

# Eco-Socialism Threat to Liberty Around the World<sup>1</sup>

By  
Fred L. Smith, Jr.  
President, The Competitive Enterprise Institute

Our economics fails to see, let alone measure, the full value of major parts of our world...Much of what we don't see with our economics involves the accelerating destruction of the environment. – Al Gore, *Earth in the Balance*.<sup>2</sup>

It is true that where a considerable part of the costs incurred are external costs from the point of view of the acting individuals or firms, the economic calculation established by them is manifestly defective and their results deceptive. But this is not the outcome of alleged deficiencies inherent in the system of private ownership of the means of production. It is on the contrary a consequence of loopholes left in the system. It could be removed by a reform of the laws concerning liability for damages inflicted and by rescinding the institutional barriers preventing the full operation of private ownership. – Ludwig von Mises, *Human Action: A Treatise on Economics*.<sup>3</sup>

The statements above capture the significant differences between the contemporary collectivist and classical liberal perspectives on environmental protection. The collectivist vision is well represented by former Vice President Al Gore (quote above). He and most other environmental activists are convinced that the classical liberal order cannot protect the environment. They believe that markets are rife with *market failures*—that externalities are everywhere, and that environmental public goods are undersupplied. In a world of pervasive externalities, government intervention must also be pervasive. To the

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<sup>1</sup> This revised paper, originally presented at the Mont Pelerin Society Regional Meeting, Chattanooga, Tennessee, USA on September 20, 2003 might best be read with “The Bankruptcy of Collectivist Environmental Planning,” given at the Mont Pelerin Society meeting held in Santiago, Chile. That paper is available from CEI at the following address: <http://www.cei.org/pdf/3238.pdf>. Mont Pelerin members may also find the paper at the Mont Pelerin web site: <http://www.montpelerin.org/>.

<sup>2</sup> Al Gore, *Earth in the Balance*, (New York: Houghton Mifflin, 1992), 183.

<sup>3</sup> Ludwig Von Mises, *Human Action: A Treatise on Economics*, 3<sup>rd</sup> rev. ed. (Chicago: Henry Regnery Co., 1966), 657-658.

more theological wing of the environmental movement—the eco-theocrats—mankind has sinned against Nature, so we must expiate for our wicked ways. And this expiation is no mild thing—it requires nothing less than a “wrenching transformation of civilization.”<sup>4</sup>

In contrast, the classical liberal vision is well captured in the quote from Ludwig von Mises. To classical liberals, the environment is but one of the many important areas that different people value to differing degrees. Given the vast array of resources that make the environment, and the diversity of taste about these resources, classical liberals argue that a comparable control over these resources is needed. Classical liberals seek to provide that protection by integrating ecological resources into the market, by extending property rights and the rule of law to them. The environment values deserve as much—but no more—protection than other values. Nature cannot protect itself. Trees cannot have standing as legal actors, but behind every tree can stand an owner who, by protecting his property, protects it for all. The classical liberal approach is not to seek more efficient ways to advance some politically determined goal, but rather to create an institutional framework<sup>5</sup> to facilitate exchanges and trade offs between individuals, empowering them to make their own choices.

In this paper, I first ask: Why is there an environmental problem? In America, at least, few people worry about energy or food availability or fear the extinction of collies or Persian cats. Yet, many Americans are concerned about biodiversity, groundwater protection, and clean air. Why have we done so well in the economic sphere and so poorly in the environmental field? Next, I discuss the threat that our current environmental policy poses to economic liberty. The ecology has become the battleground on which competing visions now engage. I then consider the difficulty that we face in advancing reform and discuss

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<sup>4</sup> Al Gore, *Earth in the Balance*, (New York: Houghton Mifflin, 1992), 274.

<sup>5</sup> By “institutions,” I mean that set of societal arrangements which permit “private orderings” – that is, arrangements allowing voluntary exchanges among individuals and firms. Classical Liberals view exchanges as *creating* the information needed to establish priorities, to determine goals. The key institutions of a classical liberal order are private property and a rule of law which defines these property rights so as to permit orderly transfers and defenses.

the case for optimism. The greatest cause for hope for meaningful reform is centralized collectivist solutions cannot acquire the information or mobilize the individuals to advance their agenda. For these reasons, socialism failed; for these reasons, eco-socialism will also fail. One “reform” idea, however, should be firmly rejected – the approach of replacing today’s command-and-control regulatory regime with one based on politically-created “market mechanisms.”<sup>6</sup> I conclude by outlining a classical liberal environmental policy reform path, and suggest the initial steps we may take.

My hope is that this essay will prompt greater consideration by those valuing both the ecology and the economy to devote more time, thought, and energy to environmental issues. The environmental movement is a very powerful force in the world today. Left unchallenged, it has already undermined many of the core institutions of a free society: private property, the rule of law, free trade, sound science, sovereignty at both the federal (the independent role of the states) and global (the competitive role of nation states) levels. The Greens of today pose a threat to liberty as great as the Reds of yesterday.

## **II. Why Is There an Environmental Problem?**

The question is not frivolous. After all, environmental issues are as old as mankind. The first cave dweller who dragged home his kill must have suffered some criticism from his neighbors as the discards began to decay. Those early environmental problems were dealt with by the evolution of cultural rules—carry away offal, pollute waters only downstream of the tribe, move fires safely away from the huts. Traditional societies evolved some very sophisticated procedures for managing environmental issues.<sup>7</sup>

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<sup>6</sup> By “market mechanisms” is meant the use of economic regulatory tools – taxes and quotas – to encourage economic changes. Such measures are best viewed as “market socialism” because politicians would determine the direction in which change is to be encouraged.

<sup>7</sup> For a discussion of culturally-enforced property rights in the fisheries area, see *A Sea of Small Boats*, edited by John Cordell, (Cambridge, Massachusetts: Cultural Survival, Inc, 1989).

But those early societies were poor in both wealth and technology; perforce, they had to extract from Nature the values needed to address human needs. Only wealthy societies can value ecological resources to the degree demanded by today's environmental establishment.

The key question is: Why, as wealth increased, allowing this greater appreciation of environmental values, didn't institutions evolve that would have empowered individuals to express their preferences?

The answer, I believe, lies in the undermining of the classical liberal evolutionary process that occurred during the Progressive Era. Progressives believed that markets and private property slowed progress, that collective management of resources would more surely advance the public interest. Thus, they blocked the extension of private property to resources that had not yet been privatized (indeed, in the case of the electromagnetic spectrum and some arid western lands, rolling back fledgling homesteading efforts). Progressives also transformed the rule of law, making it more utilitarian, more willing to ignore individual values to advance the "common good." Earlier common law defenses of property rights that might have encouraged economic development along more environmentally sensitive paths were abandoned.

The Progressives also created or expanded a vast array of "promotional" agencies—the Army Corps of Engineers, the Bureau of Land Management, the Rural Electrification Administration, the U.S. Forest Service—to dam rivers, build canals, manage timberlands, and string power lines. Their pro-economic growth biases—dams and smokestacks were important, fishing and clean air less so—led them to neglect environmental issues in favor of faster economic growth. Progressive views came to dominate American culture, even leading courts and legislators to reject nuisance suits and other attempts to curb environmental torts. Because much economic activity became associated with low environmental protection, it is not surprising that

many Americans saw economic development as necessitating the sacrifice of ecological values.

Thus, when a wealthier America began to place greater value on ecological concerns—when, in fact, the effective political majority began to demand that the environment be protected—pollution and other environmental problems were largely viewed as resulting from economic growth. The “market failure” explanation was accepted uncritically. Indeed, most economists—even most “free market economists”—have adopted this framework.

Yet, as the initial quote by Von Mises suggests, this line of thinking is confused. Had classical liberal institutions evolved, these newer values would have been integrated gradually into individuals’ varying preferences. Of course, in the early Progressive Era, the result of voluntary exchanges would more likely favor economic development over environmental preservation—poverty leaves little room for aesthetics. But some would still have preferred the intrinsic tranquility of the woods. Thoreau was not unique, even in his time.

An example of this derailment of evolutionary forces might be useful here. Consider the evolving institutional arrangements for managing underground liquid resources. The United States had departed from the European tradition of political ownership of sub-surface mineral rights. That slight shift encouraged a far more aggressive entrepreneurial exploration for things of value in that newly opened regime. A dramatic result of that move to privatize underground resources was the development of the modern petroleum industry.<sup>8</sup>

The history of the oil sector is glorious, albeit poorly understood. Progressives described this period as one of “robber barons,” “greed,” and “exploitation.” However, Burton Folsom’s *The Myth of the Robber Barons* provides a healthy contrasting story, as does the small edited

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<sup>8</sup> I am aware that oil wells had existed far earlier – in China around 1000 A.D., I believe. Still, the modern petroleum industry is largely a U.S. creation.

volume by Frederick Hayek, *Capitalism and the Historians*.<sup>9</sup> I, however, will merely sketch this history.

From the time of Colonel Drake's first gusher in Titusville, Pennsylvania in 1859 until today, America's private petroleum industry has aggressively spent vast sums in mapping out America's subterranean resources, seeking to find the geological formations in which oil is most likely to be found. A new science, seismology, was developed to make this exploration effort more efficient. Once oil was discovered, even greater sums were spent in "mapping" the extent and boundaries of the pool. Comparable innovations in the contracting and negotiation area occurred to allow wise management of the resource. Over time, that led to the increased "unitization" of oil fields—the acquisition of sub-surface rights and their re-organization into integrated physical units, allowing more efficient drilling, pumping and "flooding" practices.

The result of integrating oil into the classical liberal institutional framework has been spectacular. Oil has become an ever more abundant resource as private parties have become ever more skillful at discovering new oil fields, developing those fields, and refining the raw resources to produce a range of consumer products: gasoline and diesel fuel, heating oil, and asphalt and other building materials. It should be noted that the evolution of property rights in petroleum occurred when classical liberal policies were dominant in the United States. The Progressives had not yet derailed the process by which newly valued resources were gradually integrated into the market.

In contrast, groundwater became a scarce—and therefore valued – commodity, after the Progressives gained influence. Quasi-property rights associated with surface water—such as fishing rights and use rights for power and processing—had evolved and played an important role in protecting these resources. Groundwater, however, was too

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<sup>9</sup>See Burton Folsom, *The Myth of the Robber Barons: A New Look at the Rise of Big Business in America*, (Herndon, VA: Young America's Foundation), 1996. Also see *Capitalism and the Historians*, edited by Frederick Hayek, (Chicago: University of Chicago Press), 1954.

abundant in this early period to justify the costs of creating the institutional arrangements for its efficient use.<sup>10</sup> Fishing clubs, for example, were able to defend the quality of the fishing areas under their control, even when those threatening that quality represented powerful interests, such as industries and municipalities. But these dispersed and relatively undeveloped rights were never extended to the more costly—although more abundant—groundwater resource. Little thought was given to allowing groundwater to become a “private” resource like oil.

The result of these differential treatments of comparable underground liquid resources is striking: The relatively scarce commodity (petroleum) has become ever more abundant, while the relatively abundant commodity (water) has become ever scarcer. The result, as Terry Anderson of the Political Economy Research Center (PERC) has noted, is that, in the arid West, “Whisky is for drinking, water is for fighting!”

As the Progressive Era began to experience the internal contradictions of all socialist systems—the inability to acquire the information necessary for managing activities, the rent-seeking corruption of political institutions, and the increased centralization of power in the national government—a shift occurred. The Progressives lost their faith in their ability to create Heaven on Earth.<sup>11</sup> As some former Progressives abandoned their faith in centralized planning, they shifted from the optimistic belief that political institutions could best advance welfare to a Malthusian belief that only central planning by the intellectual elites could fend off disaster. The new Progressive rationale was that government was needed to prevent Earth from becoming Hell!

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<sup>10</sup> See, for example, Elizabeth Brubaker, *Property Rights: In Defense of Nature*, (London: Earthscan Publications, 1995); Roger Bate, “Water—Can Property Rights and Markets Replace Conflict?” in *Sustainable Development: Promoting Progress or Perpetuating Poverty?* ed. Julian Morris, (London: Profile Books, 2002); Morton Horowitz (Common Law)

<sup>11</sup> The religious elements of the Progressive movement have been commented on by many scholars. See, for example, Robert H. Nelson, *Reaching for Heaven on Earth: The Theological Meaning of Economics*, (Savage, MD: Rowman & Littlefield Publishers, Inc, 1991).

I use the term Malthusian because it captures the pessimistic element that was always a part of the Progressive movement. U.S. Forest Service founding chief Gifford Pinchot—a prominent Progressive—and others were convinced that only collective management of forests and other natural resources would ensure sustainable development. Private owners were too short-sighted to consider the full social impacts of resource management. We would run out of timber, minerals, and almost everything else unless the “experts” took control. In the early days, the Progressives were convinced that individuals would exploit their resources too little; the new Malthusians came to believe the reverse.

Malthusian beliefs are at the core of the contemporary environmental movement. They espouse the “Terrible Toos” theories that claim there are *too* many people consuming *too* much and relying *too* heavily on technologies about which we understand *too* little. From this follow regulations to restrict population, consumption, and technology—even though such policies’ logical conclusions can be summed up as death, poverty, and ignorance. Al Gore embodies this doomsday mentality.

Of course, this picture is too bleak. In some areas, fragments of a classical liberal institutional order did survive. As noted earlier, in England, fishermen formed associations that were able to force reductions in harmful pollutants from both industry and municipalities. In some regions, custom and culture produced property rights arrangements to protect shellfish in bays and estuaries.<sup>12</sup>

But the broad outlines remain dismal. Resources that were outside the private sphere in the 1890s remain so today. And resources that were only beginning to enter the private sphere at that time—the electromagnetic spectrum, fisheries, and western lands—effectively reverted to political control and suffered the tragedy of the commons. As a result, the gradual emergence of the environment as a valued aspect of life proceeded in a world bereft of classical liberal institutions. Older

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<sup>12</sup> See articles produced by the Center for Private Conservation, a former affiliate of CEI, at [http://www.privateconservation.org/pubs/case\\_studies.htm](http://www.privateconservation.org/pubs/case_studies.htm).

property rights defenses were slowly eroded away; and their newer adaptations were blocked. The result was that when environmental values became majority values, few realized that any non-coercive course existed to protect these values.

### **III. The Ecological Threat to Liberty:**

As noted, contemporary environmental policy is the intellectual and moral child of the Progressive Era. As such, it shares much of that ideology's prejudices and policy biases. Indeed, in many ways, eco-socialism is far more dangerous than its socialist predecessor. As someone has noted, "I liked the old Reds more than the new Greens. After all, the old Reds, at least, justified their horrors as steps toward helping mankind. Helping mankind has little value for those who worship Gaia."<sup>13</sup>

Today, state and local governments routinely find their authority to determine how to best advance the safety of their citizens overridden by Environmental Protection Administration (EPA) mandates. For example, a state *must* spend funds to comply with an EPA mandate to reduce trace arsenic levels in its drinking water, even though it might achieve more value by spending those funds on an expanded emergency response service, including new ambulances and medical equipment. State governments are little more than serfs to the EPA —EPA dictates, they must obey.<sup>14</sup> But it is at the global level that the threat of eco-imperialism is perhaps greatest.

Trade policy—via linkages to other, seemingly unrelated, issues—now threatens to hold hostage economic and technological growth in the

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<sup>12</sup> Gaia, of course, is the Earth Goddess, Mother Nature, in effect. There is in the contemporary Malthusian progressive movement with an element of religiosity similar to that of the earlier Progressive Era's economic phase. Today's deity, however, is no longer Progress, but Nature.

<sup>14</sup> Of course, state EPAs may well align themselves implicitly or not with the federal officials. An EPA mandate may harm the state but still expand the powers of the state agency. Bureaucrats, it should be realized, also respond to incentives and have been quick to ally themselves with federal agencies (or in the global context with U.N./World Bank officials, eager to sacrifice the welfare of their citizens to the aggrandizement of their agency).

developing world to the ideological objectives of global environmentalists. A host of Multilateral Environmental Agreements (MEAs) makes it harder for poorer nations to climb the ladder out of poverty. Even though these nations will traverse a far less environmentally damaging path than the now-developed nations did, these treaties threaten to sanction trade if it harms turtles or elephants or, more generally, the “environment.”

Leaders in the developing world are slowly awakening to this elitist threat to their future; but, unfortunately, the budgets of some nation states are smaller than the budgets of some international green NGOs. Moreover, these NGOs have embedded themselves into the administrative minutiae of trade negotiations and advance seemingly innocent, but strategically damning, initiatives at every opportunity. They have successfully pushed issues on their agendas, including bans on biotechnology—the most hopeful way of ending hunger around the globe—and pesticides—which have greatly reduced the risks of malaria to humans.

Of course, most environmentalists give lip service to the value of the market. Markets, they acknowledge, are wonderful institutional arrangements for creating wealth—but, of course, they fail and thus must be perfected. Thus, economic activities that produce emissions which may flow onto the properties of others or into “public” environmental areas—the air or the waters—must be regulated to eliminate externalities. However, *all* economic activities create some external impacts; therefore, say statist environmentalists, *all* economic activities must be regulated.

Thus, the contemporary environmental movement threatens to undermine the classical liberal order in the economic sphere. The demand to end all pollution<sup>15</sup>—and the lack of ownership rights in air

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<sup>15</sup> “Pollution” is not the simple production of “residuals” that – if allowed to flow onto the properties of others – might create harm or nuisance. Yet, the absence of any “owner” of the air or the waters means that no one is

and waters which would permit the voluntary acceptance of such negative substances by some property owners—means that externalities are pervasive. Contemporary environmentalists can thereby demand pervasive government intervention. Yet, a free market economy with every price and quantity variable subject to political manipulation is no free market at all. A world of pervasive externalities becomes a world of pervasive government intervention.

An approach that would have the government micromanage all economic activities is, of course, an example of the “fatal conceit” discussed by F.A. Hayek<sup>16</sup>. Pervasive political intervention is unfeasible—we lack both the information and the incentive-creating capability to centrally control our complex economy. Moreover, this pervasive politicization of the economy creates massive opportunities for mischief throughout the system. (Indeed, regulatory “market mechanisms,” being more flexible than command and control regulations, may create an even greater array of rent seeking opportunities due to the costs such activities entail.) Little hope can be placed in a free market economy saddled with “corrective” restraints.

Classical liberals have done much over the last century to revive the ideals of freedom, scoring important gains in the war of ideas. Our partial success owes much to the quality of our arguments but also—and possibly even more—to the disastrous economic experiences of the Progressive/socialist state. The result is that many people are now convinced that classical liberal institutions—private property, voluntary arrangements, and the rule of law—offer a superior means of organizing economic affairs. The socialist frontal assault on economic liberty has been thwarted, even though mixed-economy advocates still dominate most policy debates.

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empowered to voluntarily accept (perhaps for consideration) these flows. Absent property rights all economic activities “pollute.”

<sup>16</sup> See F.A. Hayek, *The Fatal Conceit: The Errors of Socialism*, ed. W. W. Bartley III, (University of Chicago Press, 1991)

But these gains are now threatened by the widespread belief that classical liberal approaches cannot address environmental concerns. Conservatives, liberals, and even many classical liberals hold that view. Most classical liberal scholars have viewed environmental policy as a minor challenge compared to economic or foreign policy concerns; environmental policy, they believe, is perhaps foolish, but not dangerous. That attitude has been particularly dominant among scholars in the developing world, who have viewed environmental concerns as irrelevant to their nations. I do not agree, and argue in this paper that our neglect of this increasingly powerful policy area threatens all that we have gained over the last century.

Having fought back a red tide, we are now in danger of being engulfed by a green one. The forces that once marched under the banner of economic progressivism have regrouped under a new environmental banner. These people are still Progressives. They are still convinced of the superiority of centralized control; they remain arrogantly confident that they should play a key role in the management of society.

Still convinced that the market cannot adequately address certain problems—economic growth then, environmental protection today—these new Progressives now concede the superiority of the market as a means of wealth production. They no longer see economic goals as threatened by market failures. They still, however, view market failures as pervasive in the ecological sphere. Indeed, given that almost any economically justified interventionist policy can now be justified on ecological grounds, they have given up very little ground. Economic central planning may have gone out of vogue, but environmental central planning has taken its place.

#### **IV. What is to be Done?**

Classical liberals face a massive task, but as noted in the next section, the prospects are far from hopeless. Eco-socialism is no more likely to

advance ecological goals than socialism was able to advance economic goals. We must take advantage of the breakdown of contemporary environmental policy to promote a creative alternative.

Our goal is to jump-start the discovery process that would have resolved many of these problems had it been in place over the last century. We are forced to play catch-up because of the Progressive derailment. We should cautiously adopt a constructivist approach to recreate the results this institutional evolution would have yielded—legitimization of decentralized and varied policies, devolution of policy making to states and localities when appropriate, removal of barriers to ecological privatization, and challenges to the breakdown of the cause-based property rights defense. We should reexamine the history of the Progressive Era to seek out the classical liberal order it sought to replace. The direction is clear—to think creatively about the changes that would likely have occurred had the Progressive tide not derailed the evolutionary process.

Restoring the classical liberal order will not be easy but there is, in my opinion, no alternative. To manage the modern economy directly is impossible; to “perfect” it via pervasive government regulations is even more impossible. Yet, the absence of property rights in environmental resources—wildlife in America, airsheds, rivers, lakes, and bays almost everywhere—means that we must begin the reform process almost from scratch.

Indeed, in the ecological field, we face problems similar to those faced by Hernando De Soto<sup>17</sup> in creating private property rights in such conventional resources as land and real assets in political jurisdictions where they have never existed. In both cases, we know where we wish to go but we have no road map to guide us there. Indeed, the problem in the environmental field is far more complex than that in the economic sphere. In the economic sphere, there are working approximations of the

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<sup>17</sup> Hernando De Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*, reprint ed. (Basic Books, 2003).

classical liberal world, while in the ecological field, there are only partial fragments of it.

Another difficulty is many contemporary environmentalists' utopian vision. They demand "zero pollution" and believe that this is a "right" for all the peoples of the world, whether said peoples desire that or not; and they refuse to acknowledge that environmental values may differ widely among peoples at different stages of economic development. We should expect charges of pandering to polluters and of accepting lower environmental quality for the poor and the peoples of the developing world.<sup>18</sup> In the final section of this paper, I address strategies for handling such egalitarian attacks.

It is important to clarify that the classical liberal goal is to protect not any specific species or ecosystem, but the institutions that allow people to make choices. "We" are all too likely to differ widely on what should be protected. (Consider that in the private sphere, there is no "garden biodiversity" law concerned that too few pansies or tea roses are being grown or a "pet policy" that monitors the populations of pit bulls and adds incentives if their population moves toward endangered status.) Rather, our goal is to empower people to protect the things that they care about. That is, our goal is not to give trees "standing," whatever that might mean, but rather to ensure that trees—and wildlife and waters and airsheds)—have "owners" or parties empowered to negotiate what trade offs they would voluntarily accept in order to allow their properties to "suffer" some level of environmental loss.

Stories and anecdotes are very useful in persuading others to consider reform. Consider the situation of two neighbors. We would not allow our neighbor to dump his garbage in our swimming pool, but we would

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<sup>18</sup> An egalitarian message appeals to people's sense of fair play, the belief that no man is entitled to more than his neighbor and that privilege is wrong. Attacks based on such egalitarian grounds can be vicious. During Lawrence Summers's tenure as Chief Economist at the World Bank, he noted that poorer nations might well benefit from a bit more pollution. His point, of course, was that the trade offs between environmental and economic values will differ with wealth. He also knew well that poverty is the greatest cause of pollution and only economic growth will ever allow environmental gains in the poorer nations of the world. Nonetheless, he was widely attacked for this position and forced, Galileo-like, to genuflect to conventional wisdom.

not be horrified if some of his leaves or water from his lawn sprinkling system fell in our pool. Community norms create expectations, and a reasonable starting point would be to create those expectations as tripwires for determining when a trespass or nuisance has occurred.

Today, we have almost no information about the values that various people place on varying levels of environmental quality. The games being played in this area—cost/benefit analysis, contingent value analysis, willingness-to-pay or willingness-to-accept payment—have made a travesty of policy analysis. Again, however, this is but one recurring aspect of the fatal conceit, the belief that intelligent people can substitute for markets. It is only in actual exchanges that we gain information about the values that people hold toward environmental quality. Only in exchange can we gain any understanding of what, if any, uses should be made of ecological resources. For that reason, the classical liberal reform agenda must focus on *institutional arrangements*, not *incentives*. Incentives are simply means to an end. Classical liberals must continually emphasize the salient point that *markets absent property rights are a grand illusion*.

One final problem should be mentioned. The American system of political management of private activities, the regulatory state, has been more resistant of criticism than has the European socialist system of direct government ownership of resources. I've sometimes referred to the regulatory state as "dishonest socialism," because when regulations fail, the cry is rarely for rethinking the basic policy, as is often the case when government-owned facilities fail. Rather, the call is for even more regulation. Failure is seen as evidence that the regulations were not aggressive enough, that they were too sympathetic to the interests of "the polluters." We must be prepared to encounter this argument.

## **V. Prospects for Reform**

The challenge of reforming environmental policy—of advancing classical liberal ideas in the environmental field—is not hopeless. The primary reasons for optimism are similar to those that eventually led to the decline of economic socialism. Socialism did not fail simply because of the power of classical liberal ideas and ideals. In fact, some of our best thinkers were vanquished politically. Hayek’s ideas were largely ignored for many decades. Classical liberal efforts were reduced to a desperate effort to ensure that classical liberal ideas survived in what appeared to be an inevitable new Dark Ages. But classical liberals were far too pessimistic. Socialism failed on its own terms—and that failure forced new thought into the policy process. Classical liberal criticisms certainly played a role in that demise, but the failures stemming from the internal contradictions of socialism itself created an audience for these criticisms.

Eco-socialism could face a similar fate. Already, contemporary environmental policy is in great disarray, if not yet at the similar stage of socialism before its collapse. The Environmental Protection Agency is the most powerful regulatory agency in history; yet, its powers are dwarfed by the goals that have been assigned to it. It has no means of defining meaningful priorities,<sup>19</sup> of decentralizing decision making, or of recognizing the risks increased by other risk-reducing measures. Its budget now approaches \$10 billion and it imposes costs on the economy estimated around \$200 billion. Yet, most people view the agency as a failure, believing—in no small part because of the agency’s own alarmist studies—that America’s air, water, and land are deteriorating. That Doomsday belief has ensured the growth of the EPA bureaucracy, but it has also reduced the agency’s operating flexibility and discouraged

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<sup>19</sup> One effort some years ago to assess the rationality of EPA’s actual priorities demonstrated that fact dramatically. EPA sought to assess the most important programs on “rational” grounds and then compared those priorities to those that were actually followed by the agency (as measured by money and staff time devoted to each program). The two orderings were almost the reverse of each other – political realities had forced the agency to emphasize programs that the professionals in the agency felt less important and neglect those program areas that the professionals thought significant. This observation does not, of course, mean that one ordering was correct, but rather that the agency had no meaningful way to answer that question. That internal review effort occurred over a decade ago – EPA has never repeated the exercise, suggesting that they have no further interest in revealing the depth of their confusion.

experimentation. Few people believe that EPA is delivering environmental services well or efficiently.

Consider, for example, that although EPA is now in its third decade, it still lacks any means to determine what is meant by the phrase “a cleaner environment.” Does it mean reduced PCB contamination in the sediments in the Hudson River, reduced levels of arsenic in drinking water in New Mexico or Nebraska, greater visibility in the Smoky Mountains, lower levels of radon in California basements, more spotted owls in Oregon?

Environmental goals are infinite. How does one set priorities among those various resources? How do we express preference in ways that yield consistent orderings across society?

Moreover, EPA, despite its ability to impose massive compliance costs on individual firms and communities, remains unable to impose its priorities upon the populace. Indeed, most current environmental “problems” reflect the implicit fact that people prefer to make their own trade offs.

Take smog in Los Angeles as an example. Los Angelinos face several options: they can move to other regions, since few communities experience the LA level of smog alerts; they can modify their behavior to stay indoors more often, a response that dominates today; they can purchase air conditioners, air cleaners, and other technologies, thus creating higher quality “privatized” airsheds; or they can seek political solutions. If the costs were visible, it is far from evident that anyone would opt for tightening restrictions on automobiles, backyard grilling, the use of spray paint, or other regulations. Currently, the national nature of air pollution laws forces consumers in other states to bear many of the costs created in California. But were Los Angeles in charge of its own airsheds and were regulatory costs borne locally, it is far more likely that Los Angelinos would opt for reasonable trade offs—like one of the

options mentioned above—rather than accept politically imposed limits on personal mobility and choice.

In any event, the fact remains that EPA's regulations are becoming increasingly onerous. The crude "haystack" regulations from EPA's infancy, falling largely on large corporations and municipalities, common throughout the nation, and focused on a handful of criteria pollutants generated in massive quantities—have given way to today's "needle in the haystack" problems—highly varied from region to region, from season to season, and generated in sometimes minute quantities from vast numbers of point and non-point sources. Crude political interventions imposed uniformly over the nation are far less applicable today. Yet, EPA has no interest—and very little legal ability—to modify its approach, to allow regional flexibility, or to experiment.

Moreover, EPA gets little respect even from its supporters. It is perhaps not surprising, after nearly a century of progressive dominance of environmental issues, that *expectations* would be drastically out of line with *realities*. Environmental quality, on objective lines, had been improving throughout the Progressive Era, as wealth and knowledge increases both encouraged and made possible the lightening of man's footprint on this planet. EPA has consistently alarmed the American people, seeking to convince them that the agency has played an important public health role.<sup>20</sup> But, while EPA has clearly been successful at *alarming* the American people; yet, it seems unable—or perhaps unwilling—to *inform* them.<sup>21</sup>

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<sup>20</sup> Most people still believe this. For a different perspective, see Michael Gough's paper, "How Much Cancer Can EPA Prevent?" *Risk Analysis*, Vol. 10, no. 1, 1990. His answer is very little. Also, see Marc K. Landy, Stephen R. Thomas, and Marc J. Roberts, *The Environmental Protection Agency: Asking the Wrong Questions*, (New York: Oxford University Press, 1990), which deals explicitly with EPA's management decision to shift attention from the largely aesthetic issues of enhancing environmental quality, to the more emotional justification of improving public health. Sooner or later this dishonesty will be uncovered and EPA will be further discredited.

<sup>21</sup> Indeed, EPA's ability to educate the public may be non-existent, as an example from Britain illustrates. During the biotech debate in the UK, the British government sought aggressively to clarify the value of this new technology. They failed – it is clearly easier to frighten than to reassure.

However, the steady diet of doom-and-gloom seems to be losing its appeal. Americans are an optimistic people and that seems to be creating a reaction against the “world is ending and mankind is responsible” claqué.

One very positive factor arguing for change is the evolving attitudes of the leaders of the developing world. Environmental issues are not, of course, viewed as high priority concerns in poor nations. They must become far wealthier to find parts per billion of chemical contaminants more significant than billions per parts of bacterial contamination. Yet, until recently, these nations’ leaders ignored the topic, leaving policy questions to low-level environment ministers—who then jetted around the world negotiating treaties which they had no ability or intent of implementing. Many of these treaties—the Basel Convention on Hazardous Wastes, which made it harder for nations to import scrap material; the Persistent Organic Pollutant (POPs) Treaty, which makes it harder to acquire and use DDT; the Convention on International Trade on Endangered Species (CITES) Treaty, which weakens the ability of gaining economic value from a nation’s wildlife—are harmful to the nations involved. Yet, their environmental ministers seemed unaware of that fact.

Today, however, the push by the global greens to subordinate trade to adherence to environmental standards has brought more serious voices to the negotiating table. Developing nations’ finance or trade ministers, who are influential in their countries, understand well the risks imposed on their future by green imperialism. Their voices at the 2002 Johannesburg Earth Summit and earlier at the 1999 Seattle WTO meeting were vigorous at protesting the attempt by U.S. and European greens to force restrictive regulations on them. And these spokespeople threaten to discredit the egalitarian cloak that NGOs have used to enhance their standing.

## **VI. Avoid Market Socialist Approaches**

There is one serious issue that divides classical liberals in this area: the wisdom of advancing politically-created “market mechanisms”—such as eco-taxes and emission quotas—as a step toward reforming environmental policy. Some argue that such measures would certainly improve the efficiency of advancing environmental goals. One argument against so-called “market mechanisms” is practical: efficient means to inefficient goals is rarely efficient. Many of the proposals in this area have ignored the political incentives they create. Tradable rights in carbon emissions, for example, function like conditional ration coupons—their value depends upon the stringency of the underlying restraints. Firms who believe that they would have a surplus of such coupons would lobby aggressive for tighter regulations, since it would allow them to make money by selling coupons. Indeed, Enron did exactly that in the years prior to its collapse.

The more conceptual case against “market mechanisms” stems from the fact that this debate over market means to politically determined goals was fought out long ago. Socialists of an earlier time also became aware of the weaknesses of command-and-control socialism and began in the early 20<sup>th</sup> century to advocate similar “market socialism” tools. They sought to ensure that political judgments would still determine societal goals, but that these goals would be achieved efficiently.

A great debate on this topic occurred between the leading socialist and classical liberal intellectuals of that era. (It came to be known as the “socialist calculation” debate.) Hayek and Von Mises represented classical liberal thought; while economists Abba Lerner, Janos Kornai, and Oskar Lange took the collectivist position. Hayek and Von Mises argued that absent a system of voluntary exchange it is impossible to acquire the information and to devise the incentives needed to attain politically determined goals. In contrast, Lerner, Lange, and Kornai argued that, in fact, market mechanisms would allow us to attain efficiently a politically determined goal.

I believe that Hayek and Von Mises won the intellectual debate; however, the socialist calculus school won the political debate, and, as result, an intellectual defense of socialism survived for another generation. Whether the market socialists' success in this area played a critical role in extending the life of socialism is unclear, but it certainly played some role in making socialism intellectually respectable for a longer period. Market mechanisms in the environmental area replicate this mistake, providing an intellectual defense to current policies which we should be challenging. As I've long noted, the problem of environmental policy today is less that we're doing sensible things foolishly, than that we're doing too many foolish things.

## **VII. Conclusion: Toward a Classical Liberal Environmentalism**

Classical liberals are justly proud of their role in relegitimizing the case for economic liberty, in clarifying the critical roles played by contract and private property in making liberty a reality. Moreover, the rejection of static analysis—which ignores institutional, public choice, and innovative opportunities—as a useful basis for public policy making may yet be our greatest achievement.

However, we have much analytic and marketing work yet to do. We must restart the discovery process, jumpstarting it if possible. That suggests that we find ways to allow the states and localities to experiment, possibly within some limited range, the environmental goals assigned them by EPA. (In the welfare area it was this flexibility that opened the door to reform.) Ecological waivers would be a very valuable first step in creating “green laboratories” at the state—or, even better, at the local—level. All barriers that have blocked the evolutionary process, such as laws against ownership of water or wildlife, should be repealed—ecological privatization would allow both the most decentralization and the greatest amount of experimentation.

Research on alternative management strategies—ranging from the ways in which traditional communities established property rights that were culturally enforced to national variations in resource management policies—would suggest other areas for policy experimentation. And the voices of the developing world should be mobilized to strip away the egalitarian guise of current enviro-elite policies.

We should also recognize the vital role of non-economic institutions in advancing ecological values. The classical liberal model does not restrict itself to economic exchanges. We are not concerned only with ecological resources having instrumental value to the economy (recreation, hunting, resource extraction, and so forth). Indeed, one of the classical liberal model's greatest strengths is that it does not distinguish between instrumental and intrinsic values;<sup>22</sup> rather, it seeks to create institutional arrangements in which all resources are held privately and the individuals themselves decide whether they wish to use or preserve them.

The opportunity—and need—for reform has never been greater. And the faltering faith in ecological central planning provides hope that our efforts might succeed. After all, as noted earlier, the current government model for protecting Planet Earth is no more likely to succeed in its mission than earlier socialist models were in producing economic growth. The U.S. now depends upon spending vast sums, employing armies of technicians and bureaucrats, and relying on relatively honest government. These three elements not common in the world today. The U.S. approach to environmental policy does not export well. That realization—coupled with the understanding that classical liberal

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<sup>22</sup> As used here, “instrumental” refers to the use of a resource to create economic value – trees for lumber or pulp or shade, animals for food, wilderness for wildlife habitat or hunting. “Intrinsic” refers to non-economic uses of these same resources – trees for contemplation or aesthetic appreciation, animals as pets, wilderness for contemplation. Generally, instrumental values dominate in early subsistence societies, gradually being supplanted by intrinsic values as individuals grow wealthier. In the classical liberal world, these differences are neither precise nor rigid. Pets, for example, are owned for non-economic reasons, but many economic activities (pet food providers, pet “hotels,” veterinarian services) grow up to service this non-economic value. The situation is akin to the arts, where many collectors are often motivated by aesthetic values, but economically-motivated conservation services, insurance, museums, and auction houses exist in parallel.

institutions are far more compatible with mankind's nature, and that private property, markets, and contracts are the most effective ways of mobilizing the ingenuity and energies of the peoples of the world—should give us the courage to proceed.

It is essential that we move away from the current system, which segregates ecological resources, seeking to wall them off from the market. Our goal should be to integrate ecological values into the system of human trade offs. Only such a system offers any real hope of creating a sustainable Earth, of protecting our entire planet—not simply the First Class cabins that we in the United States and Europe now occupy.

My hope is that many in this society will take up this challenge and flesh out this framework for reform, so that we will begin now to bring ecological values in from the cold.