



Sustainability planning: first, do no harm

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Abstract

Purpose – The purpose of this paper is to describe conventional top-down planning as applied to land markets – and its limitations.

Design/methodology/approach – The paper includes a brief survey of recent literature that sheds light on the argument and that puts property management into the larger context.

Findings – Much that is known about positive trends in human wealth and welfare can be ascribed to what might be called bottom-up planning. Property managers are increasingly part of the latter activity. In light of the trends discussed, the property management activity plays a key part in the ever more important bottom-up management of land.

Originality/value – This paper links the growth of wealth and welfare in our time with the broadening responsibilities of property managers.

Keywords Sustainable design, Sustainable development, Property rights, Economic development, Property management, Land, United States of America

Paper type Literature review

Introduction

Everyone plans. It is well known that markets do an amazing job of coordinating large numbers of plans formed by individual agents, including property managers whose role has been expanding to include the management of common spaces and facilities found in ever more private developments.

There is also evidence that, in freer and open societies, there is considerable bottom-up innovation to reduce transactions costs, expand property rights and the exchange economy, and thereby create greater wealth and welfare[1]. These activities expand options and can be contrasted with many top-down plans issued by various government agencies that foreclose options.

In spite of all this, the latter preoccupy most of the sustainability discussion. In fact, most observers see the world as having “problems” that cry out for “solutions”. Yet, the most basic economic thinking highlights trade-offs over “solutions”. Looked at in this way, many of the “solutions” that fall under the heading widely understood “sustainability planning” must be carefully reconsidered.

Current discussions of global growth and change raise profound questions, many subsumed under the title “sustainability”. The implication is usually that significant actions must now be taken to ward off future catastrophes. The Kyoto Protocol offers an example of the high stakes. Proponents cite the high costs of inaction; opponents answer that the proposed cure is worse than the disease.



What do we know? I am not the first to argue that there is much good news about the past performance of markets and open-ended flexible institutions – and their capacity to avert bad outcomes. However, the performance record of past interventions is disappointing – enough to make us circumspect about the usual “sustainability” agenda. In conclusion, there are good reasons to believe that the best way to cope with inherently unknowable futures is to favor flexible institutions and markets[2].

Auspicious trends

It is probably safe to say that all of the Doomsday Forecasts ever made were wrong. “Population Bomb” scares have even given way to “Baby Bust” concerns in more and more places.

Starting with Thomas Malthus’ (1798) *Essay on the Principle of Population*, all of the suggestions that humankind would shortly encounter painful resource shortages now look foolish. Not only that but we can see that, over the long run, markets performed the way they were supposed to. Increasing scarcities are signaled by rising prices – which encourage substitutions and create opportunities for inventiveness. This occurs when and where institutions permit and facilitate dynamic adjustments. More liberal institutions have usually been fostered by increased prosperity – which, in turn, has created the demand for better institutions. And so it goes: a virtuous cycle[3]. There is no plausible competing explanation for the astonishing results in terms of the improved material state of humanity. There are more of us on Earth than ever and, by most measures, most of us are experiencing more longevity and significantly improved material well-being. Where progress has been slow, it is more because of the absence of markets and supporting institutions than the absence of top-down planning[4].

The Malthusian view of the consequences of population growth was seriously challenged by economist Julian Simon (1977) in *The Economic Consequences of Population Growth*[5]. Economic historian Richard Easterlin summarizes the shift that followed:

Meantime, the grounds on which population explosionists had been arguing were shifting, partly because of growing evidence of accelerating productivity growth in developing countries . . . Population growth had initially been seen as an overriding obstacle to economic growth because of its supposed adverse productivity effects. But as country after country in the Third World began to exhibit unprecedented advances in living levels, the emphasis gradually shifted to the environmental consequences of population growth . . . (Easterlin, 2000, p. xiv).

Julian Simon presented voluminous data on the long-term fall of commodity prices and a theory to explain them. The only unlimited resource was the ultimate resource, human ingenuity, which was forever able (and eager) to respond to scarcity signals with innovations that reduced scarcities[6]. The impacts of the application of human ingenuity were documented in Simon’s (1995) *The State of Humanity* and *The Ultimate Resource 2* (Simon, 1996). Human ingenuity is most likely to be applied and to bear fruit in a regime where property rights are secure. Letting human ingenuity thrive provides the real sustainability path. Or, as Aaron Wildavsky (cited in Anderson, 2004, p. xxii) famously noted: “Scarcity has yet to win a race with creativity.”

After Simon’s death, Goklany (2001) updated his findings and reported global improvements in: available food supplies per capita, life expectancy, infant mortality, economic development, education, political rights and economic freedom and a composite human development index[7]. The gains were, of course, very unevenly

distributed but the finding was that it is civil wars and failed states that keep the people of whole regions from joining the world economy. These are the real culprits.

Many scholars have, in fact, shown that rising incomes have the dual positive effects of creating a demand for environmental amenities as well as the resources to bring them forth. An analysis of the available data by Bjorn Lomborg (2001) leads to the following assessment:

We are not running out of energy or natural resources. There will be more and more food per head of the world's population. Fewer and fewer people are starving. In 1900 we lived for an average of 30 years; today we live for 67. According to the UN we have reduced poverty more in the last 50 years than we did in the preceding 500, and it has been reduced in practically every country.

Global warming, though its size and future projections are unrealistically pessimistic, is almost certainly taking place, but the typical cure of early and radical fossil fuel cutbacks is way worse than the original affliction, and moreover its total impact will not pose a devastating problem for our future. Nor will we lose 25-50 percent of all species in our lifetime – in fact we are losing probably 0.7 percent. Acid rain does not kill forests, and the air and water around us are becoming less and less polluted.

Mankind's lot has actually improved in terms of practically every measurable indicator.

But note carefully what I am saying here: that by far the majority of indicators show that mankind's lot has *vastly improved*. This does not, however, mean that everything is *good enough ...*" (italics in the original, p. 4)[8].

In the USA, air pollution from six major pollutants has fallen over the last ten years while the economy grew by over 150 percent (Figure 1 includes shows recent trends for the largest US metro areas). The recently issued 9th edition of the *Index of Leading Environmental Indicators* (Hayward, 2004) reports:

The nineteenth century in the US can be characterized as that time when, in terms of land use, the axe, plow, and cow claimed the breadth of the land. In the twentieth century trees reclaimed many of those acres. Resurgent woodlots and refulgent suburban lots became two of the nations biggest land transformations.

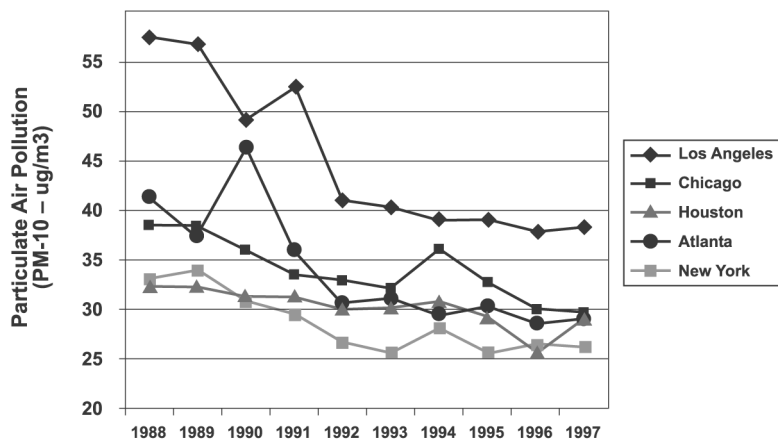


Figure 1.
Air pollution in US metropolitan areas, 1988-1997

Source: USEPA online at <http://www.epa.gov/oar/aqtrnd97/tables.html>

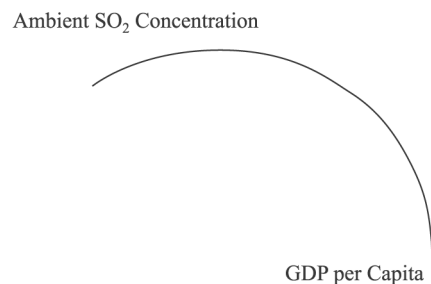
The depopulation of many rural areas is due to the extraordinary increase in the productivity of American farmers. This has an environmental impact on land use. It is not just people who have left farming. Huge expanses of land are no longer under the plow.

Due to ingenuity, technology, and commercial enterprises applied to food production, tens of millions of acres in the USA now grow trees again . . . (Hayward, 2004, p. iv).

These are just a few examples from a substantial body of empirical evidence that links increasing prosperity with expanding economic freedom. Economic freedom facilitates risk-taking, innovation and investment. The ensuing prosperity creates a demand for more economic freedom. Much of the empirical support for the virtuous cycle is archived at www.freetheworld.com

Interestingly, the virtuous cycle is even more auspicious than had first been thought because there is growing evidence that the demand for environmental amenities, as well as the ability to bear the costs of environmental management, are linked to income. Poverty breeds pollution but rising incomes beyond some threshold are also usually the antidote. This idea of the Environmental Kuznets Curve (EKC; Figures 2 and 3) has been explored and corroborated by economists for the last ten years. A recent survey of the latest work concludes that, “. . . there is an income effect that raises environmental quality” (Copeland and Taylor, 2004, p. 8; see also Dasgupta *et al.*, 2002)[9]. If there is a “race to the bottom” (the upward slope), this is followed by a “race to the top” (the downward slope) (Yandle *et al.*, 2004).

Today, there is considerable discussion of the global warming threat. Yet, here too there is room for debate. Jack M. Hollander (2003) concludes that, “if it runs out that human activity is adding to the natural warming, the amount will probably be small, and society can adjust to that as well, at relatively low cost or even net benefit.” Perhaps this is why The Copenhagen Consensus (www.copenhagenconsensus.com) places global warming policies as least cost-effective of 50 policies compared. The top four were: disease control (HIV/Aids), malnutrition reduction (micronutrients), trade liberalization (including fewer subsidies to exporters), disease control (malaria). To the extent that the cost-ineffective policies are adopted, they would take resources away from these. A compendium of scientific caveats re the popular version of global warming is available at www.co2science.com[10]. Recent research shows that the EKC also applies to net carbon emissions (McCormick, 2004; Christy, 2002).



Source: Yandle *et al.* (2004)

Figure 2.
Environmental Kuznets
Curve

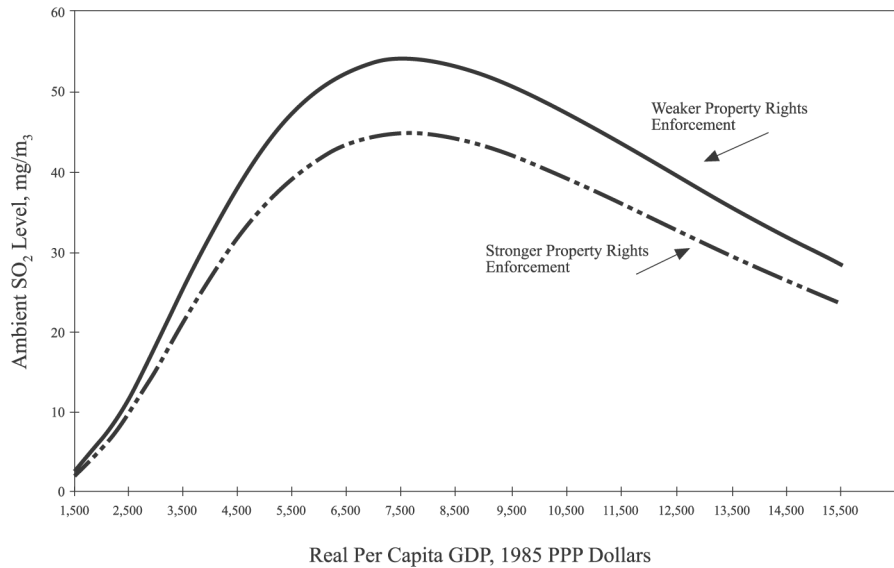


Figure 3.
Environmental Kuznets
Curve for sulfur dioxide

Source: Yandle (2004)

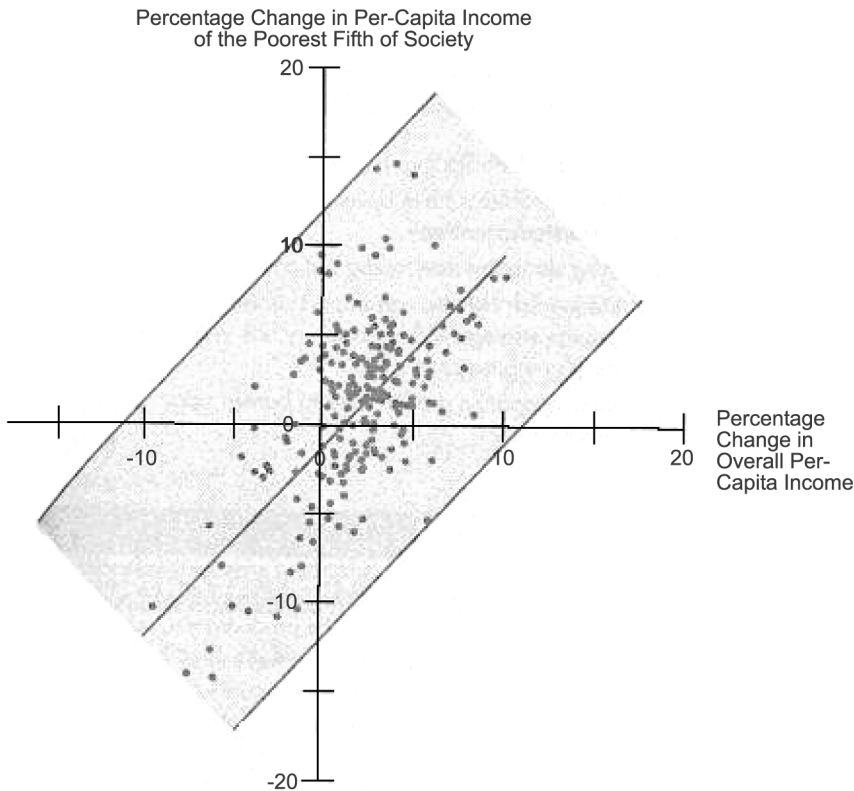
The failed “industrial counterrevolution”

The long-term virtuous cycle is not a smooth process and there have been major disruptions, many of them in the twentieth century. Yet, these too provide an important lesson. Lindsey (2002) argues that post-1750 liberalization was interrupted by the Industrial Counterrevolution. The shock of rapid social, economic and cultural change prompted a widespread search for top-down antidotes. These included socialism in Europe and Progressivism in the USA. Their economic missteps, including top-down economic planning and protectionism, in turn, led to wars, economic depressions, and despotisms which brought on more missteps, and so forth (see also Weede, 2004).

Lately, the pendulum has again swung and almost everywhere (including, notably, China and India), there is new respect for the importance of property rights not seen in many years. Property rights beget growth which happens to be a powerful anti-poverty policy. Consider that World Bank economists (Dollar and Kraay, 2001; see Figure 4) found that for a sample of 92 developed and developing countries the incomes of the poorest fifth of society rise in direct proportion to overall economic growth. The rising tide does lift all boats.

Nevertheless, there are serious and well meaning people everywhere who still retain a faith in the efficacy of top-down interventions. Suffice to say that (in the words of economist Thomas Sowell), there are never “solutions” only complex trade-offs (Sowell, 2004). The best we can do is to carefully identify these before we act. For example, Clifford Winston (2000) writes:

Public provision of urban transportation is, in theory, socially desirable. Rail and bus operations exhibit economies of traffic density that could lead to destructive competition in an unregulated market. Highways are traditionally perceived as public goods but require



Source: Dollar and Kraay (2001)

Figure 4.
Growth is good for the
poor

enormous capital and maintenance investments that the private sector is unlikely to finance. Improving urban mobility of the elderly and low-income citizens is an important social goal that should be addressed by government. But in their official capacity as regulators, service providers and investors, public officials have generally instituted policies that have led to inefficient and inequitable urban transportation. A case for privatizing urban transport is developing because these actual government failures most likely outweigh potential market failures (Winston, 2000, p. 404).

Finally, the “progressive” land use and environmental policies practiced in Europe, when compared to those practiced in the USA, seem not to make much difference. Bertaud and Richardson conclude their study (2004) by noting:

Many in the planning profession in the USA believe that densification strategies can induce more transit use or, alternatively, investing more in transit will result in higher densities. They look to Europe as a model for this strategy, even though the policy environments are very different ... Unfortunately, the facts are against them. Certainly, transit shares are higher in Europe, especially in or close to core cities where densities are higher. But the trends indicate convergence between the USA and Western Europe, with the automobile share rising in the latter despite higher densities and very strong pro-transit policy choices. Also, the

efforts to promote more transit use in the USA have . . . resulted in a declining transit share (Bertaud and Richardson, 2004, p. 17).

Urbanization trends for the developed countries do look remarkably similar (Table I). Cities everywhere are expanding outwards. Is it people's preferences over policies? It is hard to conclude otherwise when considering the large variability of policies across the countries compared.

Top-down planning is not just hard work; it simply cannot meet the challenges of getting resource allocation right. F.A. Hayek won a Nobel Prize (Economics) for pointing out that human knowledge is inevitably partial; there are limits to rationality and all of us have only "local knowledge". Markets, in turn, are remarkably good at coordinating vast amounts of decentralized knowledge. We are all planners but those who arrogate top-down planning responsibilities to themselves should do few things and do them well. Clarifying the rules of property should always be high on this list.

In the USA there are now almost 56 million people living in association-governed communities, up from just over 2 million in 1970[11]. The move to these communities is one of the major migrations in the USA today. As a result, property managers are taking on roles as helping to clarify and enforce the rules of property within these developments.

Flexible markets, flexible land markets – and the institutions that make them possible

Why, then, do even many proponents of flexible markets still maintain a faith in the top-down planning of land uses, especially as evidence by widespread calls form "smart growth"? Land and location, after all, are commodities with ever changing highest and best uses that depend on human action and human ownership to continuously discover and arrive at such uses. In that way, society as a whole is enriched.

Whereas just a few years ago, the failed economies of the East-bloc were thought to simply require market economics, we now know that there must be accompanying institutions that provide for the rule of law. And these do not come about easily. In recent work, Gordon and Wang (2004) considered five years of international cross-sectional data for 45 countries. They tested the relationships among economic development, size and scope of government and institutions that denote economic freedom. All three were

	Since	Share of change in population		Classification	
		Areas	Core (%)		Suburbs (%)
USA	1950	39	7.3	92.7	Urbanized areas over 1,000,000 any census since 1950
Canada	1951	4	5.3	94.75	Metropolitan areas over 1,000,000
Western Europe	1965	42	-14.2	114.2	Metropolitan areas over 1,000,000
Japan	1965	8	7.6	92.4	Metropolitan areas over 1,000,000
Australia and New Zealand	1965	6	7.2	92.8	Metropolitan areas over 1,000,000
Hong Kong	1965	1	-1.6	101.6	Metropolitan areas over 1,000,000
Israel	1965	1	-1.6	101.6	Metropolitan areas over 1,000,000
Total		101	4.4	95.6	

Table I.
High-income world metropolitan areas: core city and suburban population trends

Source: www.demographia.com/db-highmetro.htm

measured by indices that cover an array of descriptors. And all three may be interrelated in complex ways. Nevertheless, their statistical findings reveal that, after controlling for a variety of exogenous cultural and historic influences, economic development significantly expands economic freedoms and expanded economic freedom speeds economic development. Size of government is not statistically significant in any of the three equations. A two-dimensional plot (Figure 5) illustrates the positive relationship between institutions and development in our data (see also Norton, 2004).

The idea of the virtuous cycle is corroborated by these results, among many others (Table II). Economic freedom facilitates entrepreneurial creativity and risk-taking. This goes back to the argument for flexible and adaptive markets. Historically, institutional innovation has usually emerged and succeeded in transferring all sorts of

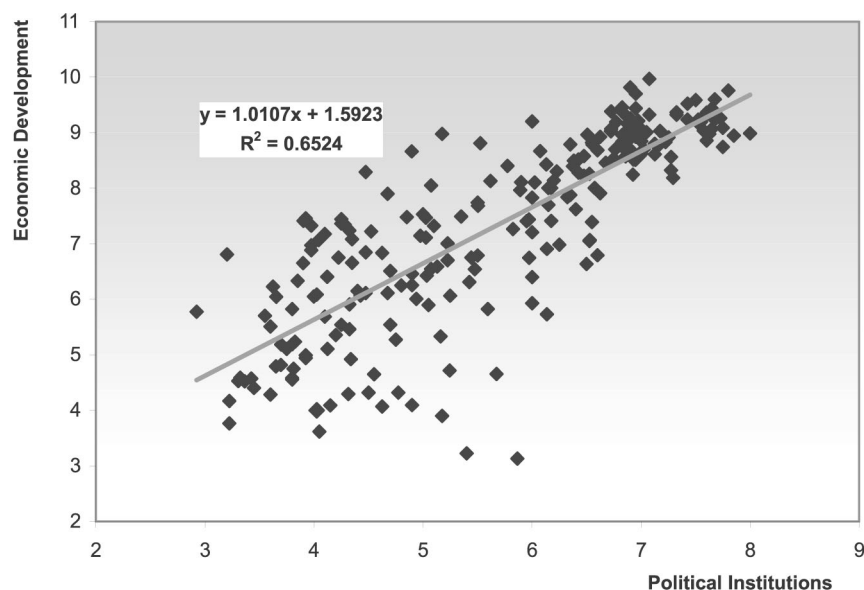


Figure 5.
Political institutions vs.
economic development

Measure of well – being	Economic freedom			Rule of law		
	Low	Medium	High	Low	Medium	High
UN Human Poverty Index	38.1	30.5	14.5	31.8	33.0	16.4
Death by 40	29.1	19.4	7.7	19.6	21.7	10.8
Adult illiteracy	39.2	34.7	12.5	32.1	37.8	17.0
Safe water	43.3	34.7	19.5	34.8	36.2	20.1
Health services	40.5	28.5	16.8	41.3	28.0	15.2
Undernourished children	29.1	21.7	13.9	25.0	23.1	14.0
Deforestation rate	0.429	1.351	-0.230	1.336	0.732	0.282
Water pollution	0.200	0.214	0.196	0.202	0.221	0.194
Net savings rates	3.96	7.12	14.78	2.61	6.30	15.96
Agricultural productivity	620.3	1011.2	6001.6	1178.2	1083.6	4552.7

Source: Anderson (2004)

Table II.
Economic institutions
and human well-being

commodities, including land, from the wasteful state as common properties into the exchange economy[12]. When and where markets were restricted and usurped, this important evolution was muted. Policies (and agencies) that would undermine the operations of the common law of trespass and nuisance, which had evolved over centuries to protect property, are still thought by many to be the “solution”, when in fact they are more likely to add to the problem.

Change is too brisk and the world is too complex to assume that top-down management has a chance of replacing this complex evolution. This profound lesson was finally brought home by the collapse of most of the world’s planned economies. Yet, the continuing and widespread faith in top-down land use and resource and environmental management suggests that the discussion did not end with the Berlin Wall in 1989 but will continue[13].

Conclusions

Summarizing recent research on what makes people “well off”, Begley (2004) concluded:

If psychologists had a seat on a government’s economic team, they would point out that once a nation reaches a certain level of prosperity, further economic growth is unlikely to buy additional happiness. Instead, (citing Erasmus University’s Ruut Veenhoven), increasing the citizenry’s sense of well-being requires, “less investment in economic growth and more policies that promote good governance, liberties, democracy, trust and public safety”.

Yet, recent research shows that these aspects of culture and economics are actually interdependent. Exchange promotes wealth and trust and free institutions. This beats politics and conflict.

There is, then, after all a free lunch of sorts; it is the virtuous cycle which is the only way to actual long-term sustainability[14]. In the last 15 years, large numbers of the world’s population have joined the exchange economy. Our challenge is to assure that those still left out also join.

Notes

1. An excellent summary of such episodes is in Anderson and Hill (2004).
2. This point is elaborated in Postrel (1998).
3. See Bailey (2002) for an elaboration.
4. Considerable empirical support for these views is reference and cited at: www.freetheworld.com
5. Some 27 years later, this analysis has made it to the mainstream press. On August 29, 2004, the *New York Times* (McNeil, 2004) reported: “. . . simple public health measures like dams for clean water, vitamins for pregnant women, hand-washing for midwives, oral rehydration salts for babies, vaccines for youngsters and antibiotics for all helped double world life expectancy in the twentieth century, to 60 years from 30. More surviving children means less incentive to give birth often. As late as 1970, the world’s median fertility level was 5.4 births per woman; in 2000, it was 2.9 . . .” (Sect. 4, Page 1).
6. Those who ignore or misunderstand the significance of price signals (and trends) in these discussions occasionally pay the price of their ignorance in money and/or embarrassment. Almost 15 years ago, Paul Ehrlich lost a very public cash bet to Julian Simon: “In 1990, Mr Simon pocketed \$576.07 for a famous bet made with Mr Ehrlich a decade earlier in which

Mr. Simon took the position that certain strategic minerals would become cheaper, not exorbitantly expensive as Mr Ehrlich has warned" (McCoy, 1995).

7. For the USA, positive trends are documented in Moore and Simon (2000), *It's Getting Better All the Time: 100 Greatest Trends of the Last 100 Years*. See also, Cox and Alm (1999), *Myths of the Rich and Poor: We're Better off than We Think*.
8. We can, of course, always do better. The question is: How and at what cost? Writing about trends in species extinction, Chilton (1999, p. 20) concludes, "... we find that the key ecological areas of concern are primarily in nations whose economies are still developing. If wealthy people in developed countries wish to protect those hot sports of biodiversity, they must find ways to provide economic benefits from protection."
9. Various authors present corroborating evidence. See Anderson (2004) for a summary.
10. Recent news report that the US Senate has requested that any research conducted by the National Oceanic and Atmosphere Administration (NOAA), the agency charged with monitoring global climate change, be the sole exemption from the Data Quality Act, a law that requires serious science in policy discussions (*Wall Street Journal*, September 29, 2004, p. A18).
11. Data from the Community Associations Institute (www.caionline.org/about/facts.cfm). Governance (and many other aspects) of these types of development is discussed in Nelson (2005).
12. Smith (2004, p. 27) notes that "Only areas where government has been to slow to block the evolutionary processes (the Internet, for example) have escaped this stagnation".
13. The seeming anomaly of ever more proposals for increased land use control us addressed by several authors in a special issue of *The Review of Austrian Economics*, Vol. 17 Nos 2/3, 2004.
14. Easterbrook (2003) has recently speculated as to why so many in the relatively rich countries fret so much in spite of being so well off. He examines "The revolution of satisfied expectations" and "collapse anxiety" and others.

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