

We believe a broadly educated judiciary is essential to the effective administration of justice. As modern life becomes more complex, judges find themselves

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Congratulations, Tom!



The Bank of Sweden Prize in Economic Sciences in Memory of Alfred Nobel 2005

“for having enhanced our understanding of conflict and cooperation through game-theory analysis”



“Tom is one of the last humanist economists in a world of recreational mathematicians.”

John A. Baden
Chairman
FREE



“Tom Schelling is a titan, and it is not the slightest exaggeration to say that his remarkable scholarship has made the world a safer and better place.”

David T. Ellwood, Dean
John F. Kennedy School
of Government
Harvard University



Celebrating Schelling, Our Humane Economist

By John A. Baden



The most recent Nobel Prize winner, Tom Schelling, and his wife Alice, are dear friends. He is among four Nobel Laureates who have lectured in my Montana programs. While Tom is among the world's smartest (and nicest) individuals, modesty occasionally trumps his predictive prowess.

In September, Tom and Alice were at the Elkhorn Ranch for their 10th FREE/Montana State University federal judges' seminar. I asked about the Nobel, an honor he so clearly deserved. Tom has been FREE's summer scholar in residence, and Ramona and I have been their guests, so this was not an awkward question. Tom assured me he was not a contender, for he's modest indeed. I demurred, and fortunately, the Nobel Committee shared my judgment.

We are all elated even though his award reduces the odds of his returning. Why? His opportunities to travel elsewhere dramatically increase by winning the Nobel. Simple economics applied to life. And that's what he does so well, apply economic reasoning to life's activities.

Tom is best known for his 1960 Harvard University Press book, *The Strategy of Conflict*. This classic influenced generations of strategic thinkers. "These insights have proven to be of great relevance for conflict resolution and efforts to avoid war," explained the Nobel jury.



Tom's work demonstrates that the economics discipline is not about money, business, statistics, or recreational mathematics. Rather, at root economics explains the logic of social coordination and the organization of human relations. Here's my favorite example, one I used in classes for over twenty years, the "Schelling Point."

Join me in a mental experiment. Assume you tell a group of out-of-state friends they are to meet in Yellowstone Park some time in the summer of '06. Those who are together at the same time will win a prize they value. Where and when do they meet? No more information is available and they cannot communicate with one another. What happens?

Whether my group is undergrads, grad students, or federal judges, three-quarters-plus consistently answer the following: We'll meet at Old Faithful, at noon, on the Fourth of July. Even those who have never been to Yellowstone are highly likely to give this answer. Why? It's a place where folks naturally converge, a Schelling Point; they find a natural focal point and coordinate without communicating.

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A 2002 *Atlantic Monthly* article described how racial segregation, a situation Tom deplors, may be a Schelling Point. In the late '60s Tom conducted a simple experiment with X's and O's. It turned out that if individuals want just half their neighbors to be of the same kind, their individual decisions eventually produce near-complete segregation. Even when individuals are content with a quarter of like neighbors, distinctly segregated clusters appear. Even simple social groups produce outcomes orderly although unintended. The results were not accidental, but certainly not deliberate.

Schelling has worked on some of the world's most important problems. Here are a few highlights. First, as an economist with the Marshall Plan, he helped rebuild post-WWII Europe. Then, during the Cold War, he advised American leaders on strategies to prevent nuclear war. Since 1978, he has worked with the National Academy of Sciences on problems of climate change. Tom is one of the few Nobel winners who could legitimately claim to have helped save humanity from tragedies.

One recurrent theme in Tom's work is the logic underlying individuals strategically constraining their own options. His examples include an army demonstrating its commitment and determination by placing itself in a position from which it cannot retreat. If one burns his bridges behind him, the enemy knows he's deadly serious, not bluffing.

Here's a question Tom might find interesting. Under what circumstances might people burn bridges in front of them? I have a few ideas I'll save for later.

Tom is one of the last humanist economists in a world of recreational mathematicians. In fact, his Nobel co-winner is a mathematician who works game theory. Tom uses jargon-free, everyday, real-world examples to convey important ideas about how societies function and how to ameliorate problems.

Tom, you've long deserved it. We're honored you and Alice have spent so much time with us in Montana. We celebrate your honor and look forward to seeing you again!

John A. Baden, Ph.D., is chairman of FREE and Gallatin Writers.



FREE's 2005 Seminars



Federal Judges & Law Professors

April 23–28

Kelo and Conservation: Property Rights, Planning, and the Environment

September 10–15

The Environmental Consequences of Energy Use: Policies for Progress

October 8–13

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

State Officials

July 16–20

Environmental Federalism: States, NGOs, and Environmental Quality

Environmental Entrepreneurs

June 4–7

Entrepreneurship and Social Change

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Testimony on FREE

By Dr. Thomas C. Schelling



While planning last week for my next seminar for federal judges, to be held in July by the Foundation for Research on Economics and the Environment, I was disheartened to read that several distinguished judges had felt obliged to distance themselves from the Foundation by resigning from its Board of Trustees. This will be my ninth seminar, over a period of five years and covering seven major topics, so I am confident that I know what happens at these seminars.

The allegations that apparently led to these judges feeling obligated to remove themselves have come from the Community Rights Counsel, whose executive director, Douglas T. Kendall, wrote to the chairman of the Committee on Codes of Conduct a letter that includes the following statement:

“FREE receives its funding from both corporations that litigate in federal court and foundations that bankroll other groups to litigate. *FREE then uses that money to host five or six day trips to Montana resorts where judges are wined, dined, and instructed on how and why to strike down federal environmental laws.*” (My emphasis.)

I have participated in 168 hours of lectures and discussion at FREE and have never witnessed anything that an observer could interpret as remotely corresponding to that characterization. (John Baden, the Chairman of FREE, runs a tight ship; all sessions begin promptly on time, and end on time, so my 168 hours is a pretty exact estimate.)

Whether judges should accept travel, room, and board to attend twenty-one hours of serious discussion over four days is for the Committee on Codes of Conduct to decide. But I can offer a judgment on the two issues that the Community Rights Counsel publicizes with headlines like “Golf Anyone? The Movable Feast Called ‘Judicial Education.’”

First, and least, is this a junket, a holiday of horseback, golf, and fly fishing? There are twelve ninety-minute sessions, with half-hour breaks, in four days; no absences are allowed; nobody may be late. Thursday afternoon is free time, as is Saturday until five, when the judges must meet again in private session with the Chairman. Considering what for most judges is two full days of travel, that is two afternoons free out of six days. Additionally there is more than enough advance required reading to consume the travel to Bozeman.

As an academic who has attended dozens of seminars sponsored by the Gas Research Institute, the Electric Power Research Institute, the Aspen Institute, the American Academy of Arts and Sciences, and the National Academy of Sciences, I find the FREE regime pretty Spartan. The serious issue is whether the selection of speakers is systematically biased against “federal environmental laws,” as charged, or, for that matter, intentionally biased in any direction.

The first seminar I was invited to was on global warming and climate change. I had no idea what FREE was or who John Baden was, but the invitation mentioned some of those who had already agreed to attend, and one of them was a scientist I had got to know well, and to trust, when we both served on the 1981-83 Carbon Dioxide Assessment Committee of the National Academy of Sciences. I took his selection as a good sign, joined the seminar, signed on for more, and have never been disappointed.

I am an environmentalist. My 1991 presidential address to the American Economic Association was on global warming, which I had then taken seriously for more than a decade. I have not perceived an ideological bias in the selection of speakers for these seminars. On climate change I have disagreed with most — not all, but most — of the other speakers. But our disagreements have always been professional, not ideological. It is a very new issue for a global community, and how to cope with it economically, politically, and diplomatically is far from obvious.

I have found the judges at these seminars — I’ve now got to know over a hundred of them — remarkably articulate, good-humored, hard-working and hard-thinking, and fair minded. At the end of each seminar my wife and I look at the judges’ biographies to see whether we can predict who was appointed by a Democratic or a Republican president. We never can!

Thomas C Schelling was awarded the 2005 Nobel Prize in Economics. He is Distinguished University Professor, Emeritus, University of Maryland. He is a member of the National Academy of Sciences and a Distinguished Fellow of the American Economic Association, of which he was president in 1991. He was FREE’s Bill and Reta Haynes Distinguished Scholar in Residence at the 2005 FREE-MSU Federal Judges Seminar Series.