

Enviropreneur Issue

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# PERC REPORTS

FOR FREE MARKET ENVIRONMENTALISM

**Money grows on trees in New Zealand**

**Tax credits for conservation**

**A Utah desert's unlikely gem**

**Markets for biodiversity**



**ENVIROPRENEUR  
SNAPSHOTS**



# FROM THE EDITOR

BY LAURA E. HUGGINS

## PERC REPORTS

For Free Market  
Environmentalism  
Winter 2008  
Volume 26, Issue 4

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In these times of gloom and doom, our third annual enviropreneur issue offers a glimmer of hope and inspiration. As Blake Mycoskie puts it in “Greener Pastures” (p. 37), “I love people who take risk, have ideas, and put it all on the line to make them come to life. That really inspires me.”

Solutions to environmental challenges come in various forms. Some are compliance driven and done grudgingly. Some are led by special interests and pushed full-heartedly but lack long-term vision and fiscal parameters. And others are truly innovative and entrepreneurial. This third category is taking off like a rocket and breeding environmental entrepreneurs—many who are products of PERC’s Enviropreneur Institute (PEI).

The entrepreneurs spotlighted in this issue are setting new benchmarks in the field by turning environmental problems upside down to create assets worthy of investment and stewardship. **CHRYS HUTCHINGS**, for example, discovered how to help transform a pesky possum problem in New Zealand into a positive outcome for flora and fauna, local economies, small business owners, and those seeking to stay warm with eco-friendly fur.

**ARIEL STEELE**, a 2008 graduate of PEI, is helping her clients reduce their income tax while encouraging the preservation of scenic lands and wildlife habitat. **NIKKI WHITE**, **JAVED KHAN**, and **JEFF MASTEN**, also PEI graduates, are featured in the “Enviropreneur Snapshots” section.

Another enviropreneur alum, **STEPHANIE GRIPNE**, has helped launch the Malua Wildlife Habitat Conservation Bank, a first-of-its-kind business model for rainforest conservation.

On a smaller scale, I recently visited the first private climbing park in the United States and was inspired to share the story of its founder—a true visionary and leader in the outdoor recreation arena.

Special to this issue is **MICHAEL COPELAND** of *Fortune* magazine, who offers his vivid “Impressions” of the enviropreneurs he met at a colloquium.

**TERRY L. ANDERSON** hits the target again as he focuses on why environmental protection is susceptible to anti-market, pro-regulatory sentiment and why free market environmentalism must forge ahead. **DANIEL K. BENJAMIN** and **ROGER MEINERS** take the opportunity to remind us of why property rights are imperative. And **LINDA PLATTS** leaves us with rousing stories of tree-free paper, solar power, eco-shoes, and the beauty of trash collection.

Laura E. Huggins | EDITOR

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## SEEKING WATER QUALITY IMPROVEMENTS

I read Bruce Yandle's article ["Markets for water quality"] on the benefits and successes of market-based water quality approaches and I was struck by the lack of any mention of actual measurable impacts on water quality from these projects. While these programs may well be laudable and an improvement on non-market-based approaches, the question remains as to whether they will have the desired impacts on water quality. I've not seen any data to give me reason to think they will to any significant degree.

For instance, in North Carolina, regulators have cheered the so-called positive results of the Herrings Marsh Run Demonstration Program in Duplin County as an example of measurable nutrient reductions from signing 90 percent of local hog farmers up to Best Management Practices (BMP). Yet a close examination reveals that the achieved water quality improvements were the result of beavers building a dam just upstream of the outflow. The beaver dam created a large water impoundment that allowed a lot of nitrogen to leave the system via denitrification to the atmosphere. The water quality improvements were essentially instantaneous after construction of the beaver dam.

Yet rather than admitting that the beaver-created water impoundment was responsible for the vast majority of water quality improvement, water quality scientists and regulators are dishonestly promising that agricultural BMPs can deliver more than they can. Market-based approaches are obviously economically preferable, but ineffective policies that are less costly are still ineffective.

—Alex Avery  
Hudson Institute  
Washington, D.C.

## HITTING TWO BIRDS WITH ONE STONE

I greatly support what your organization and *PERC Reports* is seeking to obtain. I agree that there is too much government regulation of the environment and it leads to unresolved issues. The American public needs to know the truth about environmental issues and the truth is that environmental issues have nothing to do with government and therefore should be kept separate. Scientists can then come up with viable and creative solutions to environmental problems that enable the country to still run as it does and promote free market economic growth, while citizens are solving the problem at hand and hitting two birds with one stone—economic growth and saving the environment.

—Meghan Wright  
Tredyffrin-Easttown School District  
Devon, Pennsylvania

## BIOCONTROL KNOWS NO BOUNDRIES

I receive your magazine and support your efforts to privatize environmental management and protect property rights. I am wondering why *PERC Reports* has not explored biocontrol as a method of wildlife management and its impacts on private property rights.

Biocontrol is being used as an alternative to herbicide and pesticide use, and in that sense it seems desirable. The idea is to find a pathogen, insect, or other agent that will target only the pest species. In Hawaii, where biocontrol is used regularly, there is a proposal to release an insect from Brazil to attack strawberry guava. The intention is to slow the spread of this plant, which officials say is a pest because it invades native forests.

The problem with biocontrol, is that a "pest" species, so designated by one group, may be considered desirable by another group. Strawberry guava is an ornamental fruit tree, used by Hawaii residents for nearly 200 years. Many people have strawberry guava in their backyards and I have a 70-acre nature preserve with this tree comprising much of the landscape. The insect will attack privately owned guava trees and make them sick. The government recognizes this fact, and is telling property owners to spray or bulldoze infested trees, and offers no financial support for mitigations against their insect pest. This is a "taking" of privately owned guava trees with no compensation.

This situation is common worldwide. The biocontrol agent knows no property boundaries, and impacts everyone making biocontrol a political issue—one that PERC should consider.

—Sydney Ross Singer  
Pahoa, Hawaii



### Tell me what you think!

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## THE ENVIROPRENEUR'S WORLD

There is a moment that comes to mind when recalling my short trip into the world of the enviropreneurs. Sitting on a paint mare whose name I can't remember, atop a ridge in Emigrant, Montana. I had taken my urban backside out for a ride with Terry Anderson and his wife Monica to a place our wrangler called Death Valley. More of a narrow draw than a valley, it held the skeletons of two large animals lying in earthy bowls at the bottom. We were most likely looking at the bones of elk, according to Terry, brought down by a mountain lion and dragged to this private spot for undisturbed enjoyment.

At the top of Death Valley was the ridge where we stopped long enough to take in the thousands of acres that surrounded us, including mountains, trout streams, and timber stands. It was one of those vistas that make you wonder why you spend your time anywhere else. Even the clouds that would soon soak us had their charms. Wet but grinning, we loped back to the lodge. I returned a bit sorer, but also with a bit more context for the discussions about the environment and market forces that the enviropreneurs assembled from across the world would dig into that afternoon.

A month after that ride and accompanying discussions, the bonds that seemingly held those market forces together would dissolve. There would be chaos. At least for the folks who occupy Wall Street. Since returning from Montana, describing and unraveling that chaos has been the core of my work as a journalist. Forensic examinations of elk bones, have given way to dissections of credit default swaps. I wonder now, however, if one will ultimately affect the other.

Among the impassioned discussions and people gathered in Montana for those four days in September were John Tomlin and Carl Palmer. Tomlin (with the initial help of Palmer who was available as cheap labor while at Stanford's Graduate School of Business) has started a venture capital fund called Conservation Forestry. Palmer has started Beartooth Capital. Unlike the VCs in Silicon Valley, these two investors don't focus on unearthing promising iPhone applications or the world's next great social network. Tomlin's fund is focused on buying, restoring, preserving and ultimately selling timberland. Palmer's fund does the same for ranchland. Both of these men believe they have identified gaps in the environmental sector that can be filled by creating new markets from which their

funds can ultimately profit. Clearly their limited partners, the investors in the funds, believe the same.

The way it breaks down is fairly simple. Tomlin and Palmer identify land that is of value to a variety of stakeholders: timber buyers, cattle dealers, conservationists willing to pay to preserve that land, and developers eager to build a handful of swank homes or maybe a discreet lodge. The deals work by putting together those streams of revenue. Investors in the funds get paid back, in theory with some profit thrown in, when the land is resold. In some ways they are borrowing from other investment vehicles—including Real Estate Investment Trusts and Venture Capital funds, commodities funds, and land trusts—to come up with something entirely new.

What got me excited about this form of private equity investing is the opportunity for similar funds to spring up all over the world. You can imagine the same approach Tomlin and Palmer are pioneering being applied to other swathes of nature, including fisheries and coastal regions. The proof that their approach has legs will come when their investors get their first exit, which is to say, when the first project timber property or ranchland is resold for a profit.

That hasn't happened yet. These funds are only a few years old, and remember traditional venture capital funds have seven- to ten-year lifespans during which the investors need to be patient. But the problem this nascent market faces is one of liquidity. These properties may turn out to be very illiquid, especially in the face of what has happened to markets. When most everyone is hoarding their cash, when commodity prices are crashing, both Tomlin and Palmer could be in for a long haul to return anything to investors.

The other way to look at it, however, might be that what Tomlin and Palmer are selling is exactly what the market is looking for—assets with real, transparent value. Would you like to bet what's left of your money on some financial instrument that is exposed to who knows what convoluted fiscal gymnastics or on a stake in a world-class trout stream? Or, how about your own Death Valley, complete with a few elk skeletons? I know which I would take right about now.



MICHAEL COPELAND is a senior writer for *Fortune* magazine and recently attended a weekend colloquium with some of PERC's network of enviropreneurs.



# DON'T ABANDON MARKET SHIP

The financial meltdown has led many people, especially politicians, to blame the problem on market failure and to jump on the regulatory bandwagon. Though the problems on Wall Street are much more related to regulated markets than free markets, the call is for more regulation to fix failed regulation. Couple this with the fact President-elect Obama and a Democratically controlled Congress are unlikely to embrace Adam Smith's notion of the invisible hand, and we can expect the anti-regulatory sentiment born in the Reagan administration to wane quickly.

Environmental protection will not escape the anti-market, pro-regulatory mentality. Despite the growing evidence that property rights and markets help the private sector improve environmental quality, three forces are likely to work against "free market environmentalism" and in favor of "regulatory environmentalism."

First, reduced wealth and incomes resulting from the global economic downturn will lower the demand for many goods, and the environment will be no exception. It is well established that most aspects of environmental quality are positively related to economic growth. As GDP rises, people want cleaner air and water, more open space, and endangered species preservation. Of course, the level of these demands varies depending on how certain environmental goods directly affect human health and welfare. Thus clean air and water are demanded at lower levels of income than endangered species protection. Like it or not, most environmental improvements are luxury goods for which the demand moves inversely with the economy. Therefore, as we focus more on jobs and income, we will spend less on the environment.

Second, free market environmentalism is currently facing a rough road because the mother of all environmental problems—global warming—does not have easy market solutions. Calls for carbon trading markets come as close as anything to a market response to greenhouse gas emissions, but such markets are fraught with problems. Hence, we can expect regulatory environmentalism to gain traction with rising global temperatures.

Third, the Obama administration is all about "change," especially change from the Bush administration. Recall that President Bush sauntered into Washington professing to be a free marketeer. His appointment of Gale Norton as secretary of interior was his way of signaling that he would swing the pendulum back from extremist environmental positions. Environmentalists expected Bush to counter policies such as the ban on road building on millions of acres of federal land and the strict arsenic standards for water supplies. Never mind the fact that, under Bush, only seven miles of new Forest Service roads have been built, that fossil fuel production on federal lands grew faster under Clinton, and that air and water are cleaner today than they were eight years ago. The perception is that "Bush the deregulator" has pushed back environmental progress and that the next president must change this. As Wesley Warren, director of programs at the Natural Resources Defense Council, puts it, "The days of the sort of wild-frontier open market will be coming to a close."





Therefore we can expect Obama to regulate everything from financial markets to carbon emissions.

Though these three forces suggest rough seas for free market environmentalism, there are two good reasons not to abandon the market ship. First, government resources for regulation are going to be strapped in the current regulatory environment. The \$700 billion bailout package is only the tip of the iceberg. Record deficits will force even a Democratic Congress and president to look for ways to cut back. In such a fiscal climate, subsidies for everything from alternative energy to national parks are not likely to get top billing, and environmental regulatory bureaucracies are not likely to grow.

A second reason to embrace free market environmentalism is that it has a proven track record of getting the incentives right. The adage that “no one washes a rental car” (see chapter 4 in *Greener Than Thou—Are You Really an Environmentalist?*) captures the reasoning behind free market environmentalism. Where resources are left in the commons, they are squandered; where they are made the property of individuals or groups, they are husbanded. As Chris Costello (PERC Lone Mountain Fellow) and his colleagues showed in *Science*, fish stocks for which property rights have been established are increasing rather than crashing as they are for stocks under regulatory

regimes. Water markets are providing incentives for farmers to improve water-use efficiency and sell conserved water to cities and environmental interests. Between 1998 and 2007, more than a thousand water market transactions have been implemented to increase stream flows in the western United States. With fewer than 90 transactions, California and Idaho have restored more than 3.4 million acre-feet to streams and rivers (see *Saving Our Streams* at [perc.org](http://perc.org)). Niger, an African country with an exploding population, has added 7.4 million acres of forest cover since 1980, thanks to a law that made trees private property.

Around the world, environmental entrepreneurs are finding ways to make the environment an asset to be husbanded by private owners. Now is not the time to stifle entrepreneurship by shifting back to command-and-control environmental regulations. The future of environmental improvement lies not in the heavy hand of government regulation but in the invisible hand of Adam Smith’s free markets. As always, the challenge is to keep politicians and regulators out of the way of progress.

In his “On Target” column, PERC’s executive director TERRY L. ANDERSON confronts issues surrounding free market environmentalism. Anderson can be reached at [perc@perc.org](mailto:perc@perc.org).



# Money grows on trees in New Zealand

BY CHRYS HUTCHINGS



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In the mid-1800s, Europeans introduced an Australian native, the Australian brushtail possum (paihamu), to New Zealand.

>

The invasive paihamu now occupies more than 99 percent of New Zealand. Estimates on total numbers range from 50 to 80 million. At 70 million, there are 17 paihamu for every man, woman, and child in New Zealand.



**H**eadlights trace the dying canopy of a stand of Pohutukawa trees. The decades-old, four-wheel-drive Range Rover slows, and a father and son disembark with their shotguns. They survey the formerly lush landscape with their flashlights until they catch the glint of paihamu eyes in a tree. Seconds later, a 12-pound paihamu lies dead on the ground and the duo quickly work to remove the soft, silky, dense fur. A few more rounds of this and they have \$100 worth of fur fiber.

This scene is repeated hundreds of times nightly in New Zealand. Far from blood sport opportunists, these hunters are champion conservationists—forging a tradition of protecting New Zealand’s delicate ecology by marketing fur fiber and pelts to manufacturers who create practical yet luxurious garments and accessories. It turns out that money really does grow on trees in New Zealand.

Kiwis are quick to say that paihamu (Australian brushtail possum) are not welcome in their fair land. “The only good one is a dead one” is a common mutter concerning the animal that was brought in by settlers to establish a fur industry in New Zealand. They clearly recognize the difference between an invasive species and ecological welfare. They have had plenty of time to form their arguments.

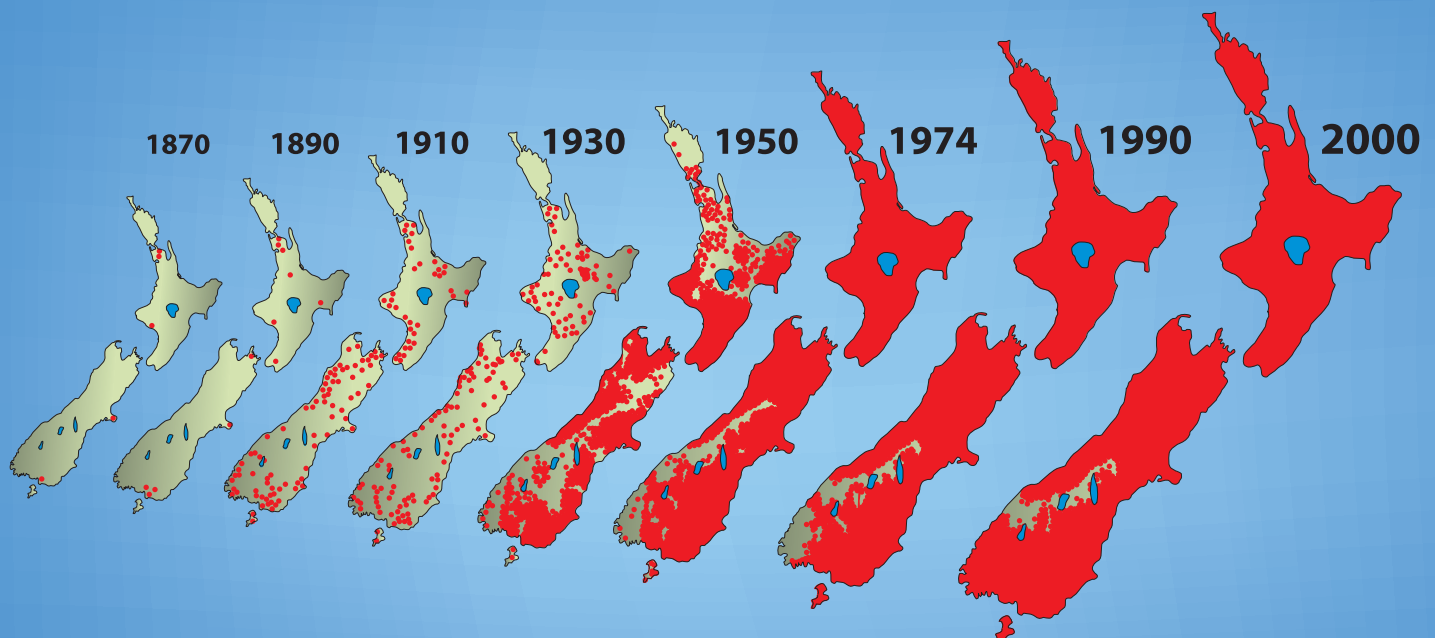
## THE POSSUM TALE

In the mid-1800s, Europeans colonized New Zealand with non-native plants and grazing animals as sources of food and fiber. Because New Zealand has no native mammals (except for two small species of bats), the colonists introduced an Australian possum, an 8- to 12-pound southern hemisphere marsupial. The indigenous named it “paihamu” (pie-ha-moo)—meaning “excellent forager” in Maori.

The land was paihamu paradise. With no large predators, New Zealand is replete with flightless birds and insects. Unlike Australia, New Zealand flora has no large predators, thorns, or natural chemical defenses to stop the paihamu, which stripped trees to the point of killing them. It thrived with its unrestricted reproductive rate of 30 percent. The paihamu population explosion had begun.

Paihamu fur clothing was popular with the Maori, European settlers, and a growing export market. In the 1950s, despite a thriving fashion business, the ecological damage was outpacing the paihamu harvest. Helicopter flights over the vast bush countryside revealed dying tree canopies at the jaws of paihamu. At the same time, synthetic fibers, including acrylic, an inexpensive wool-like fleece, were introduced. By 1965, synthetic fibers owned more than 40 percent of the U.S. fiber market and acrylic “eco-fleece” was quickly dominating the market long

## NEW ZEALAND POSSUM SPREAD 1870–2000



held by natural fiber sheepskin and other furs. As demand for paihamu products declined, its population rose, prompting the New Zealand government to introduce aerial chemical poisoning as a modern-day control and conservation method.

Ignoring ecological and environmental ideals, urban-based animal rights groups blurred the lines between animal welfare and animal rights. They systematically took over animal welfare associations, merged into the conservation movement, and initiated new “green” taboos against animal-sourced clothing, further strengthening the sales of synthetics.

Exports of paihamu pelts peaked at 3.2 million before cheap, mass-marketed synthetics flooded the marketplace. Wild fur sales crashed with the stock market and the United States entered a recession. The New Zealand auction house where pelts were sold shut its doors as paihamu pelt exports bottomed out at 100,000 at the end of the 1980s. The press claimed “fur is dead.” It would take nearly two decades before they reported on the recovery.

Rising incomes coupled with increased cost of oil (the feedstock for synthetics), and a new-found respect for renewables and biodegradables, won new fans for natural fibers around the world. Wool, bamboo, organic cotton, and to a lesser extent, hemp, were embraced as leaders in the sustainable movement. Until recently, however, paihamu fiber was left behind in the world’s search for a sustainable natural fiber with premium qualities.

## ECOLOGICAL DILEMMA

The invasive paihamu now occupies more than 99 percent of New Zealand. Estimates on total numbers range from 50 to 80 million. At 70 million, there are 17 paihamu for every man, woman, and child in New Zealand. The paihamu eat 20,000 tons of vegetation nightly, enough to fill a container ship every 24 hours. In addition to the loss of oxygen caused by this massive consumption, New Zealand pastoralists fear it as a threat to their livestock since paihamu can carry tuberculosis.

Costs to the unique New Zealand environment are measured in habitat destruction, long-term changes in forest composition, canopy collapse, and native plant extinctions due to overgrazing. Impacts on native wildlife include competition for food and habitat and predation of indigenous species, birds and eggs. The International Union for the Conservation of Nature lists the destructive paihamu as one of the world’s worst invasive species.

“They’re probably the number one threat to our native species, to the birds and the native forest plants of New Zealand,” said Helen Bain, spokeswoman for

the Royal Forest and Bird Protection Society.

Precious taxpayer dollars—about NZ\$70 million (approximately US\$43 million) annually in recent years—are transferred from education, health, and infrastructure to paihamu control. Such efforts reduce the paihamu population by about 3 million animals a year. Subtract this from 50 million (the conservative estimate) that are reproducing at a clip of 30 percent a year, and New Zealand is easily adding another 10 million to the animal’s burgeoning population this year. Next year, the number compounds again.

Most of the government’s money is spent aerially spreading toxic poison, sodium fluoroacetate (1080), across vast acres of land, indiscriminately killing other animals through collateral poisoning or secondary poisoning (animals scavenging on a poisoned body). Iconic birds, the very animals they are trying to preserve, have been poisoned in this way. Using 1080 is a contentious issue in the country, with New Zealand’s Department of Conservation (DOC) asserting it is safe to use, and others claiming the DOC studies are inaccurate. Websites such as [stop1080poison.com](http://stop1080poison.com) and [grafboys.org](http://grafboys.org) show the damaging effects of 1080.

## COZYING UP TO ECO-FRIENDLY FUR

The Kiwis are a feisty lot. Where the government has failed to stem the paihamu population, the market is stepping in to solve the ecological and animal welfare issues, while returning value to New Zealanders in the form of jobs and more money in the tax coffers. Rather than toss dollars and 1080 at this endless and futile battle, a group of trappers, manufacturers, and industry people have formed the New Zealand Fur Council with the goal of using







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Most of the government's money is spent aerially spreading toxic poison, sodium fluoroacetate (1080), across vast acres of land, indiscriminately killing other animals through collateral poisoning.



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New Zealand flora has no large predators to stop the paihamu, which strip trees to the point of killing them.

"My goal is to put Eco-Luxury Fur out of business for lack of Paihamu inventory in New Zealand. When the Paihamu population is down to a level where native animals and plants no longer are threatened, then I will tuck into my last throw and read a book."

—Chrys Hutchings  
Owner of Eco-Luxury Fur



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There is hope for New Zealand's ecology, environment, and even its economy if conservationists are able to explain to the buying public two things: The only other alternative (1080) fails on an animal welfare and ecological level; and the time is ripe to switch from "inexpensive," nonbiodegradable, unsustainable synthetics to natural fibers, specifically premium products made from paihamu.



the private market to solve the problem—it is recognized as a groundbreaking development offering a sustainable, market-based solution for controlling an invasive species. Its mission is to maximize the commercial opportunities for paihamu products and assist in the protection of New Zealand's biodiversity through paihamu harvesting.

The council is working on realistic and practical solutions that include harvesting the pelts, leather, fur fiber, and meat to create goods for the world market. They have reached across the ocean to once again explore the U.S. market.

The premier U.S. importer, Eco-Luxury Fur, heralds luxurious paihamu fur throws, pillows, and rugs as the "softer side of leather." Touting the fur's physical characteristics as gorgeous, soft, and silky, the website appeals to the thoughtful conservationist, the person who understands not only the animal welfare issues, but also appreciates the compelling ecological ideal. Customers are individuals who enjoy the exotic and authentic look the products add to a room, not achievable by a fake fur that will never biodegrade.

The best 10 percent of fur hides are used for pillows, throws, rugs, and clothing, but the economic bulk is in the remaining 90 percent, which is taken in the form of fur fiber. This is spun with fine New Zealand Merino wool to make a premium line of "near cashmere" accessories, softer, warmer, lighter, and longer lasting than plain wool, according to certified independent tests by New Zealand University of Otago.

In 2009, 100,000 kilograms of fiber will be recovered, reducing the paihamu population by 2 million. The fiber will be used in the new wool/fur yarns hybrid in an industry valued at \$NZ10 (US\$6) million at wholesale, estimated at \$NZ70 (US\$43) million retail and growing at an impressive pace.

Eco-Luxury Fur sells wool/fur fiber products online and through retailers via Wild-Wool.com. Not only are the wool and fur sourced from New Zealand, but the products are manufactured in New Zealand. Keeping the manufacturing in New Zealand is consistent with Eco-Luxury Fur's ideals of adding as much value to the paihamu in New Zealand as possible before shipping it to the vast global market.

"While only 40 designers used natural fiber furs in the 1980s, today more than 400 embrace it," said Teresa Platt, executive director of Fur Commission USA and a PERC enviropreneur fellow. "Eco-Luxury Fur's effort is innovative and the Merino wool/fur fiber hybrid is a breakthrough product. I own and enjoy several wonderful paihamu pieces, but I

swear by the socks. Every hunter, fisherman, and hiker needs to try them."

Use of the paihamu fiber also allows separate sale of the leather, believed to be the second strongest in the world. Such hides should appeal to leather-loving conservationists as they yield conservation gains for each item sold. Eco-Luxury Fur is talking with several potential buyers of the leather to make high-end, eco-friendly products.

When evaluating the factors for determining whether a product is authentically eco-friendly, both paihamu hide products and Merino/paihamu hybrids (unlike faux fur, synthetics, and even cotton) fulfill nearly all of them.

There is hope for New Zealand's ecology, environment, and even its economy if conservationists are able to explain to the buying public two things: The only other alternative (1080) fails on an animal welfare and ecological level; and the time is ripe to switch from "inexpensive," nonbiodegradable, unsustainable synthetics to natural fibers, specifically premium products made from paihamu. The best source of leather, fur, and fiber is an invasive species whose destructive existence requires humane abatement.



CHRYS HUTCHINGS is the owner of Eco-Luxury Fur. She enjoys showing her three children how an ecological good can be achieved through capitalism. Hutchings can be reached at [chryshutchings@earthlink.net](mailto:chryshutchings@earthlink.net).

 **For more information visit: [Eco-LuxuryFur.com](http://Eco-LuxuryFur.com)**





# Experimenting with tax

BY ARIEL STEELE

**Colorado has created a grand experiment using private markets to preserve open space through a transferable state income tax credit. Landowners who agree not to develop their land and place it in a permanent conservation easement are able to earn up to \$100,000 in state income tax credits that they not only can use themselves, but can sell to other taxpayers in the state.**

The rationale behind the legislation is that tax deductions or state credits that cannot be transferred only benefit the wealthy. In Colorado, however, some of the best land to conserve is owned by low-income farmers and ranchers. The new Colorado law, implemented in 2000, was meant to level the playing field so all landowners could benefit from preserving their land from development by allowing them to sell their credits for cash. It worked with amazing speed.

The first year the tax incentives were in place, the state awarded \$1.3 million in tax credits. By 2005 and 2006, the amount of tax credits swelled to more than \$80 million each year. By this time, a healthy market was established for the transfer of these credits. This fact is interesting from the environmentalist's perspective because it shows that a tax incentive with a private market component has had an impact unlike any earlier tax incentives.





Pictured left and center: Lynn and Carol Wilkinson donated a conservation easement on their 379-acre property in Teller County, Colo., in 2007. They switched from grazing cattle to grazing yaks, which are much better at taking care of themselves in any conditions.

Pictured right: Les and Roxanne Haddan donated 92 acres in 2007 to complete the preservation of their 190-acre elk farm in Delta County, Colo. The property is highly visible from several county roads and State Highway 65.

# credits for conservation

## THE NUTS AND BOLTS

Buyers originally paid 90 percent of the face value of the tax credits and sellers received 80 percent of the value. The broker made a 10 percent commission. So, if a farmer donated a conservation easement for a \$100,000 tax credit that he chose to sell, he would have netted \$80,000 from the sale. The buyer would have \$90,000 (thereby saving \$10,000 versus paying his or her taxes directly) and the broker made \$10,000.

A few laws influenced the shape of the market. First, there was a cap on the amount of credits a landowner could earn on a donation. The cap was \$100,000 for donations in years 2000–2002; \$260,000 for donations in years 2003–2006; and \$375,000 for donations in 2007 or later. Initially there was a cap on how many credits a buyer could purchase, but that was lifted early in the process, essentially allowing buyers to purchase an unlimited number of credits in a given year.

It is easy to see that buyers had more bargaining power than sellers in these transactions and the market rewarded the buyers accordingly. Once a few buyers approached the brokers, demanding a larger discount for their purchase of several mil-

lion dollars in credits, the brokers began to see the light. Within the second year of the program, the buyers had convinced the brokers to give a bigger discount by reducing the broker's commission to 5 percent. Thus, the new formula was that sellers received 80 percent, buyers paid 85 percent, and brokers' commissions were 5 percent. This formula stayed in place through 2004.

Another interesting rule is that through 2004, credits had to be purchased by Dec. 31 in order to be used on the buyer's tax return for that year. Starting in 2005, credits could be purchased as late as the following April 15 for use on the previous year's tax return. Allowing procrastinators to purchase tax credits created an influx of buyers entering the market in 2005.

## HUNGRY BUYERS

As tax credits became hot commodities, sellers realized they had more power. Tax credit brokers had hungry buyers who were willing to take a smaller discount in order to obtain the credits. When faced with not being able to purchase credits, they were willing to pay more to get the scarce supply, especially as the April 15 deadline



approached. Sellers were receiving 80 to 82 percent of the value of their credits in 2005—the transition year.

By 2006, the market had stabilized at 82 percent to sellers and 87 percent for buyers. Buyers were still standing in long lines trying to purchase tax credits and some were told that if they didn't sign up for credits by January, they might not get any credits by April 15. My company, Tax Credit Connection, ended the year with several million dollars worth of buyers whom we could not supply with credits.

In 2007, it appeared the market would continue to climb. Prices went up to 83 percent for sellers and 88 percent for buyers. Then, a perfect storm occurred. Prices started spiraling down over a period of only a few months. Several things contributed to the collapse of the sellers' profits. For the first time, sellers received the higher (\$375,000) cap on tax credits (up from the \$260,000 cap in 2006). Many sellers who were planning to make a donation at the end of 2006 realized they would earn more credits on the same donation in 2007—more donations occurred in 2007 that normally would have taken place in 2006.

In addition, there were federal tax incentives expiring at the end of 2007. People who were considering a donation in 2007 or 2008 rushed to make their donation in 2007. Add to that the fact that the maximum credit limit on single donations was raised 44 percent. The result was a glut of credits on the market. Figures have not yet been released for the total 2007 tax credits created.

Supply was up, which is not a bad thing, but demand was down. In October 2007, the state launched an investigation into fraudulent appraisals, which made headlines in the Denver newspapers almost weekly from October through the following February. Tax credit brokers received frantic calls from accountants and wealth managers asking what to tell their clients about the tax credit market. Was it safe to purchase credits? Unfortunately for sellers, many of the buyers were too concerned and confused to buy any tax credits, even ones that were created by the most reputable appraisers and land conservation organizations. Demand nearly evaporated during January





Pictured left and center: Michael and Danette Meyer with daughters Evelyn and Signe on the 168 acres in Phantom Canyon Ranches that they preserved with a conservation easement donated to the Nature Conservancy in 2005. Michael's mother and siblings also preserved their family ranch near Castle Rock with a conservation easement in 2006. Tax Credit Connection, Inc. helped the Meyer family sell their tax credits.

Pictured right: Allison Elliot and Hawks Haven, LLC, properties have been preserved by a conservation easement donated to the Black Canyon Land Trust. The property is located just outside the town of Paonia.

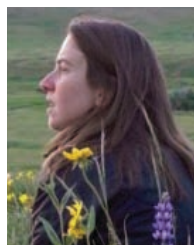
through March of 2008 the time of year when most of the transactions usually occur.

In classic economic textbook fashion, the market pendulum swung the opposite direction and prices started going down. By February 2008, many of the tax credit brokers had lowered their commissions by a point to try to stimulate demand. By and large that didn't work. Brokers then started talking to their sellers about lowering their prices. The sweet spot seemed to be 80 percent for sellers and 84 percent for buyers. In fact, it worked so well that my company sold as many credits in the first two weeks of April as in the previous 50 weeks combined.

## TAX CREDITS FOR CONSERVATION

What does this mean for conservation and the people of Colorado? Since the inception of the program, nearly 1.2 million additional acres have been preserved in Colorado, farmers and ranchers are still able to get a valuable cash infusion (albeit a bit smaller than a year ago) for agreeing not to develop their land, and taxpayers can save more than they had in the recent past for investing in tax credits.

To date, \$292 million in credits have been claimed by Colorado taxpayers, putting those dollars (or at least 80 percent of those dollars) in the hands of Colorado's farmers, ranchers, and owners of wildlife habitat for the services they have been providing to residents free of charge. Coloradoans now know that the scenic vistas, wildlife habitat, and productive farm and ranchland, which they have valued for many generations, have been permanently preserved through the payment to the landowners by way of conservation easement tax credits. So far, two other states (New Mexico and Virginia) have followed Colorado's lead and, according to land conservation specialists in other states, it is likely that more will follow once there is evidence that Colorado has weathered the storm of fraud.



ARIEL STEELE is the owner of Tax Credit Connection, Inc. After seven years as a real estate specialist for Boulder County, helping landowners donate conservation easements, she purchased Tax Credit Connection, Inc. and began the journey of an entrepreneur. She is a PERC entrepreneur fellow and can be reached at [ariel@taxcreditconnection.com](mailto:ariel@taxcreditconnection.com).



ECONOMIST, n. a scoundrel whose faulty vision sees things as they really are, not as they ought to be. —after Ambrose Bierce

# SAVE THE FISHERIES

The world's ocean fisheries are in decline. Since 1950, nearly 30 percent of all fisheries have collapsed, and some scientists project that in 40 years, *all* of the world's fisheries could collapse. The problem, it is widely agreed, is a failure of humans to manage fisheries in a way that is consistent with both maximum economic benefit and long-term survival of ocean fish stocks. Important new research by Christopher Costello, Steven Gaines, and John Lynham (2008) reveals that a property rights approach to fishery management can provide a solution to this growing crisis.

The authors find that a system of catch shares called individual transferable quotas (ITQs) is stunningly successful in protecting fisheries. Where such rights have been assigned, there is no evidence of the collapse described above. In fact, the assignment of catch share rights often *reverses* pre-existing collapse. And, in fisheries where they are used, ITQs have permitted the return of economically viable fishing activities.

Command-and-control systems of fisheries management historically have held sway around the world. These systems limit, for example, fishing gear and season length, in an effort to keep total harvests within quotas. But even the best of them suffer from a profound misalignment of incentives: the self-interest of the individual harvester is generally inconsistent with actions that would both maximize the value of the fishery and ensure its sustainability. Because individuals lack secure rights to part of the harvest, they are motivated to “race to fish” to out compete others. The results are poor stewardship and lobbying for ever-larger harvest quotas, causing excessive harvests, reduced stocks, and eventual collapse.

In recent years the failure of command-and-control fishery management has become increasingly clear, but the question has been: is there a viable alternative? Economists have suggested that catch shares assigned to individual harvesters (such as ITQs) offer such an alternative, because property rights systems, of which ITQs are an example, are generally the most effective way to conserve resources.

Catch share systems combine two features. First, based on biological and other scientific criteria, an allowable catch size is determined. Then, members of the fishing community (individuals or cooperatives, for example) are assigned shares of the total allowable catch. These shares can then be used, or in many cases sold or leased to others; no one is allowed to harvest in excess of the amount specified in the harvester's quota. In effect, the ITQs give fishermen *de facto* property rights in the catch, much as they have rights in their boats and gear. Collectively, these rights owners then have an incentive to protect and maintain the value of the fishery, just as they do to maintain their other property.

Past case studies of the use of ITQs have suggested that catch shares can dramatically improve both the biological and economic health of fisheries. Alaska, British Columbia, Iceland, and New Zealand all represent locales where ITQs are regarded as having succeeded. The new research by Costello *et al* has taken the study of ITQs to an entirely new level however, by examining all 121 fisheries where ITQs and other catch share systems have been implemented,





and comparing the outcomes to the 11,014 fisheries around the world where such systems have *not* been instituted. In making this comparison the authors are able to account for factors (such as ecosystem characteristics and fish species) that might have played a role in the health and viability of the fish stocks. Thus, they conduct what amounts to a statistically controlled experiment—the results are striking.

A conventional measure of collapse for a fishery is a decline in catch to a level that is less than 10 percent of the maximum recorded catch for that fishery. By this criterion, an average of more than 50 fisheries has reached collapse each year since 1950, in a worldwide pattern that seems to be pointing toward the demise of all fisheries. But Costello *et al* find that once a catch share system is implemented, the process of collapse halts. Moreover, in many of the ITQ fisheries, *recovery* of fish stocks begins soon after implementation, even as fishermen continue to profitably catch fish.

The authors estimate that had ITQs been implemented in all fisheries beginning in 1970, the incidence of past collapse among fisheries would have been cut by two-thirds. Moreover, instead of watching fisheries collapse today, we would be seeing them getting healthier, even as they were supporting fishers and nourishing consumers. Most importantly, it ap-

pears that the power of ITQs to prevent and even reverse fishery collapse applies to species and ecosystems throughout the world.

Until now, skeptics of the property rights approach to solving environmental problems have argued that fisheries are profoundly different from other resources, somehow immune to the benefits of instituting catch shares. Such an argument is no longer viable. Catch shares are being implemented in growing numbers around the world. The findings of Costello *et al* imply that an expansion of ITQs and other catch share systems can lead to the recovery of fish stocks and of the profits from harvesting them—and for this both humans and fish have reason to applaud.

#### REFERENCE

Costello, Christopher, S. D. Gaines, and J. Lynham. 2008. Can Catch Share Prevent Fisheries Collapse? *Science* 321: 1678–81.

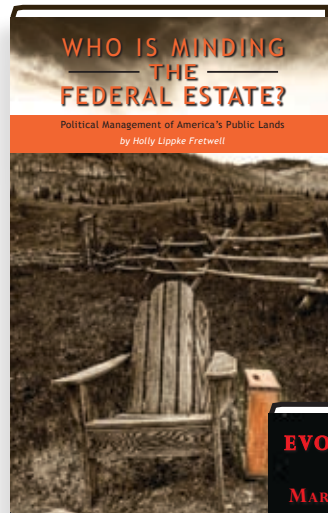
DANIEL K. BENJAMIN is a PERC senior fellow and Alumni Distinguished Professor at Clemson University. This column, “Tangents,” investigates policy implications of recent academic research. He can be reached at [wahoo@clemson.edu](mailto:wahoo@clemson.edu).

# HOT OFF THE PRESS FROM PERC

## WHO IS MINDING THE FEDERAL ESTATE?

“Holly Fretwell reveals the untold story of how our federal lands are mismanaged—and why. Building on years of research, Fretwell places this modern federal management in its historical context. She explains how it developed and what needs to be done to make it more constructive. Her findings will disturb anyone who loves the public lands; her recommendations are worth careful attention.”

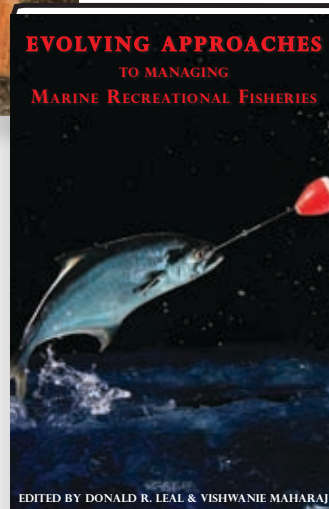
—Jane Shaw  
President  
John W. Pope Center  
for Higher Education Policy



## EVOLVING APPROACHES

“Traditional fishery management only means more of the same—closed seasons, restrictive size limits, rapidly shrinking bag limits, and dissatisfaction among recreational anglers. The market-based reforms discussed in *Evolving Approaches* offer some enlightened alternatives that have the potential to yield both healthy fisheries and happy anglers.”

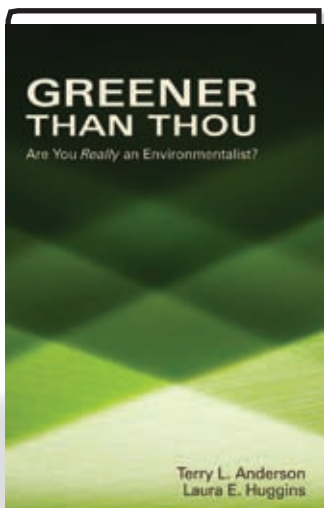
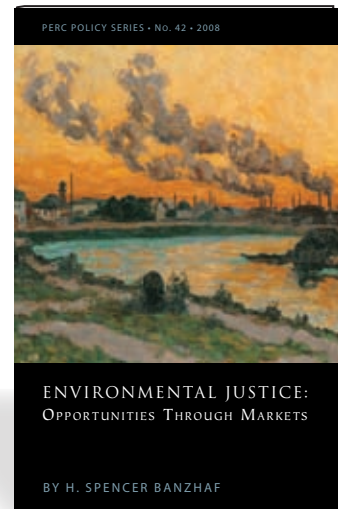
—Brian Yablonski  
Vice Chairman  
Florida Fish & Wildlife  
Conservation Commission



## ENVIRONMENTAL JUSTICE

“Banzhaf’s work on environmental gentrification has advanced the frontier of environmental justice scholarship to focus on the impacts, including the important unintended consequences, of policies designed to address disproportionate pollution burdens. An informed discussion of environmental justice is incomplete without consideration of this research.”

—Joseph E. Aldy  
Fellow  
Resources for the Future



## GREENER THAN THOU

“There are two ways to show you are green. One is to preach, sue, lobby and spend; the other is to find ways to nudge people in environmental directions by changing their economic incentives. *Greener Than Thou* demonstrates with fascinating case histories—ranging from Alaskan halibut to Bolivian bees to Mexican jaguars—how much more can be achieved the second way.”

—Matt Ridley, scientist and author of  
*Genome: The Autobiography of a Species in 23 Chapters*





What do Rolling Stones keyboardist Chuck Leavell and PERC have in common?

They both have a thing for trees and conservation.

Recognized as a talented and respected musician, Chuck Leavell's accomplishments as a conservationist and tree farmer are equally impressive. After studying forestry by correspondence, doing much of his homework while riding a tour bus, Leavell and wife Rose Lane turned Charlane Plantation into a thriving tree farm.

*"PERC and free market environmentalism have stood the test of time and together continue to be a guiding light. . . you guys rock!"*

—Chuck Leavell

If you want to keep reading about enviropreneurs such as Chuck Leavell, get off of your cloud and make your contribution to *PERC Reports* today!

# Markets for biodiversity

## Habitat conservation bank launches in Malaysia



BY STEPHANIE GRIPNE

### Forest conservation in Malaysia is no easy task.

**Combined, Malaysia and Indonesia produce 85 percent of the global supply of palm oil—an industry blamed for large-scale destruction of rainforests in Southeast Asia.**

A first-of-its-kind business model in Malaysia hopes to restore the rapidly declining rainforest with venture capital that will bring private sector funding into the conservation arena. The Malua Wildlife Habitat Conservation Bank (Malua BioBank) recently was launched in Malaysia by a forestry investment management firm that is at the forefront of developing and commercializing environmental products.

### Why Malaysia?

Malaysia's deforestation rate is accelerating faster than that of any other tropical country in the world, averaging 345,000 acres per year, according to data from the Food and Agriculture Organization of the United Nations (FAO). Nearly 0.65 percent of its forest area has been lost each year since 2000. In addition to the worldwide demand for palm oil, deforestation in Malaysia is also due to urbanization, various forms of agriculture, and agricultural fires.

While the FAO claims that forests still cover more than 60 percent of the country, less than 12 percent of these forests are considered pristine. Sitting adjacent to the Danum Valley Conservation Area, one of the last pristine lowland tropical rainforests, the Malua BioBank is using a multimillion dollar investment from the Eco Products Fund to restore and protect 84,000 acres of formerly logged forest.

The Malua Forest is home to one of the highest concentrations of orangutans in the world, and provides a crucial buffer for wildlife between virgin lowland tropical rainforest and oil palm plantations. According to local and international scientists, clouded leopards, pygmy elephants, and more



Deforestation in Malaysia is primarily due to urbanization, agricultural fires, forest conversion for oil palm plantations, and other forms of agriculture.



than 300 bird species also inhabit the area that will be protected through the BioBank.

### How does the BioBank work?

The BioBank is a joint effort of the Eco Products Fund LP, a private equity fund jointly managed by New Forests Inc. of Washington, D.C., Equator Environmental LLC of New York City, and the government of Sabah in Malaysia. The Eco Products Fund, LP, has committed up to US\$10 million for the rehabilitation of the Malua Forest Reserve over the next six years while the Sabah State Government in Malaysia has assigned conservation rights to the Malua BioBank for a period of 50 years.

The Malua BioBank sells Biodiversity Conservation Certificates, with each certificate representing 100 square meters of rainforest restoration and protection. TZ1 Limited, a leading provider of registry services for the voluntary carbon market, has been selected as the global registry for the Malua BioBank's Biodiversity Conservation Certificates. The TZ1 Registry will provide a secure online facility enabling efficient issuance, housing, ownership transfer, and retirement of Biodiversity Conservation Certificates.

Revenue from the sale of the certificates will be used to recover costs incurred and to endow a trust fund for the long-term conservation management of the Malua BioBank over the remaining 44-year period of the license. Any profit from the sale of Biodiversity Conservation Certificates to volunteer purchasers will be shared between the forest management license holder (Yayasan Sabah, a foundation established by the Sabah government to improve the livelihoods of local citizens) and the Malua BioBank investor.

It is important to point out that the purchase of Biodiversity Conservation Certificates represents a contribution to rainforest conservation in Malua, rather than an offset for rainforest impacts that a company may have elsewhere. Buyers purchasing Biodiversity Conservation Certificates understand and contractually agree that they do not represent an offset against clearing or degradation of other forests.

"The Sabah State Government has been actively seeking innovative ways to balance economic development and rainforest conservation. This project enables private sector companies working in Malaysia or sourcing products from the country to help fund the restoration and protection of a high conservation value rainforest," said Sam Mannan, director of the Sabah Forestry Department. "This project is

Companies are becoming increasingly interested in contributing to rainforest conservation in a way that is meaningful and financially sustainable.



designed to help economic development and rainforest conservation work for each other, instead of against each other.”

### What’s in it for the buyer?

Malaysia is a hotspot for agricultural expansion as global population and demand for commodities increase. Energy, food, and cosmetics companies relying on agribusiness products, particularly palm oil, are increasingly scrutinized for perceived impacts on rainforests. By purchasing Biodiversity Conservation Certificates, buyers can make a credible, long-term contribution to forest conservation that enhances their brand. Four Malaysian firms have completed initial transactions as buyers of Biodiversity Conservation Certificates at a price of US\$10 per certificate, and several international companies have expressed interest in the project.

“We are seeing companies becoming increasingly interested in contributing to rainforest conservation in a way that is meaningful and financially sustainable,” said Gerrity Lansing, CEO of Equator Environmental. “The Malua BioBank provides them with a transparent and cost-effective way of achieving these goals.”

“Nothing like this has ever been done for the biodiversity in tropical rainforests,” said David Brand, managing director of Sydney-based New Forests Pty Limited, the parent company of New Forests Inc. “The Malua BioBank translates rainforest protection into a salable product so that biodiversity conser-

vation can compete with other land uses on a commercial basis.”

The anticipated cost to rehabilitate the forest is US\$10 million. If the BioBank sells out, it will generate attractive returns to its investors and the Sabah government.

As ecosystem goods and services such as water, wetlands, forests, and biodiversity become more scarce, new environmental markets emerge throughout the world every day. This scarcity is attracting more private sector investors into these new markets. Globally, the Eco Products Fund seeks to support innovative business models that deliver returns from these markets. The Malua BioBank is one such effort that may lead the way for long-term ecosystem protection.



STEPHANIE GRIPNE is responsible for operations related to developing New Forests’ ecological products investment program. She has worked in the natural resources arena for more than 15 years and is a PERC enviropreneur fellow. She can be reached at [sgripne@newforests-us.com](mailto:sgripne@newforests-us.com).





## THIS LAND IS MY LAND, YOUR LAND IS MY LAND . . .

**D**aniel Goldstein, Yesenia Gonzalez, Huda Mufleh-Oeah, Freddy's Bar, and other property owners in Brooklyn joined together to take on the New York establishment. Plaintiffs sued the governor, the mayor, the state and city agencies, and private developers who had agreed that the plaintiffs must be forced to sell in favor of a multibillion dollar project featuring an arena for an NBA team.<sup>1</sup> Guess who won.

Atlantic Yards is a publicly subsidized project that includes public land, some "heavily blighted" private property, and some "land with less blight." When finished, the Frank Gehry-designed area will don apartment and office buildings with odd (architecturally innovative) exteriors and the Barclays Center for the Brooklyn Nets.<sup>2</sup>

To piece the land together, the developer and government created a coalition to overcome the squawking of those being booted out. Everyone got a piece of the action. Promises include: 15,000 union construction jobs; 45 percent of those jobs will be held by women and minorities; and, in an agreement with the Association of Community Organizations for Reform Now (ACORN), over half of the housing units will be rent controlled or sold at below-market rates to low-income buyers.

Dispensing such goodies is the price of doing business in places like New York. The largess is borne, to the tune of \$1 billion, by the taxpayers and, in part, by the property owners forced out at a price less than they were willing to accept. As the court noted, judges may not intervene on behalf of the property owners "simply on the basis of our sympathies."

A politically well-wired developer, the Ratner Group, pieced together support for the project. Plaintiffs argued that this was a taking in violation of the Fifth Amendment. But the city and state prevailed as their actions did not violate the state's Eminent Domain Procedure Law or the Constitution. On appeal, plaintiffs argued that while reducing "the blight" could have public benefits, the major beneficiary was the developer, Ratner (the former NYC Commissioner of Consumer Affairs).

The court noted that redevelopment of a "blighted

area" is a "classic example of a taking for public use." The fact that a private developer runs the show does not matter. "Once we discern a valid public use to which the project is rationally related, it 'makes no difference that the property will be transferred to private developers, for the power of eminent domain is merely the means to the end.'" The court explained that this case follows precedent, including the much discussed *Kelo* case.<sup>3</sup>

Atlantic Yards is a large project, but the story is common. Some ordinary citizens get the bum's rush to the benefit of developers, politicians, and assorted "public interest" groups that get a cut of the action.<sup>4</sup>

The *Kelo* decision shocked many people when they saw ordinary folks being booted out of their homes so a developer could get control of property otherwise difficult to consolidate.<sup>5</sup> Due to the backlash, many states passed anti-takings legislation. However, some states allow an exception to use eminent domain to seize property for private development if there is "blight." As the court in the Atlantic Yards case noted, this is "merely the means to the end."

### NOTES:

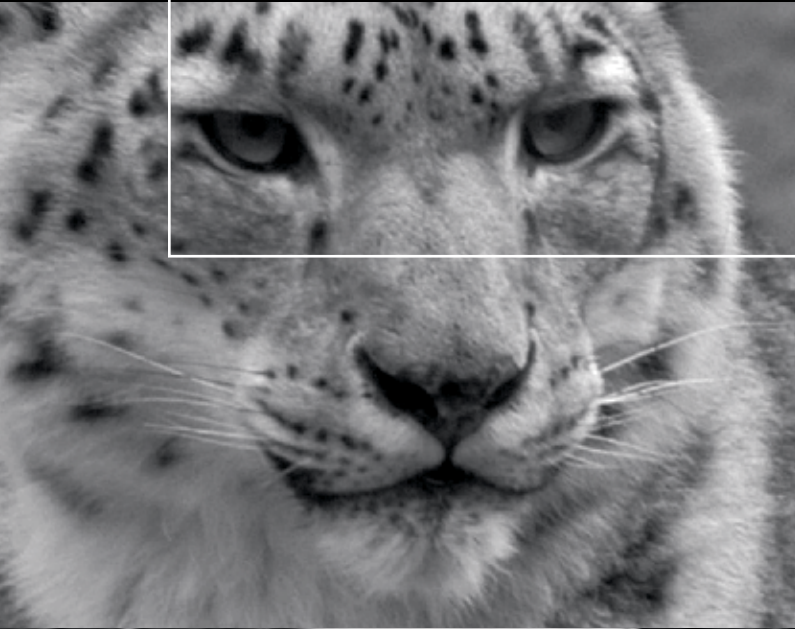
1. *Goldstein v. Pataki*, 516 F.3d 50 (2nd Cir., 2008); all quotes are from the court decision.
2. For a description, see [www.atlanticyards.com](http://www.atlanticyards.com).
3. *Kelo v. City of New London*, 545 U.S. 469 (Sup. Ct., 2005).
4. See Dick M. Carpenter and John K. Ross, *Victimizing the Vulnerable*, Institute for Justice, June 2007; available at [www.ij.org](http://www.ij.org).
5. Perhaps the Atlantic Yards project will go better than the one in New London that spawned the *Kelo* decision. As of the summer of 2008, the developer had not been able to find funding. The area is now abandoned.



ROGER MEINERS is a professor of economics and law at the University of Texas at Arlington and a PERC senior fellow. His research emphasizes common law and higher education. He can be reached at [roger.meiners@gmail.com](mailto:roger.meiners@gmail.com).

# MARKETS FOR SNOW LEOPARDS

By Javed Kahn



**About 3,000 wild snow leopards now roam the pristine areas of Himalayan mountain regions. Despite conservation measures, most of which aim to establish protected areas, the long-term survival of this beautiful mountain cat is far from assured.**

A growing number of people are encroaching on the snow leopard's habitat by introducing livestock, which displaces wild sheep and goats—the snow leopard's natural prey. This forces the leopards to turn their attention to the livestock, resulting in devastating economic losses to poor, rural farming communities whose livestock are a source of food, raw materials for clothing, and income through the sale of wool and dairy products. To help prevent further losses, the offending cat is frequently killed.

In addition, snow leopards are lost every year to poaching. Their hides and bones can bring a very high price on the black market.

Over the years, many conservation actions and practices to protect the snow leopard have been tried and tested. Those that have been successful and sustainable are programs that link economics with conservation. Some of these practices may not be appreciated by traditional conservationists, but no one can refute the success of these actions. The saying, "when it pays, it stays," rings true with snow leopard conservation. Locals have realized that their income and prosperity are linked with the protection of wildlife. For conservation efforts to be effective,





## *enviropreneur snapshots*

it is crucial to involve the people who share the snow leopard's mountain environment and provide them with economic incentives for enhancing and protecting the habitat.

An example of a market-driven program that has improved local economies and high mountain ecosystems is the Snow Leopard Enterprise. This organization helps hundreds of women across Central and South Asia by giving them the training and equipment necessary to produce hand-felted wool products that are sold internationally through the Snow Leopard Trust online store and other venues. This new source of income enables women to buy food, medicine, and schooling for their children. The herding communities in which they live no longer have to rely on money from poaching endangered snow leopards to survive. All profits from Snow Leopard Enterprise are invested back into community conservation projects that generate income and help protect snow leopards and their habitat.

Another example is found in Chitral, Pakistan, where Snow Leopard Enterprise has worked to promote good animal husbandry and trophy hunting for markhor (wild goat), creating safe corridors and grazing places for snow leopards. By enhancing habitat to boost the market for hunting markhor, a wild prey of the snow leopard, the leopard population also increases.

Per the agreement between the wildlife department and the local communities, livestock is

not allowed in the wild ungulates grazing zones during certain times of the year. According to the agreement, 80 percent of the proceeds of the trophy hunting revenue go to the village conservation committees and the remaining revenue is taken by the government. If locals violate the agreement, they risk losing their incentive-based annual income that they receive in return for their participation in habitat conservation.

Since the agreement went into effect, the snow leopard is actually protected by the locals and frequently seen in the Chitral area. Despite insecure conditions in this area, there has been a 10 to 15 percent increase in local tourism that is attributed to the presence of the snow leopard. Its wild prey base is abundant here and is attracting large numbers of foreign tourists as well. Sightings are so frequent that snow leopards were filmed by "Planet Earth," a nature television show, near Chitral Gol National Park in 2006—the first good footage of snow leopards in the wild.



DR. JAVED KHAN is the Snow Leopard Conservation Expert in Pakistan and is a PERC enviropreneur fellow. He can be reached at [khankaker71@yahoo.com](mailto:khankaker71@yahoo.com).

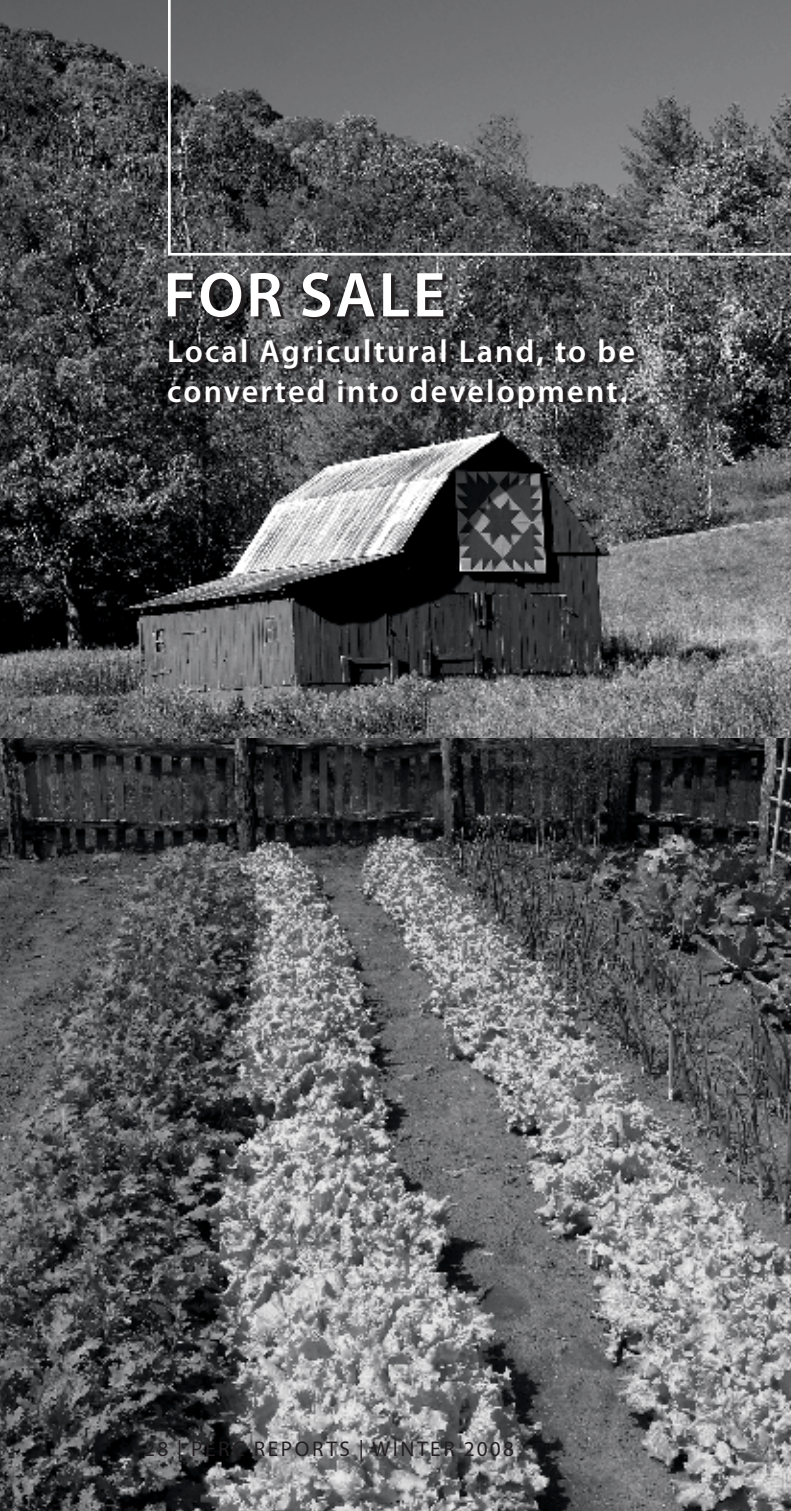


# PERPETUATING SMALL FARMS

By Jeff Masten

## FOR SALE

Local Agricultural Land, to be converted into development.



The current paradigm for agricultural production focuses on farms that produce food on a large national and international scale, not on small, local farms. Over the last few decades, in my home state of North Carolina, local farms have lost their competitive edge and due to declining profitability are being supplanted by development. Urban communities near Raleigh, for example, lose working lands to development at the rate of 40 acres per day.

At the same time, there are changes in urban, suburban, and rural communities that are leading to more demand for locally produced foods and creating an opportunity to take a new look at local agriculture. People are increasingly concerned with the quality of food and in knowing how the food is produced. Moreover, transportation costs to move agricultural products from production to market are rising, while farmers markets, community supported agricultural cooperatives, and local and organic foods being sold in traditional grocery stores are in demand.

As part of its working lands protection program, Triangle Land Conservancy (TLC) has embarked on a new agenda to promote local small farm agriculture. What makes TLC's "Small Farms-Local Food" initiative distinct is that a non-





## *enviropreneur snapshots*

profit land trust seeks to play an active role in supporting local agriculture by encouraging the production of agricultural products on its land—influencing the use of local markets and creative leasing arrangements with emerging farmers.

TLC is a community land trust whose region, known as the “Triangle,” is home to the Research Triangle Park in and around Raleigh, Durham, and Chapel Hill, North Carolina. Like nearly 2,000 other land trusts in the country, TLC works with local community members to conserve natural resources and working lands. What sets TLC apart is not what it has done in the last 25 years, but what it will undertake in the future with Small Farms-Local Food.

In the Triangle, with a growing population of 1.5 million, the conservancy has accumulated 250 acres of valuable conservation acreage. A portion of that acreage, which is currently fallow farmland, has inherent value if placed back in production. TLC proposes to utilize its land assets through long-term leasing arrangements (30–50 years) with local food producers. These lease arrangements will provide a marketable security to farmers, enabling them access to lending institutions to borrow for capital improvements. In return, TLC will get lease payments and the farmer will have complete and long-term control of the land, similar to ownership. The lease payments will offset the cost of running the program, and with enough volume would generate cash-flow for TLC to consider leveraging the

purchase of additional farmlands.

The best way to keep agricultural land in production, TLC believes, is to keep small farms profitable. Putting fallow lands back into agricultural production contributes to local economic development and the productivity of small farm agriculture can provide community benefits such as higher farmer revenues and tax revenues, generated from the larger per-acre income yields.

This initiative is designed to fill voids that currently inhibit entry into the market by new farmers because of high land acquisition costs. Land leasing is common in the agricultural field, however, contemporary land leases generally have a short duration, which is not conducive for farmers and banks to invest in capital improvement.

At the end of the day, with the Small Farms-Local Foods initiative, TLC hopes to stimulate a series of small farms into production in the Triangle, prompting a new look at the character of local agriculture.



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# THE CARBON MARKET

By Nikki White



**Markets fluctuate. In the past year, I have ridden a market roller coaster in an environmental arena that has seen high peaks, which led to my dream job, and low valleys, which put me among the unemployed.**

I was hired as a greenhouse gas analyst a year ago by Clear Carbon Consulting, a small, start-up climate change consulting firm in the Washington, D.C., area. As more companies were becoming interested in reducing their carbon footprint, the demand for Clear Carbon's services—creating competitive advantages for companies by measuring, managing, and mitigating their carbon footprints—was also increasing. Among the first full-service carbon consulting firms in North America, Clear Carbon Consulting became a leader in corporate and product-based carbon footprints, having successfully completed multiple-year projects for clients that include Walmart, News Corporation, the Carbon Disclosure Project, and nearly 50 other companies and NGOs.

Clients engaged Clear Carbon to help them implement practical solutions that would also create a return on their investment. Much like an auditor for various environmental issues, Clear Carbon looks within an organization for waste and excess spending on utilities. Many clients were able to see at least a 10 percent reduction in their utility usage in the first year, just by institutionalizing behavioral changes. In several





## *enviropreneur snapshots*

cases, minimal capital expenditures on energy efficient equipment were all it took to realize significant savings.

One of the best examples of cost savings occurred within a company that we determined could save more than \$400,000 a year just by turning off their computers overnight. The cost of this analysis was minimal and has the potential to save the company millions of dollars in just a matter of years.

The United States is falling behind many developed countries on climate change initiatives. Some U.S. corporations are forced to measure their carbon footprints in order to do business in foreign countries. These foreign influences, the threat of U.S. carbon cap and trade policies, and the interest in carbon offset purchases in early 2008, drove the carbon consulting business to an all time peak. Many consulting firms needed very little marketing to keep their businesses thriving. Companies were calling us, and we had repeat business with all of our current clients. Things were good. Very good.

When Wall Street has problems, however, they can compound on environmental firms. Any market changes are felt especially quick at small firms. Clients began to delay consulting work when financial futures were in question. Proposals stopped coming through the door and projects were suspended indefinitely because of budget cutbacks. Though environmental profes-

sionals are able to save corporations millions of dollars in operating costs—something companies should value in an economic downturn—decision makers often view environmental efforts as a luxury good.

At Clear Carbon, the economic crisis hit home in October. After a long list of clients decided to postpone or cancel environmental analyses that could have saved them money, I was laid off.

Measuring and managing a corporate carbon footprint can be an easy way for companies to save money in hard economic times. Hopefully this avenue to increased profitability will become more evident and prove the important role that environmental professionals play in a company's bottom line.



NIKKI WHITE is a PERC enviropreneur fellow and was a senior consultant with Booz Allen Hamilton, focusing on water, auditing, energy, and emergency management with various government clients. She can be reached at [nikkiwhite06@gmail.com](mailto:nikkiwhite06@gmail.com).

# A UTAH DESERT'S

BY LAURA HUGGINS



WHAT DO YOU GET  
WHEN YOU CROSS  
A WILLIE NELSON  
LOOK-ALIKE WITH  
THE PERSONALITY OF  
RICHARD BRANSON?

ANSWER: JIM BOSSE



# UNLIKELY GEM



The Mojave Desert in southwest Utah is desolate and dry, until Highway 18 takes you across a canyon that is overflowing with lush greenery, sheer rock walls, and gin-clear springs. Locals have known about this unique oasis—dubbed Crawdad Canyon—for many years. As long ago as 1920, travelers on the Old Spanish Trail could pay to swim and relax here, and the family of homesteader “Gramps” Cottam ran it as a low-key recreational area until 1995.

But it was only in the past decade that Crawdad Canyon acquired its unique new identity: a private climbing resort, among the first in a wave of eco-sensitive, specialty vacation destinations. In addition to a restored pool and other amenities, the canyon now features 200 bolted climbing routes ranging from 5.6 (a couple of pull-ups and a few flights of stairs) to 5.13 (two finger pull-ups, ten flights of stairs, several sit-ups, and the splits) winding their way along the 80-foot basalt walls. There are belaying benches, manicured paths, and brass plaques at the base of each climb with the name and rating.

A local non-profit climbing group, the Southern Utah Climber’s Coalition, manages the climbing area, collecting the \$8-a-day climbing fee, maintaining the trails, bolts, and bridges, and offering guide services. In return, the group gets 20 percent of revenues and a few months a year of exclusive access.

“The unexpected appearance of so much in the midst of so little creates an instant desire to explore and the lure of relief is irresistible,” said rock climber and author Todd Goss, who my family met in the summer of 2008 after succumbing to the allure of Crawdad Canyon.

The climbing was outstanding, but even more exceptional is the story of the man whose vision inspired this first-of-its-kind private climbing park.

## A Vision for a Canyon

What do you get when you cross a Willie Nelson look-alike with the personality of Richard Branson? Answer: Jim Bosse. After becoming bored with his day job as a developer, consulting for Hollywood films on the side, and his hobby of horseshoeing, Bosse escaped California to find something special in a canyon hidden in southern Utah. The special came as a combo platter of rock climbing, a natural springs pool,



## OTHER RECREATION PARKS

If climbing is not your cup of tea, there are other types of recreation parks popping up. For example, Texas rancher, Trey Hill, now supports himself full time with a bike resort that offers 40 miles of trails, camping facilities, trailer hookups, and a restaurant. Hill hosts about 150 paying riders every Saturday.

### THE POOL AND PROPERTY STAYED WITH THE COTTAM FAMILY UNTIL 1995, WHEN BOSSE CAME ALONG AND CONVINCED THE FAMILY THAT HE HAD THE RESOURCES TO REVIVE THE PROPERTY WITHOUT BUILDING A CONFERENCE CENTER



camping, crawdad fishing, wild turkeys, and french fries—all within a two-mile radius. This combo is now attracting guests from all over the world, and the campsites are booked a year in advance for select weekends.

Long before Bosse, “Gramps” Cottam acquired the land and water rights to the Santa Clara River and adjacent natural spring via the Homestead Act. He started charging travelers 15 cents for a dip in the pool and another quarter if they wanted a wagon ride up the other side of the steep canyon. The pool and property stayed with the Cottam family until 1995, when Bosse came along and convinced the family that he had the resources to revive the property without building a conference center. According to Morris Atwell, friend of Bosse and the current manager of Crawdad Canyon, “Jim saw the remains of a worn down pool and overgrown canyon and immediately had a vision of a beautiful recreation resort.”

Within a year of purchasing the property, Bosse turned the small, dilapidated pool into a flourishing oasis. He expanded the swimming area, built decks and bridges over the river, refurbished the restaurant, groomed paths through the dense cottonwoods filling the canyon floor, and established camping areas.

During construction of the pool and campsites





If it's water you're looking for, Bear Paw Outdoor Adventure Resort for Canoe and Kayaking, located in Wisconsin's Wolf River territory, is designed for the outdoor enthusiast. Whether it is a quiet paddle across a lake to see an eagle's nest, or the thrill of navigating the rushing whitewater in a canoe or kayak, Bear Paw has a staff of professional kayakers standing by to help. Other activities include fly-fishing, yoga, and, in the winter, skiing and snowshoeing.



Bosse couldn't help but notice the hoards of climbers literally hanging around southern Utah. He had just purchased 45 acres of a rocky canyon. Bosse put two and two together and his entrepreneurial spirit perked up once again.

On one of Bosse's trips to a local lumber store, he saw a large climbing structure in the parking lot. He dropped his shopping list and ran over to see climber extraordinaire Todd Goss doing a demo. Goss recalls a "hairy, flannel shirt redneck" running up to him to chat before he could even get his harness off. Bosse raved about the "black rock" in his canyon. Goss tried to ignore him, but Bosse was persistent and before he knew it he was in Jim's truck "heading out to Crawdad."

Sure enough, there was "gold in them thar hills"—Bosse's black rock turned out to be Basalt, with plenty of pockets and cracks for climbing, plus shade and a stream (valuable commodities in the desert). Bosse wasn't one to dabble around and he quickly recruited Goss, Michal Nadd, and a few other folks from the Southern Utah Climbers Coalition to start clearing the canyon and preparing the routes.

The crew was committed to not only creating the first private climbing park, but also preserving one of the most pristine climbing areas in the United

States. Nadd recalls the season of sleeping on a futon in the women's restroom as being one of his best. And Goss, who lived in a broken down house on the property while setting routes, remembers being inspired by seeing "a millionaire [Bosse] wash his hair in an old trailer house sink because he wanted to live on the property during the renovation."

Although the team was dedicated to creating Crawdad Canyon Climbing Area, they made sure they had fun in the process. Goss recalls the day Bosse collapsed in his lawn chair to enjoy a margarita after hours of clearing debris. He watched a few climbers finish bolting a new route then jumped up and declared (after his second drink) that it was time for him to try climbing. Sporting tennis shoes, jeans, and a full belly, Bosse pulled off the first ascent of "Chef Sherry." Upon completion, he bellowed, "I am the best climber in the world—I have now done it all!"

## A Sad Turn, But a Bright Future

Unfortunately, Bosse's love affair with Crawdad Canyon may have contributed to his ill-timed death in 1998. After a hard day's work in the canyon, Bosse, who had a heart condition, died of a heart attack.

## CRAWDAD CANYON

Location: 20 miles north of St. George

Rock Type: Basalt

Climbing Style: Sport climbing on highly featured volcanic basalt.

Best Climbing Seasons: March - December

Number of Routes: 200+

Easiest Route Grade: 5.5

Hardest Route Grade: 5.13b

Most Route Grades: 5.10

Rates (per day):

Camping \$20

Climbing \$8

Pool \$6

Picnic \$2

Zipline \$10

Climbing Guide (half day) \$45

He knew this was a possibility, but his passion drove him to live life to the fullest and embrace the entrepreneurial spirit of the West.

Although this epic tale includes sorrow, Bosse's memory and inspiration live on. His goal was to create a place where lives could be enriched and people could become aware of the natural environment—all while earning a living from revenue generated from the outdoor mecca (Bosse recouped his initial investment of \$350,000 in two years). His objective has been accomplished at Crawdad Canyon and is now being replicated elsewhere.

Bosse's vision has inspired other "enviropreneurs" to invest in private recreation resorts. The Johnson family learned of Crawdad Canyon and started developing a climbing area at their Horseshoe Canyon Ranch in the Ozarks of Northwest Arkansas. With the constant stream of pro climbers visiting Horseshoe, climbing has attracted the spotlight and guests are coming from far and wide for the chance to climb the coveted sandstone. Jason Roy, Adventure Activities Director and Head Climbing Guide, says, "The draw to Horseshoe Canyon Ranch is the close proximity to camping and safely bolted moderates [routes]. It's like luxury climbing ... and the climbs are so diverse from slabs, to cracks, to steep overhangs, and massive arêtes." It has much to offer in addition to climbing. Horseshoe Canyon's guest ranch packages include horseback riding, canoeing, hiking, shooting, disc golf, cookouts, and various lodging accommodations such as tepee camping.

If climbing is not your cup of tea, there are other types of recreation parks popping up. For example, Texas rancher, Trey Hill, now supports himself full time with a bike resort that offers 40 miles of trails, camping facilities, trailer hookups, and a restaurant. Hill hosts about 150 paying riders every Saturday.

If it's water you're looking for, Bear Paw Outdoor Adventure Resort for Canoe and Kayaking, located in Wisconsin's Wolf River territory, is designed for the outdoor enthusiast. Whether it is a quiet paddle across a lake to see an eagle's nest, or the thrill of navigating the rushing whitewater in a canoe or kayak, Bear Paw has a staff of professional kayakers standing by to help. Other activities include fly-fishing, yoga, and, in the winter, skiing and snowshoeing.

While much of nature-rich land is being developed in the form of subdivisions and strip malls, Bosse and other environmental entrepreneurs are proving that there is a market among outdoor enthusiasts for recreational opportunities in natural settings.

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## Gauchos go in style

After starting five businesses, Blake Mycoskie decided to take a break. He headed for Argentina in early 2006 to visit friends and soak up the culture. The polo ponies were his first fascination, but they were soon replaced by the impoverished children living on the outskirts of Buenos Aires.

When he accompanied two social workers tending families in the shanty towns, he saw that none of the children had shoes. He was astonished that something so simple and basic was unattainable. Mycoskie even examined the children's feet to find they often had open sores and infections. Some children had contracted serious illnesses by treading barefoot over paths littered with waste and trash.

He couldn't solve all the problems he saw, but Mycoskie figured the least he could do was make sure every child had a pair of shoes. From that conviction grew Toms Shoes. Initially, he envisioned a charity, but soon realized that you can only ask people to donate money for shoes a limited number of times. In his mind, it was not a sustainable model. Using his well-honed entrepreneurial skills, he settled on a plan to manufacture the shoes himself. He would give away one pair for every pair he sold.

He chose the alpargata as the basic style for his

new shoe business. It is a simple slip-on canvas shoe with a thin sole that is commonly worn in the Argentine countryside by peasants and gauchos. As with his other businesses, which ranged from dry cleaning to a television station, he plunged into the shoe business, learning on the go. For Mycoskie, learning something new every day is as exciting as launching a business.

As the business grew, Mycoskie recognized that he wanted his product to be environmentally friendly, so he hired experts to work with the shoes and the factories where the shoes are made. He has one version of Toms that is not only environmentally friendly, but also vegan friendly, which means no leather is used anywhere in the shoe.

Toms Shoes has come a long way since those early days. They won the Cooper-Hewitt People's Design Award in 2007 and are worn by surfers as well as the Ralph Lauren set. They are sold throughout the United States, from Nordstrom's department stores to Whole Foods grocery stores, in addition to seven other countries. Mycoskie operates factories in Argentina, Brazil, Ethiopia, Asia, and the United States. And true to his original goal, he gives away one pair for every pair he sells.

He hopes to branch out from just one product, but continues to use the same model of sustainability that he developed for Toms Shoes. Mycoskie has a deep admiration for entrepreneurs. He told Treehugger radio, "I love people who take risk, have ideas, and put it all on the line to make them come to life. That really inspires me."







## A tsunami lesson

The devastation wrought by the tsunami that struck Sir Lanka in 2004 still exists. The United Nations continues to lend assistance to towns where tsunami-related trash remains piled on the beaches. When trucks haul mountains of trash to designated sorting and disposal sites, they take more than just rubble created by the storm—the program manager collects all of the trash, much of which was improperly dumped or burned long before the tsunami. Solid waste from hospitals is also a common sight posing health hazards wherever it is dispersed.

The collection and proper disposal of waste was never part of community life in these beach towns. However, as the trucks haul away tons of garbage, residents are taking note of their cleaner environment. Not only is the trash collected, but it is also disposed of properly in a landfill, recycled, or composted. By participating in the project, residents are learning through doing and developing a new appreciation for living free from the smell of decomposing garbage and the accompanying flies.

Trash barrels are in frequent use throughout the towns and for the first time ever, people complain when the barrels are full and the trash needs collecting. With no end to the stream of waste, some residents see possibilities for generating income from the collected trash. Recycled materials can be sold, organic matter can create rich compost, and collection services can be turned over to private purveyors.

As people continue to recover from the tsunami, they are finding some unexpected pleasure in their cleaner, brighter towns, and in the possibility of new income sources.





## Sunny Californ-I-A

California utility companies are investing heavily in solar power. The utilities, along with many industry experts, expect the tax breaks for solar producers will make the cost of solar energy competitive with power from coal and natural gas by 2016 when the credits expire.

Pacific Gas & Electric is investing \$3 billion to build five solar power plants in the Mojave Desert. The company expects the plants to generate 900 megawatts of electricity, enough to power 540,000 California homes. The builder, BrightSource Energy, will use a technology that concentrates the sunlight from thousands of moveable mirrors in order to run a steam turbine that generates electricity. The electricity will be fed into a transmission system to serve California's coastal cities. In some cases, costly new transmission systems may be necessary.

Southern California Edison has taken a different path to solar power. It plans to install two square miles of solar cells on warehouse roof space leased from building owners in Riverside and San Bernardino counties. The electricity from these solar cells will feed directly into neighborhood circuits without the need for a central power station. The utility intends to spend \$875 million to generate 250 megawatts of electricity for 162,000 homes. According to the *Environmental News Network*, the solar cells will generate the same amount of electricity as a small coal-powered plant.

While the companies have chosen different paths, they all lead to a huge commitment to the future of solar energy.

## Tree-free paper

As paper overflows wastebaskets and flutters from dumpsters in office parks, many people have rallied to the cry for a paperless office to save trees. Now a Chicago firm is offering a solution—Ultra Green Film. Ultra Green is a limestone-based product made with mineral powders bound together with a non-toxic resin and small amounts of polyethylene. The manufacturing process requires no trees, water, or bleach, yet it works just like paper or better.

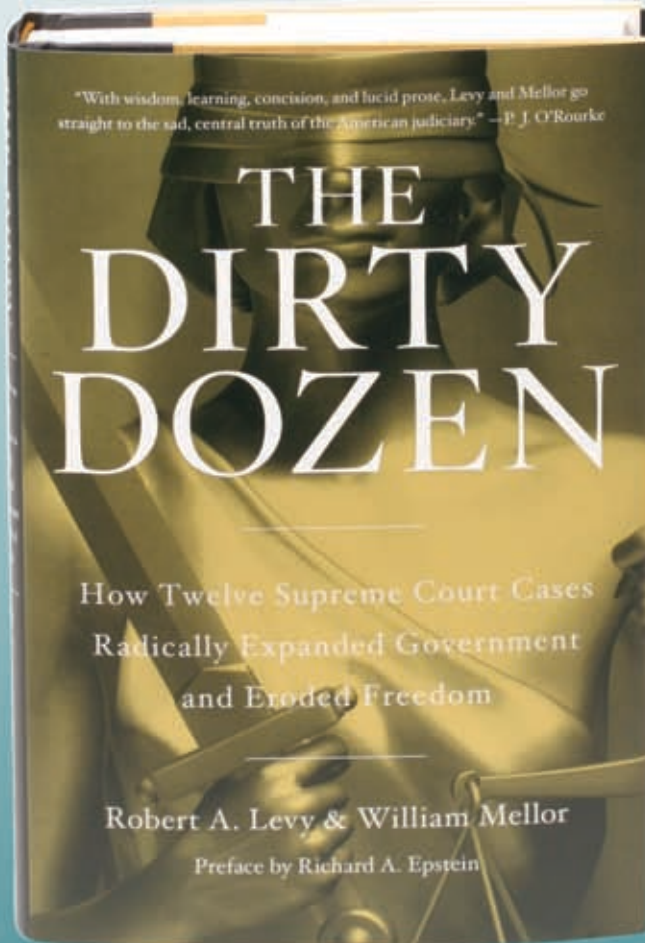
Printers are excited about Ultra Green because its grain-free surface improves high resolution printing. "It combines the printability of a traditional paper with the durability of a plastic sheet," said Carl Blase, CEO of Print Art as reported in *EcoLocalizer*. It also is resistant to scuffing, water, grease and oils, and impervious to sunlight, so it won't turn yellow or brittle over time. One enthusiast claimed it was the invention of the year.

Environmental Defense Fund provides some environmental details. One ton of Ultra Green saves 20 trees, 7,480 gallons of water, 167 pounds of solid waste, and 236 pounds of carbon emissions. It might also save a few pocket books. With paper use increasing every year, costs are projected to rise 77 percent between 1995 and 2020.

If all these facts and accompanying enthusiasm stand the test of time, perhaps Ultra Green is the real deal.

# "A FASCINATING READ"

VINCENT CARROLL,  
ROCKY MOUNTAIN NEWS



Ever wonder how our nation changed from a country with a Constitution that limited government power to a land where the Constitution is interpreted to limit the rights of the citizenry? Why property rights and economic liberty receive second class constitutional protection? And what can be done to restore the founding vision for a free and prosperous nation?

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-P.J. O'ROURKE

*The Dirty Dozen* is available at [Amazon.com](http://Amazon.com), [freemarket.ij.org](http://freemarket.ij.org) and bookstores nationwide.

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