60s when Bozeman had three ag machinery dealerships. Now there are none. Yet, its agricultural past provides the tapestry on which Bozemanites paint their lives.

While there are a few exceptions, highest rewards now go to those who manipulate symbols, build icons, or provide arenas for achievement. Folks who make and process mundane material stuff—wheat, wood, and wool—must compete with the world's most efficient producers. Montana's niche lies not with conventional commodities. High human capital in a pleasing environment is today's key to success.

In the late 1960s, Montana was, on multiple dimensions, the most remote of the contiguous 48. The "social costs of space" insulated and isolated Montana State University from the mainstream of intellectual life. There was little contact with those in the Ivies, Big Ten, and Pac-8 or any top-tier school.

Montana now resembles an electromagnet for quality; it needs a charge to work. Has MSU attracted Nobel Prize winners in physics, chemistry, and medicine? I'm sure it could, for programs identified with MSU have brought internationally distinguished economists to Bozeman for dozens of visits. Five of our visitors won Nobel Prizes: Gary Becker, Jim Buchanan, Doug North, Vernon Smith, and Tom Schelling.

In August, Professor Schelling, a founder of Harvard's Kennedy School of Government, gave a public lecture, "An Astonishing 60 Years: Iran and the Legacy of Hiroshima," at the Museum of the Rockies. Tom and his wife Alice were in Bozeman for their tenth conference for federal judges (*Strategic Thinking with Tom Schelling*), a program jointly sponsored by FREE and MSU, and Tom agreed to give a free talk. They had spent the summer of '03 with us and plan to visit again next year. Even with extremely modest financing, I find it easy to attract the best to Bozeman.

To achieve potential, MSU must reach out toward excellence. Success in doing so brings value to the community. Clearly, Bozeman's venue can attract elite academic and artistic performances. And their presence adds dramatically to the business climate of our area.

MSU cannot buy such quality with conventional currency. Fortunately, it need not if intellectual entrepreneurs entice stars to visit. The implications seem obvious. While the academic world doesn't naturally select for courage, character, or entrepreneurial talent, MSU may be lucky.



PHOTO: Celine Dornen/Winslow Studio

Zoning Out Options

By John C. Downen



Planners, politicians, and preservationists worry about the shape of our future. But some problems have no solutions, only tradeoffs.

New Urbanism promotes high-density, mixed-use, transit-friendly developments that claim to discourage automobile use and preserve open space. The Congress for the New Urbanism asserts: “New Urbanists aim to reform all aspects of real estate development.... In all

cases, New Urbanist neighborhoods are walkable, and contain a diverse range of housing and jobs. New Urbanists support regional planning for open space, appropriate architecture and planning, and the balanced development of jobs and housing.”

This raises several questions. For example, who defines and enforces “walkability”? What is “appropriate architecture” – and by whose standard? Who chooses the proper “balance” of jobs and housing and ensures its outcome? Unfortunately, such comprehensive “reform” and planning will likely lead to greater government intervention.

New Urbanists tend to blame the supposed free market in real estate, our “auto-oriented culture,” and a lack of civic-mindedness – that is, wanting the wrong things – for the current state of affairs. But local zoning regulations often preclude the realization of New Urbanist ideals.

Bozeman’s Unified Development Ordinance includes no fewer than seven residential zoning districts. Within these it specifies minimum lot sizes; maximum lot coverage by buildings; minimum and maximum floor area; maximum building height; minimum front, side, and back yard sizes; and design and placement of garages. Such micromanagement leaves little room for innovation or New Urbanist neighborhoods.

What if we were to replace these residential zoning districts, and at least two of three commercial districts, with a single “mixed use” district? It would allow, but not specify, housing of varying densities combined, or not, with various non-industrial, non-manufacturing business uses. This lets the market respond to the diversity of consumers’ preferences while removing barriers to New Urbanist development. It also facilitates responses to changing tastes and economic conditions, avoiding fixed development patterns that may become obsolete or unpopular.

No planning board can know what people prefer and how they weigh open space, commute times, privacy, aesthetics, and home prices. The greater control government has over land use, the more likely decisions will be politicized and subject to interest group influence. Deregulating development promotes innovative responses to the diversity of housing demands, while reducing the costs of construction.

Fads in urban planning come and go, and aesthetics play a central role in most of them. Perhaps, then, the best way to handle growth is not to plan the ideal outcome according to the tastes of the day, but to allow a greater variety of experiments through entrepreneurial activity in a liberated land market.

John C. Downen is FREE’s publications and program coordinator.

FREE's 2006 Seminars

— Emissions Trading and Mercury Dangers

By Pete Geddes



Mercury is a naturally occurring element. It's found in rocks, soils, oceans, and our atmosphere. Volcanoes and forest fires release it into the environment. However, burning coal is responsible for the vast majority of human-caused emissions.

After mercury falls to ground or sea, some of it is transformed into methylmercury. (Methylmercury itself is not emitted by power plants.) Soluble in water, methylmercury moves up the food chain, accumulating in the fat cells of fish. As a result, pregnant and nursing mothers who eat large amounts of fish and seafood risk exposing their children to mercury poisoning, which adversely affects brain and nervous system development.

The U.S. has reduced mercury emissions by 80 to 90 percent since the early 1980s. But mercury is a global pollutant. The EPA estimates that more than one-half of the mercury deposited in the U.S. comes from outside sources, e.g., China. This will surely increase as China builds coal-fired power plants to meet growing electricity demands.

The EPA has proposed a cap-and-trade system to reduce total mercury emissions. Here's how it works. The EPA will determine the total amount of mercury that can be safely put into the environment by Americans. Companies are then given emission credits, allowing them to emit a specific amount of mercury. Companies that emit beyond their allowances must buy credits from those who emit less.

This approach has been successfully used to get lead out of gasoline, reduce ozone-damaging CFCs, and to dramatically (and relatively inexpensively) reduce sulfur dioxide and nitrogen oxide emissions, the primary causes of acid rain.

Emissions trading is often a preferable alternative to a command-and-control approach, i.e., one that mandates use of a particular technology. Economists champion emissions trading because it is more affordable to consumers, spurs innovation, and achieves greater environmental quality at a lower cost, making it possible to achieve other desirable environmental goals. Many cap-and-trade systems have another big advantage: they allow environmental and citizens' groups to buy and retire emission credits.

Under a tradable permit plan, total mercury emissions would surely decline. But the reductions will vary by location and the potential for local "hot spots" will remain. This may be a serious health risk that warrants strict limitations despite higher costs.

If we take a command-and-control approach and require all new coal-fired power plants to strictly limit their mercury emissions, energy consumers will pick up the tab in the form of higher electricity prices. But shouldn't consumers face the full cost of their choices?

When at all possible, sound public policy should assure that individual benefits account for any social costs they generate.

Pete Geddes is FREE's executive vice president.



June 4–7

Entrepreneurship and Social Change

July 16–20

Environmental Federalism: States, NGOs, and Environmental Quality
A Program for State Officials

August 13–18

Strategic Thinking with Tom Schelling
A Program for Federal Judges & Law Professors

September 10–15

The Environmental Consequences of Energy Use: Policies for Progress
A Program for Federal Judges & Law Professors

October 8–13

From Terrorism to Tornadoes: Mitigating Disruptions to Civil Liberties and the Economy
A Program for Federal Judges & Law Professors

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Economics & the Environment

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SUMMER FUN

FREE thanks its 2006 interns and resident scholar for contributing to the high intellectual quality of our summer.

Scholar-in-Residence Daniel Chirot, of the University of Washington Jackson School of International Studies, joined us in late June after a trip to the Côte d'Ivoire to consult with CARE. Dan lectured at our conferences, joined weekly discussions, and worked on his next book, titled *Enlightenment and Resistance: How Progress Has Changed the World and Why So Many Oppose It*. Look for it in 2008.

Our interns worked through a 540-page reader; engaged in spirited weekly discussions with FREE staff and Dr. Chirot; observed conferences and met judges and distinguished scholars, including 2005 Nobel Laureate Tom Schelling; and each wrote a column that was published in the *Bozeman Daily Chronicle* and is available on our web site.

Kevin Kimura will spend his junior year at Oxford before returning to the University of Pennsylvania. Emily Sands will be a sophomore at Princeton. And Jessica Van Parys is spending her fall semester at Oxford, then returning to the University of Georgia in the spring.

We hope to have as bright and stimulating a group next summer. If you'd like to recommend a student for an '07 internship, please let us know.

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Final Program of 2006

We still have space available in our October program, *From Terrorism to Tornadoes: Mitigating Disruptions to Civil Liberties and the Environment*.

Join us for extended discussions and an exchange of ideas on important issues. Our conversations are not truncated and feature diverse opinions in a collegial environment.

Contact our office for more information and a registration form.

From Terrorism to Tornadoes: Mitigating Disruptions to Civil Liberties and the Economy

A Program for Federal Judges & Law Professors

October 8–13, 2006

We live in an open society with civil liberties constitutionally guaranteed. Interstate travel is unrestricted and our national borders are relatively porous. Heightened security increases transaction costs and unsettles markets. What are the consequences for economic progress, even stability, if terrorism remains a threat?

Our founders understood that the greatest threat to freedom is concentrated political power. They recognized that government must be powerful enough to protect the rights and property of citizens, but not so powerful that it becomes a threat to those rights. Events as disparate as the ongoing "war on terrorism" and Hurricane Katrina test these founding ideals.

Confirmed Speakers

Dr. Michael Allswede, University of Pittsburgh Medical Center

Mr. Monty Kosma, Jones Day, Washington, DC

Professor Clark McCauley, Department of Psychology, Bryn Mawr College

Mr. Kenneth Rendell, Museum of World War II

The Hon. Evan Wallach, U.S. Court of International Trade

Professor Neal Wilkins, Department of Wildlife and Fisheries Sciences, Texas A&M University

