A Case for Free Markets from an Environmental Perspective

by

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Introduction:

It is common practise for those opposed to libertarian ideas to use the argument that with the minimal government and the emphasis on property rights that is the hallmark of libertarianism, the environment would suffer and that pollution would become widespread. This is not likely to be the case, as will be shown it the following essay. Property rights and the scarcity of resources will combine to make polluting expensive to the polluter, more so than is the case today. In the first section of the essay, it will be shown how companies have a license to pollute and how existing environmental regulation adds needless costs to business while doing little to reduce pollution. In the second section of the essay, free market solutions to pollution problems will be examined.

A License to Pollute:

Present day environmental regulations, while adding much costs to business through mandatory controls and reporting, do little to prevent pollution. Fines typically are low enough for a company to absorb over the long term as a cost of doing business. While recent laws, that allow corporate officers to be charged with polluting, are a step in the right direction, but fail overall to reduce the amount of pollution.

Mandatory recycling programs often generate pollution, through additional vehicle emissions from the trucks picking up the recyclable goods. Reuse, recycle programs often have hidden negative consequences. Disposable diapers take up space in landfills, but using cloth diapers requires additional detergent wastes discharged into the sewers, and additional electricity to be used in the washing of the diapers. Is this trade off worthwhile? No one has ever shown that it is.[1]

Landfill sites need not be the dangerous polluters of yester year. Landfill technology has improved over the years, and today solid waste management is safer than at any previous time in history. Land fill sites today are constructed with the containment of contaminants as a matter of course. They employ liners and liquid and gas collection and treatment systems. Incinerators are similarly advanced, with scrubbers and high temperature burners that reduce the most toxic waste to harmless ash.[2] Recycling, where economical eliminates much of the need for landfill use as does incineration. Incineration should be dual purpose..that is.. it should incinerate waste and the heat from the incineration process should be used in energy recovery programs, such as the firing of high efficiency boilers and turbines to produce electricity.

Yet environmental hearings into establishing sites of landfills and incinerators frequently bog down into hearings that last several years, escalating the overall cost of the project making waste disposal far more expensive and delaying projects that reduce pollution while allowing the problem that the sites were intended to solve, to continue.

Water pollution is not near the problem that it once was, with water quality improving since the 1960s. The once heavily polluted Great Lakes are seeing a resurgence in the variety and quantity of species of both fish and birds.

Yet again, a hodgepodge of contradictory legislation raises costs while doing little to solve the problems that the legislation was intended to address. An example of this, is the often confusing regulations regarding marine heads on small craft. Some jurisdictions allow holding tanks only, while not providing any place to pump out the holding tanks. Others allow macerating heads with chemical treatment, yet not allow the dumping of the treated waste.

Deforestation is not nearly as big a problem as environmentalists make it out to be. There are more acres of forest in the U.S than at anytime since the 1950s. Annual timber growth in the U.S /exceeds/ harvest by 37 percent.[3] The biggest cause of deforestation is the government subsidization of agriculture, ranching and logging. Subsidies allow marginal land to be farmed, which leads to perfectly usable forests being cleared for grazing land and for taxpayer supported crops, which in many cases produce a glut on the market, driving down prices and causing the farmer to demand further subsidies.

Air pollution is growing less of an issue, with emissions being lower than they were in 1940 and far below the levels of the 60s and 70s. Some pollutants, lead emissions, for example, have virtually been eliminated. Air pollution today is attacked through scrubbers and other technologies and relatively low fines that make it profitable for companies to pay the fine rather than upgrade their pollution control equipment.[4]

Free Market Solutions:

Pollution problems occur where rights are not defined and enforced.

Therefore, by privatizing what is termed public lands and enforcing the property rights of owners, the tragedy of the commons problem is eliminated. Property owners have a vested interest in keeping their property at a high value. Allowing toxic wastes to accumulate and poison their property would diminish it's value. With property rights given protection, the cost of allowing neighbouring property to be damaged from waste or effluent would be prohibitive.

The Tragedy of the Commons.

Quoting from Garret Hardin:

> *"The tragedy of the commons develops in this way, Picture a pasture open to all. It is to be expected that each herdsman will try to keep as many cattle as possible on the commons. Such an arrangement may work reasonably satisfactorily for centuries because tribal wars, poaching, and disease keep the numbers of both man and beast well below the carrying capacity of the land. Finally, however, comes the day of reckoning, that is, the day when the long-desired goal of social stability be comes a reality. At this point, the inherent logic of the commons remorselessly generates tragedy."*[5]

Hardin explains this as occurring through each user of the common(publicly held land) seeking to maximize his gain.

Each person, by consuming more of the common resource is able to produce more, thus he has a positive utility. However, because each person is consuming the same resource, each additional use hastens the depletion of that resource. Hence a negative utility. However, because the immediate gain is of more importance and effects all users, the negative utility to the individual is but a fraction of the positive utility.

This makes it attractive for the individual user to consume more of that common resource. Each individual user reaches the same conclusion and eventually depletes the resource.

There are two methods of resolving the tragedy of the commons. One is the interventionist method, that being the sharing out equally amongs all, a portion of the resource. Rationing of the resource. This is inefficient and wasteful. And example of this would be a common pasture. Each person could graze one cow on their section of the pasture, but would be limited to that one section. This means that they have only the ability to raise that one cow. Increasing the number of cows is out of the question because the land is limited. Each cow owner, must then either sell the raw milk to a dairy or else purchase the necessary equipment to process the milk into dairy products. In the second case, the cow owner must sell his milk at a high price to cover the cost of his dairying equipment.

The other method, a market solution, would be to sell the land to one or two people in parcels of land big enough to sustain a herd. Each person then has enough land to raise a herd of cows that makes the purchase of dairying equipment worthwhile. He could also sell the milk to a dairy, but even this would be cheaper and more efficient, as the dairy truck would only have to make one stop to pick up the day's production. Over the long term, private ownership makes sense, as the owner would have an incentive to manage his land, being careful not to overgraze the land.

Ownership leads to better stewardship.

By selling off wetlands, lakes and rivers to private ownership, the possibility of pollution becomes a lower risk. No one could dump their waste water into a creek or river, because that waste would eventually cross into another persons property and the person responsible for the dumping would be liable for clean up costs and damages incurred through his actions.

One of the potential buyers of wetlands would be conservation organizations such as Ducks Unlimited, which already purchases wetlands as they come on the market. Wetlands have been proved to be an effective, natural filtering system for removing pollutants, particularly municipal wastes. An experimental wetland filtration project has been underway for several years in Niagara-on-the-Lake, a small community near Niagara Falls, Ontario. This typical looking marshland, with cattails and other marsh plants, has had wastewater pumped into it from sewage lagoons and has shown a remarkable ability to remove pollutants from the water, with the water that flows from the marsh into Lake Ontario being restored to a quality well above the standards set by environmental regulations.[6]

Conservation and sporting organizations, like Ducks Unlimited, could purchase wetlands and then contract to nearby cities and towns to have them direct their effluent to lagoons for solid settling and then use the marshlands natural filtration ability to treat the water. This would have multiple benefits. The city would have cheaper filtration costs, the conservation organization would have income to pay for their land and for their conservation work and the wildlife would have their ecosystem maintained.

Private ownership of forestland has proved to be better ecologically than the selling of timber leases on public land. Once the lease is finished and the timber harvested, the logger has no incentive to worry about the land and what condition he has left it in. He simply applies for a new lease on another section of land.

The private landholder, on the other hand, has a strong incentive to manage his land carefully. If he strips the land bare, with no thought of reforestation, he devalues the land. He either must sell the land at below his purchase price, or must reclaim the land and reforest it to make it have value again.

An example of this can be seen in the western states of the United States. Logging land is typically held and controlled by federal agencies that lease the timber rights to logging companies. Clear cutting is common and the land is often damaged, because the leaseholder has no incentive to manage the resource.

In Maine, much of the land is held in private. Logging companies own the land they log and have a vested interest in maintaining the productivity of that land. Land is expensive to use once and discard. Logging companies in Maine have also discovered another use for the land they hold. The North Maine Woods is almost 3 million acres of working forest. A cooperative effort between 25 different timber and paper companies has created this resource within a resource. The North Maine Woods are accessible through a small number of user-fee stations. Visitors may hike, camp and enjoy themselves. Unlike Federal and State owned parks, there are no visitor centres, no gas station or even paved roads.[7] There are many other examples of privately held lands being used as ecological sanctuaries.

A good case study showing the benefits of ownership of property as a deterrence to pollution is the example of the Oyster men of Willapa Bay in Washington State.

"*The Willapa Bay estuary in the southwest corner of Washington state arguably is the largest pristine estuary in the country. Amazingly, it also has a history of resource exploitation that dates back to the earliest settlers in the region. The long history of oystering, logging, cranberry farming, dairy farming, and fishing for salmon and crab have all had their effect on the local environment, and "Willapa today is a farmed ecosystem, its uplands, tidelands, and fisheries cultivated according to human design."*

The Willapa Bay watershed covers about 600,000 acres, including approximately 150,000 acres of privately owned tidelands. Between 10,000 and 15,000 acres are currently used for oyster cultivation, out of about 40,000 acres that could be productive. Much of the tidelands are not productive because of increases in a cordgrass called spartina and in burrowing shrimp populations that prevent oysters from growing."[8]

Oyster growers in Willapa Bay own the tidelands that the oysters are cultivated on, which gives them a vested interest in protecting their property and the environment. However Federal and State regulations prohibit them from increasing their production by preventing them from taking action to prevent the growth of cordgrass and burrowing shrimp.

Originally schooners used to sail into the bay and drag the bottom for oysters, with no incentive to regulate their takings, simply because if they didn't take all they could carry, the next schooner would.

When the oyster population began to decline, the oystermen responded by cultivating areas that were not natural oyster beds. They marked the boundaries of these areas with stakes. This was the beginning of the creating of private property rights in intertidal and subtidal lands in the bay.

When Washington became a state, de facto ownership of these beds was well established. The state legislature passed the Callow Act, which allowed the oyster growers to purchase the lands they farmed.

The biggest threat to the oyster population has been effluent from pulp mills. The oystermen, seeing the increased effects of pulp mill pollution, pressured the State legislature to create the Washington Pollution Control Commission in 1945. This set standards of water quality and created an enforcement branch to enforce those standards. With the pressure created by the owners of the oyster beds backed by laws against pollution, the mill owners changed their effluent handling procedures and pollution from those mills has declined.

In England, owners of salmon in rivers have successfully used common law to prevent pollution. Under common law, damage to property must be compensated and the activity must cease.

Air Pollution Solutions

Air pollution problems can be resolve, not by selling pieces of the atmosphere but by the use of tort laws enforced by the courts.[9] Class action suits against upwind polluters would be costly to defend and with the availability of monitoring equipment today, it is not difficult to pinpoint the polluter. Imagine a company faced with a choice between investing a million dollars in pollution control equipment and paying for the hospital bills of 100,000 people downwind of the plant. Especially as those 100,000 people would be backed in their efforts by their health insurers who would be on the hook for claims against them for the incurred medical costs. The health insurance companies would be eager to recover the costs of all those medical claims. The economic decision for the polluter becomes fairly simple.

Summary:

Environmental protection is not incompatible with an advanced technological society. Economic prosperity is required to have a healthy environment in an industrial society.

The U.S. has spent over $1 trillion since 1970 on pollution abatement.[10] Poor nations with failing economies spend little on

pollution control, as most of their spending is required to sustain their economy and there is no money leftover for what must become, out of necessity, a luxury.

Since pollution is usually the result of the inefficient use of natural resources, increased economic efficiency is a key to reducing pollution.

The finite resources argument is largely unfounded, first because available reserves of fossil fuels and other resources are huge compared to consumption rates, and for the reason that ideas and human ingenuity are of far greater importance in determining the human condition, than is the supply of physical resources.

According to John Semmens of the Laissez-Faire Institute, in an article in the March 1996 issue of The Freeman, "Things do not even become "resources" until humans find a use for them and thereby give them value. The scarcity of any given resource is simply a challenge to be overcome. *"The high prices of scarce resources stimulate the search for better or cheaper alternatives for meeting the same human wants," says Semmens. "So, in the final analysis, it is not the 'finiteness' of any substance that is critical. The critical factor is the scope of the human imagination. This scope seems to be getting broader. The accelerating pace of technological advancement should give us confidence that, barring implementation of oppressive government meddling, we are not likely to run short of intellectual resources in the foreseeable future."[11]*

No socio-economic system can guarantee the advanced technological society that we enjoy can exist with zero pollution, however, by privatization of public lands, the problem of the commons is eliminated. By elimination of government regulatory bodies, bureaucratic inefficiency is reduced and costs of production are lowered. With the substitution of class action suits and tort laws, the cost of pollution abatement is placed with the producers of the pollution. Through use of alternative methods of waste disposal and selective recycling the costs of pollution abatement can be lowered.

A free market society will not be pollution free, but the important point is that pollution levels would only be at a level that people would be willing to allow. If the cost of polluting is high enough, then the potential polluter will either cease production or choose to install the necessary equipment.

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