

AMERICAN
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Julian Simon
and the
Triumph
of
Energy
Sustainability

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Introduction

Fred L. Smith, Jr.

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Julian Simon would have been impressed by this assessment of energy sustainability for Earth Day 2000. This book meets his criteria for thoughtful discourse. First, it separates problems from non-problems. Second, it recognizes that transitional problems will continuously affect society. Third, it examines the forces that might block or encourage solutions to the problems. And finally, it gathers data to determine whether we are gaining or losing ground. Using this deceptively simple methodology, Simon's life work has forever changed what is popularly called sustainable development theory.

Simon's success did not come from playing to popular prejudices. He was not interested in surfing the emotional waves that dominate the political world. His contribution (and future fame) came from discovering that reality was very different from what the prevailing intellectual class had concluded. It all began, as he relates in *The Ultimate Resource 2*, from a conscious decision to address what he then thought to be the most critical problem facing humanity—overpopulation.

Like many intellectuals of our day, Simon began as a modern Malthusian, subscribing to the belief that a growing population consuming more and more resources spells disaster for the world. Unlike his intellectual brethren, he retained an inquisitive and open mind while studying the collected data. After observing reality, evolving hypotheses, and then testing them empirically, Simon reached a startling but positive conclusion: The trends forecast by Malthusians were not present. Humans were solving far more problems than they were creating, so something other than the limits of nature had to be at work.

The powerful force that Simon "discovered," what he called *the ultimate resource*, was creative human endeavor.

Simon reached a startling but positive conclusion: The trends forecast by Malthusians were not present.

While more people meant more consumption, more people also meant more economic goods and services. People might be “stomachs,” but they were also “brains” and “brawn” that could usefully shape resources in new ways to solve problems and to thrive.

Simon found that humanity progressed not only by solving immediate problems within the existing institutional framework but also by creatively *improving* the framework over time. This improvement process created new freedoms and responsibilities, which, in turn, would help to solve greater problems. More specifically, in the short run, members of society adopt localized technical and contractual fixes. In the medium-range, they may explore government regulatory policies. In the longer term, they expand the scope and scale of the liberal institutions. These institutions of economic freedom—private property, binding contracts, and the rule of law—improve incentive structures that foster both economic well-being and environmental stewardship.

Simon recognized that man was not merely “homo economicus.” He fully appreciated higher order values such as aesthetics and biodiversity, yet he believed that it was only humanity’s success at addressing its base needs that made those elevated values possible. Western civilization, he documented, has eliminated a host of problems (such as energy scarcity) by relying on market signals. When a natural resource such as oil or copper becomes scarce, for example, prices rise. When prices rise, new supplies are found and brought to market, resources are more carefully husbanded, and the creative possibilities of alternatives come into play. Such successes improve living standards and afford humanity the opportunity—the *luxury*—to pursue ever-higher environmental values.

Fighting the Intellectual Class

Simon realized that humanity could, and often would, hamper itself by creating policies that inhibit innovation. Indeed, his life was witness to the efforts of the Malthu-

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sians to block debate over his findings. Our modern doomayers, as he called them, were convinced that Simon’s optimistic findings were illusory or fleeting. They vilified Simon as a nuisance at best, a dangerous foe of society at worst.

The Malthusians were right to fear him: Simon’s conclusions challenged the intellectual foundations of progressivism. Indeed, the whole premise of the progressive project—that an intellectual elite could and should plan the lives of others—was at odds with Simon’s findings.

Today, Simon’s view has come into the mainstream. Markets are on the ascendancy throughout the world, and that has triggered a reactionary response by Simon’s foes. These modern progressives fear obsolescence in the new information-age economy. Their initial focus on sustainable development has shifted from the old model of central planning for economic rationality and social justice to the “precautionary principle” for the environment. The current debates over globalization, biotechnology, genetic engineering, and global warming are all about slowing progress in the name of preventing (even at significant present cost) a *possible* problem, often projected to occur at a distant date and under vague conditions.

To the precautionary intellectual elite, the Malthusian mindset is of great value. The failures of the progressive era have forced them to abandon their claims of being able to bring about heaven on earth through economic planning. Having failed at their optimistic approach, they now seek power on more pessimistic grounds. They now argue that the earth is inherently fragile and unstable, that current trends threaten a livable future on our only planet. They seek to retain influence and ultimately power, not on the grounds of making a better tomorrow (the New Economy is independently achieving that), but rather to prevent a future “hell on earth.” Those who seek a catalog of modern progressives’ fears can do no better than read *Earth in the Balance* by current presidential candidate, Al Gore.

Simon's success in challenging the progressive project in part reflects the quality and quantity of his research and writings. Facts and logic are powerful weapons in the war of ideas, and Simon had few rivals in his ability to wield these tools in the policy arena. Yet in large part Simon's success reflected his ability to make the debate over the human condition and public policy tangible to Americans.

No one valued rational thinking more than Simon; yet he knew well that in the policy world logic was too often unconvincing. As an expert in business advertising and marketing, he understood well that people have little time to educate themselves on policy issues. His most effective ploy was a clever wager with the doomsayers. Pick any basket of depletable natural resource commodities, he challenged Paul Ehrlich and the other progressives. In a specified future year, see whether the chosen commodities are more expensive, or less. Simon argued that throughout history humanity had made resources ever more abundant (and therefore cheaper) and would continue to do so. Ehrlich and his counterparts, believing that prices could only rise with growing demand bumping up against fixed supply, accepted the wager with glee. A decade and hundreds of millions of additional people later, the bet came due, and Simon proved the doomsayers wrong. Simon's simple wager, and his subsequent offer to extend the bet to *any* direct measure of human welfare, a challenge that his opponents did not accept, were the slingshot wielded against what was then the intellectual Goliath of Malthusianism.

The Energy Battleground

This book by Rob Bradley extends and clarifies Simon's insights in the important area of energy, specifically carbon-based energy use. This is a preferred battleground for our modern Malthusians. They concede (in a retreat from their positions of the 1970s and 1980s) that we will not run out of affordable energy. They admit that the poor need not be deprived of their fair share of energy. They acknowledge that hydrocarbon-generated air and water

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pollution are waning even as energy consumption increases, although they (rightly) insist that we can do better. Nonetheless, they now argue that our hydrocarbon energy economy is unsustainable due to a new problem.

To these new Malthusians, more is still less, and less is still more. Americans, they proclaim on this Earth Day, must drastically reduce energy usage and shift to more expensive and less reliable non-hydro renewable energy sources. They would require consumers in America and other countries to either tighten their belts or do without. They would require that consumers everywhere pay higher gasoline taxes, limit driving, and pay more for electricity—reversing the history of consumer sovereignty in free energy markets and institutionalizing poverty in developing countries.

The only areas in which Malthusians still seriously argue that the situation is getting worse is where there have been no real problems and thus no urgency to improve existing institutional arrangements to resolve them. One example is anthropogenic global warming, a highly exaggerated problem as this book documents. Still, if such global warming were to become a problem, Simon would argue the best solution would not be to ration energy use or turn to inferior substitutes, but to further liberate the ultimate resource. The resulting gains in knowledge and wealth would, over time, more than offset any global warming problem and probably turn it to our advantage. A solution that retains energy abundance and affordability, however, is far different from the anti-energy and anti-globalization policies favored by today's doomsayers and their government allies.

Humanity's — and Simon's — Bright Future

Humanity's future has never been more promising, and sustainable development theory is experiencing a sea change as more scholars move toward a dynamic, open-ended view of the world. Compare this to a mere decade ago. On Earth Day 1990, Julian Simon and Paul Ehrlich,

the loser of Simon's telling wager, each spoke in Washington, D.C. Simon spoke to a small gathering, sixteen by one count, at a Competitive Enterprise Institute event. His message was realistic, upbeat, and hopeful. Across town, as John Tierney related in a *New York Times Magazine* piece on Simon a few years later, Ehrlich addressed a throng of activists estimated at over two hundred thousand with gloomy tales about dwindling resources, falling productivity, and the "population bomb."

Today, the intellectual tide has turned, so much so that Earth Day 2000 should be renamed *Resourceful Earth Day* in tribute to Julian Simon. A growing chorus of top thinkers and scholarly institutions are working in the Simon tradition. Most important, the unceasing intellectual weapon of reality, growing a bit stronger each day, is separating historical fact from fiction to confirm and reaffirm the positive role of people in the economic and environmental progress of our day. People, as Simon insisted, remain the Earth's ultimate resource. This book enthusiastically advances that theory with what Simon called the "master resource," energy. ■

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