

Julian Simon

AN APPRECIATION

JULIAN SIMON's untimely death has deprived us of our most effective tilter at environmental myths. This book will unfortunately be his final blast.

And what a blast it is. Julian's command of economic analysis, his dedication to understanding at a deep level the phenomena he discusses, and his incredible persistence in unearthing evidence on those phenomena has produced a book that is at once a stirring manifesto and an encyclopedic source of information on every aspect of the popular environmental movement.

I first became aware of Julian's unusual qualities through correspondence some two decades ago regarding his suggestion for solving the airline overbooking problem. Here are some excerpts from that correspondence.

Julian Simon to Milton Friedman, December 23, 1976:

The CAB [Civil Aeronautics Board] is now considering a variety of plans to deal with airline overbooking. . . . There is, however, a plan that is better for everybody—that leaves every passenger satisfied, and allows the airlines to make more money than at present. This is the Overbooking Auction Plan. . . .

The scheme is as follows: If more ticketed passengers show up than there are seats, each passenger writes a sealed "bid" of the lowest amount he or she is willing to accept in return for waiting until the specified next flight. The low bidders are given the amounts bid and they take the next flight, satisfied. All other passengers fly as scheduled, satisfied. The airlines can overbook to a higher degree than now, and without complaint; they, too, would be satisfied.

I'm writing to you and to 8 or 10 others because it might help if an ex-president or two of the American Economic Association (in his private capacity) indicated to the CAB that the scheme represents respectable economic opinion, and is not the work of a crank.

Milton Friedman to Julian Simon, January 18, 1977:

Your plan does make a great deal of sense to me, as to every economist. At the same time, I am unwilling to write to the Chairman of the CAB to this effect. I am not an expert on the aircraft industry, and have not made a serious investigation of the overbooking problem.

If the plan is as good as you and I think it is, I am utterly baffled by the unwillingness of one or more of the airlines to experiment with it. I conclude that we must be overlooking something.

I realize that you have tested this quite exhaustively, and I have no reason to question your results; yet I find it even harder to believe that opportunities for large increments of profit are being rejected for wholly irrational reasons.

Julian Simon to Milton Friedman, January 25, 1977:

Maybe you're right and I'm overlooking something. . . . But if there really is something being overlooked, the letters from airlines don't mention it. They just talk about collusion and administrative practicality.

Between this and the next letter a rare accident happened. An economist, Alfred E. Kahn, was appointed chairman of the CAB, and he at once recognized the merits in Julian's plan and proceeded to arrange for a test. The rest is history. The plan is today universal.

Julian Simon to Milton Friedman, July 31, 1979:

I'm one of your great fans, and I'm not an "I told you so" type. Still—you may find it interesting to compare your second and third paragraphs in [your letter of January 18, 1977] with American Airlines' experience as described in the enclosed letter and memo. ["We have been very pleased with the results of our voluntary approach to denied boardings."] If bureaucratic inertia is irrational, then it seems clear that the only barrier to innovation here was indeed irrational.

Milton Friedman to Julian Simon, September 26, 1979:

Many thanks for your "I told you so"; you are entitled to it. . . .

You deserve a great deal of credit for having pushed your idea as effectively as you have.

Milton Friedman
Stanford, California
March 31, 1998

THE ULTIMATE RESOURCE 2

Other Books by Julian L. Simon

POPULATION ECONOMICS

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The Economics of Population Growth (1977)
The Ultimate Resource (1981)
Theory of Population and Economic Growth (1986)
The Economic Consequences of Immigration (1989)
Population Matters: People, Resources, Environment, and Immigration (1990)
Population and Development in Poor Countries: Selected Essays (1992)
Scarcity or Abundance?: A Debate on the Environment (with Norman Myers, 1994)

OTHER

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Applied Managerial Economics (1975)
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Economic Essays of Julian L. Simon (1996)

EDITED BOOKS

Research in Population Economics: vol. 1 (1978); vol. 2 (1980) (with Julie daVanzo);
vols. 3 (1981) and 4 (1982) (with Peter Lindert)
The Resourceful Earth (with Herman Kahn, 1984)
The State of Humanity (1995)

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Multitudes of people, necessity, and liberty, have begotten commerce in Holland.

(*David Hume, "Of the Rise and Progress of the Arts and Sciences,"*
1744–1777)

The development of science . . . requires . . . freedom of the spirit which consists in the independence of thought from the restrictions of authoritarian and social prejudices.

(*Albert Einstein, Ideas and Opinions, 1954*)

