

NEW FACE AT FREE

Kristyn Birrell is FREE's new publications and program coordinator. A recently returned Bozeman native, she spent



the past year traveling around the world.

Kristyn received a bachelor of science in economics and a bachelor of arts in philosophy from Montana State University in 2002. She then headed north to Vancouver, where she earned a master of arts in economics from the University of British Columbia.

Besides environmental economics, Kristyn is interested in international trade, economics of law, and moral theory. She has been a competitive youth soccer coach for the past 10 years. In her free time she enjoys running, hiking, cooking, and traveling. Kristyn is excited about joining the team at FREE.

The Year in Review

By John Baden

2007 will be the 16th year of FREE's conference series for federal judges, and for the past five years with MSU as cosponsor. We have enjoyed nearly 500 visits from judges. In the early years we focused on traditional natural resource issues, forestry, fish, range, and wildlife. Our offerings have evolved in response to judges' requests and we've expanded conference topics to include climate change, biotechnology, and terrorism.

One of the most satisfying features of this series is the ease of attracting the nation's top scholars, the greatest number from Harvard and Chicago with Berkeley, Stanford, and Yale well represented. Why is this? First, America's top analysts enjoy engaging with some of America's most important decision makers—and with their scholarly peers. Second, Montana is a great attraction. Third, FREE's conferences have received excellent reviews from nationally distinguished reviewers—professors of environmental law, economists, U.S. attorneys, and federal judges.

FREE's explicit goal is to have each conference be the best that every judge has attended. To help accomplish this, we have just sent a survey to about 1250 federal judges asking them to rank conference topics.

FREE's New Project

A growing number of religious groups have identified a new mission: the environment must be preserved, maintained, and improved for spiritual and ethical reasons. While moral suasion is certainly preferable to command-and-control policies, many religious leaders see an inherent conflict between a market economy and environmental stewardship. They tend to believe that the best environmental policy relies on commands and regulation. If the moral weight of religious leaders is added to the current Green movement, we fear this will tip the balance against freedom without improving the environment.

We believe that moral suasion and the market economy can be complementary, and that the best policies align self-interest with ecological goals. Therefore, FREE proposes to offer a program in 2007, Environmental Stewardship for Religious Leaders. We will help these "religious ecologists" see the wisdom in using property rights, incentives, and the market process to achieve their environmental goals.

This new program will complement our judges conferences and work on social entrepreneurship. We will surely welcome your suggestions, support, and visits.



The Benefits of Competition

By John C. Downen



Some months ago I bought my first piece of new luggage in probably 20 years. I was amazed by the features packed into a basic carry-on bag. The last real suitcase I owned had a pocket or two inside and a strap to hold things in place. The carry-on I bought includes a clip-in heavy-duty plastic bag for wet items or toiletries, an integrated garment bag system for packing a sportcoat, a zip-off bag for shoes, mesh panels with straps to hold things in place, and pockets galore. That's just in the main compartment. There's also a couple good-sized pockets on the outside (one has pen and card holders in it) and even a zip-open water bottle holder. Plus, the whole thing expands by 2 to 3 inches. Most bags I looked at had some variation on these features.

What all this demonstrates, besides my ignorance of modern luggage, are the benefits competition brings to a market economy. Many fear that free markets and competition lead to monopolies and homogenization. In reality, competition fosters diversity—more and better products with more features—while constantly lowering prices.

In the long run, luxuries transmogrify into necessities. Even America's poor today own refrigerators, televisions, and automobiles—items once available to only the wealthiest.

The drive to stay ahead of competitors induces firms to innovate and exploit niches. Adding features, improving quality, appealing to some underserved segment of the market—all are strategies to attract and retain customers.

Joseph Schumpeter described the market pursuit of profits as a “gale of creative destruction.” New, more efficient firms displace older ones. New products replace obsolete ones. Market competition is a discovery process that induces economic coordination and cooperation in a perpetual search for greater efficiency and customer satisfaction. Scarce resources ever move to higher-valued uses.

We don't see such dynamism in heavily regulated industries. When government dictates how to produce a product, there's little incentive to innovate and improve. A comfortable complaisance toward customers ensues.

Restricting competition in the marketplace shifts it to the political sphere. Companies invest in lobbyists and regulators rather than customers. Influencing legislators yields better returns than research and development. Instead of competition improving welfare, it consumes it.

Unfortunately, we often assume the fruits of free markets. We expect products to improve. But this is not the result of enlightened regulations, rather of companies competing for our business.

When problems occur, the instinct is often to exhort government to “do something about it.” But this response fails to recognize the full price of increasing regulation. Firms rarely pay the costs imposed on them. Their customers do, in the form of higher prices, fewer features, less improvement, or laid-off employees.

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

2007 Conferences



Confirmed Dates

June 3–6
June 24–28
July 22–27
August 12–17
September 9–14

Potential Topics

Terrorism, Immigration and the Law
Science, Risk Analysis, and the Law
Economics, Risk Analysis, and the Law
Is Environmental Law Different or Special?
Environmental Policy for Religious Leaders

We welcome your input on topics for future conferences. Those of you who are members of the federal judiciary, we encourage you to return your survey if you have not already done so.

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Economics of the Minimum Wage

By Pete Geddes



Large percentages of Americans favor raising the minimum wage. Twenty-three states now set a minimum wage greater than the federal level of \$5.15 per hour.

Our economy increasingly rewards brains, not brawn. High human capital, usually an undergraduate degree, combined with good character, are now prerequisites for success. Investments in education, including technical training, are increasingly important. Politicians who ignore this reality jeopardize our future. Workers lacking these attributes struggle at the low-wage end of the employment spectrum. The situation is especially difficult for divorced women, who chose to forgo schooling to raise children. Who but a misanthrope could resist an effort to help these deserving moms?

A physicist understands gravity and a physician germ theory. This understanding is based on empirical observation about the way the world works. Neither believes that gravity or germs behave differently in Boston than in Bozeman.

Economics' analog is the law of demand. Like laws of gravity and germ theory, it is based upon millions of observations. The law of demand tells us that all else being equal, the higher the price of a service or good, the less people will demand of it. The law of demand applies to grapefruit, cars, movies tickets, and to labor. Everyone, even the advocates for the minimum wage, understands this reality.

Do homeowners normally raise the asking price of a home that's been languishing on the market? A contractor who believes that the higher his bid for a job, the more likely the contract, is most likely to go bankrupt. The labor market isn't immune to this reality.

Raising the minimum wage will benefit those who keep their jobs. It will have no effect on the majority of workers, especially white collar ones, for their pay is already well above minimum wage.

However, mandating an increase in the price of labor does not magically increase workers' productivity. Hence, some workers, those with the lowest levels of skills and education, will suffer. Why? First, because employers will have incentives to create fewer jobs. Second, higher minimum wages will attract workers with greater skills. They will displace low-skilled workers.

Here's another irony. Employers may compensate for their increased costs by increasing prices. Since poor people are disproportionately likely to shop at places that pay minimum wage, e.g., fast-food outlets and big box stores, they'll end up paying the higher prices. How does this help them?

I share the good intentions of those who want to raise the minimum wage and I believe our community has an ethical obligation to help the least fortunate among us. Laudable intentions, however, won't alter one simple fact: minimum wage laws can set wages, but they cannot guarantee jobs.

Pete Geddes is FREE's executive vice president.

PLANNED GIVING

A well-informed judiciary is essential to the effective administration of justice.

As modern life becomes more complex, judges find themselves facing more scientifically and technically sophisticated cases. But many lack training in analytical or scientific disciplines. FREE provides that training. Our seminars show how economics, risk analysis, and science can promote environmental quality.



To help FREE continue this important service, consider including us in your will or living trust, or naming FREE as a beneficiary to your life insurance or retirement plan proceeds. Contact Pete Geddes at (406) 585-1776 for more details about gifts to FREE.

FREE is a 501(c)(3) nonprofit and all contributions are fully tax deductible.

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Celebrating an Icon of the West

It's easy to be modest when our neighbor is Ted Turner. He owns the historic Flying D Ranch. This spread, and it spreads from the Gallatin to the Madison River and covers some 113,000 acres, carries about 3,500 buffalo and a few thousand elk as well as other wildlife.

Fortunately for us, when he bought it in 1989 he deeded the development rights to the Nature Conservancy. I'm pleased indeed when a place managed for biodiversity is financially sound. It is an excellent model, one we emulate on a far, far smaller scale.

Working with the Gallatin Valley Land Trust, we are placing a conservation easement on our place. Aside from our home and a few acres with spring creeks and ponds, 97% of the land is permanently dedicated to

wildlife and agriculture with only three home sites permitted. While our effort is modest and Ted's grand, I hope both are contagious.

For several years I told Ramona we too needed buffalo. After all, they are native to our place and we have nearly a full complement of the other wildlife. She quite sensibly objected. But I persisted—and ultimately won.

I had a local artist, Kirsten Reese craft a buffalo sculpture for our thirtieth anniversary. While Ted's are more numerous by a few thousand, his biggest weigh but one ton each while ours is twice as heavy. Both represent the history of our region, his biological. Ours, in contrast, is built of agricultural and logging junk, some of which I used.

I know his taste better for we have one in our freezer, but ours will endure. I hope you will visit Montana and see both.

