

**The Economists in the Garden:  
The Historical Roots of Free Market Environmentalism<sup>1</sup>**

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<sup>1</sup>I worked for John Baden at the Foundation for Research on Economics and the Environment in the summer from 2003-2006.

Modern practitioners of free market environmentalism (FME) trace its origin to Bozeman, Montana.<sup>2</sup> It was there that a few scholars gathered in the early 1970's and began publishing papers and books advocating their approach to solving environmental problems. Richard Stroup and John Baden first outlined several basic principles of FME in "Externality, Property Rights, and the Management of our National Forests" published in the reputable *Journal of Law and Economics* in 1973.<sup>3</sup> The authors identified problems in the management of National Forests and recommended several ideas to solve them. By the time Baden and Stroup opened their first think tank in 1978, The Center for Political Economy and Natural Resources (CPENR), Terry Anderson and P.J. Hill joined them to complete the foursome most responsible for the genesis of free market environmentalism, a movement that crossed ideological boundaries to combine the environmental ethic of the left with the economic tools of the right.<sup>4</sup>

Their intellectual 'toolbox' consisted of principles to guide public policy rather than particular policies themselves, and these principles were based upon Classical Liberal political philosophy and four approaches to economics – the Austrian School, the Chicago School, Property Rights Theory, and Public Choice Theory.<sup>5</sup> They honed their

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<sup>2</sup> For the first decade, FME was known as New Resource Economics. According to Terry Anderson it evolved into FME in the early 1980s in order to appeal to the layman. The people and ideas remained the same. See Jonathon Adler, *Environmentalism at the Crossroads* (Washington, DC: Capitol Research Center, 1995), 136-139; Robert H. Nelson, "Free Market Environmentalism: A Brief History and Overview," unpublished manuscript presented to the Coalition of Western Academic Centers, June 30, 2001; Brian A. Drake, "Tending Nature with the Invisible Hand: The Free Market Environmentalists," Chapter four of Ph.D. diss., University of Kansas, 2006.

<sup>3</sup> Richard Stroup and John Baden, "Externality, Property Rights, and the Management of our National Forests," *The Journal of Law and Economics* 16, no. 2 (1973): 303-312.

<sup>4</sup> Several others contributed to the growth of FME, but Bozeman is generally regarded as the birthplace and the current hub of a much larger and more diverse movement. Other early contributors were Fred Smith, who created the Competitive Enterprise Institute in the early 1980's, and R.J. Smith, an independent intellectual, author, and activist.

<sup>5</sup> Adler, Nelson and Drake highlight these intellectual traditions, as do several conversations with John Baden and Rick Stroup. The early publications of Center staff leave no doubt that these are their intellectual inspirations.

beliefs and applied them to a variety of environmental problems in dozens of publications during their first decade as a movement, 1973-1982, and their activities during this period illuminate the mission that occupied the bulk of their professional lives. Not to be confused with the short-lived, and regional, Sagebrush Rebellion and Wise Use movement, nor with James Watt-style land management practices, the work of these scholars percolated under the radar for years. At the heart of the new paradigm lay the audacious claim that the principles undergirding capitalism can be used to remedy the excesses of capitalism in order to help the environment.<sup>6</sup> This approach turned traditional thinking on the matter upside down, and the scholars who advocated it have found policy successes around the world.

Despite this success, the body of literature on the history of environmentalism largely ignores free market environmentalism. This is a mistake. Their absence is perplexing given how much they have in common with two scholars widely held in esteem by environmental historians, James C. Scott and Karl Jacoby. Scott describes ‘institutional hegemony’ as the attempt by experts and their institutions to replace the practical local knowledge of the citizenry with their superior scientific knowledge in order to plan society.<sup>7</sup> In contrast to the “myth” underlying this hegemony, Jacoby described a simple, rural citizenry *that is* capable of “understand[ing] the local ecology” and “stewarding local resources.”<sup>8</sup> The entire FME enterprise can be understood as an attempt to alleviate the hegemony described by Scott by empowering Jacoby’s rural citizenry. In this respect, free market environmentalism deserves serious attention from

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<sup>6</sup> Terry L. Anderson to Walker Asserson, 6 December 2006, transcript in the hand of Walker Asserson.

<sup>7</sup> James C. Scott, *Seeing Like a State* (New Haven: Yale University Press, 1998).

<sup>8</sup> Karl Jacoby, *Crimes Against Nature: Squatters, Poachers, Thieves, and the Hidden History of American Conservation* (Berkeley: University of California Press, 2001).

environmental historians because it represented an important and controversial new way of thinking about how humanity strives to understand and find solutions to environmental problems.

### **The Zeitgeist of Hubris**

The failures of Progressive-era conservation in the West motivated the Bozeman foursome. More recently, James Scott offers two reasons to explain scientific management's environmentally tragic results:

First, the visionary intellectuals and planners behind them were guilty of hubris, of forgetting that they were mortals and acting as if they were gods. Second, their actions, far from being cynical grabs for power and wealth, were animated by a genuine desire to improve the human condition – a desire with a fatal flaw.<sup>9</sup>

The FME scholars could not have said it better. One of their intellectual heroes, Friedrich Hayek, articulated a similar sentiment when he contrasted the 'individualism' of the Classical Liberal philosophy with the emerging collectivist ideologies he had witnessed in Europe during the 1930s and 1940s. "Individualism is thus an attitude of humility before the social process and of tolerance toward other opinions and is the exact opposite of that intellectual *hubris* which is at the root of the demand for comprehensive direction of the social process."<sup>10</sup> Though following different ideological traditions, the foursome in Bozeman shared Scott's assessment that hubris permeated Progressive-era environmental policies.

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<sup>9</sup> Scott, 342.

<sup>10</sup> Ibid., 182.

John Baden, the prime mover of FME during the early years, experienced this hubris first-hand, and his personal odyssey epitomizes the movement's genesis and development. Fascinated by the growth of communal movements during the 1960's, Baden studied Hutterite colonies for his dissertation in anthropology.<sup>11</sup> The Hutterites had successfully maintained a communal lifestyle since 1528, significantly outlasting the lifespan of most communes. Baden theorized that the secret to Hutterite success lay in the institutional structures of their society, i.e. rules for selecting new leadership, rules governing the size of a colony, and rules for dividing labor, property, and wealth, and he found this to be true.<sup>12</sup> His education on this theme continued while involved with Cecil Garland, a self-educated owner of a general store, during the so-called Lincoln Back Country controversy.<sup>13</sup> During his dissertation research Baden occasionally bunked at Garland's home and witnessed Garland's crusade to create an official wilderness area in the Lincoln Back Country, which entailed an arduous struggle against the 'institutional hegemony' and hubris of the USFS.<sup>14</sup> During this dozen years, the USFS repeatedly thwarted Garland and the vast majority of the public living near the Lincoln Back Country that supported him. From the Hutterites and Garland Baden learned two lessons he would never forget: the incentives driving USFS personnel were not always aligned

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<sup>11</sup> John A. Baden, "The Management of Social Stability: a Political Ethnography of the Hutterites of North America," Ph.D. diss., University of Indiana, 1969. Baden spent time on seven different Hutterite colonies, who are similar to the Amish, while conducting this study. For more information see Laura Wilson, *Hutterites of Montana* (New Haven: Yale University Press, 2000).

<sup>12</sup> John Baden, Interview by author, 13 February 2007, Bozeman, MT.

<sup>13</sup> See Dennis M. Roth, *The Wilderness Movement and the National Forests: 1964-1980* (Washington DC: United States Department of Agriculture, Forest Service, 1984); Robert D. Baker, Robert S. Maxwell, Victor H. Treat, and Henry C Dethloff, *Timeless Heritage: A History of the Forest Service in the Southwest* (Washington, DC: United States Department of Agriculture, Forest Service, 1988).

<sup>14</sup> Cecil Garland, Interview by author, 15 February 2007, Bozeman, MT.

with the public interest, and the good intentions embodied in Progressive institutions were often not sufficient to protect the environment.<sup>15</sup>

Baden's education on the importance of incentives and institutional design continued while on a road trip to Missoula with Stroup to hear a talk by Milton Friedman in 1970.<sup>16</sup> Half-way through the talk, Friedman was asked what to do about the Bolle Report, a scathing indictment of the USFS's management of the Bitterroot National Forest.<sup>17</sup> Without public input, the report noted, the forested mountainsides of the Bitterroot had been lacerated by clear-cuts, bulldozed into terraces, and planted with uniform tree species planted in straight rows. When Friedman suggested selling the National Forests, Baden stood immediately and challenged him. According to Stroup, Baden's objections included a concern that privatization would destroy the things that local inhabitants cherished most (wildlife, wilderness, and clean water) because they could not be measured economically. After several minutes of sparring, Stroup coaxed Baden back into his seat. While driving home, Baden and Stroup brainstormed ways to improve the institutions charged with managing the National Forests, and shortly afterwards published their thoughts in "Externalities," the article that marks the beginning of FME.<sup>18</sup> Ironically, it was Friedman's suggestion to sell the land – to privatize – that outraged Baden and sparked the FME enterprise. Stroup and Baden both tell this story with pride, and particularly their opposition to Friedman's simplistic plan to privatize.

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<sup>15</sup> John Baden, Interview, 16 July 2006. These themes emerge in most of Baden's early publications.

<sup>16</sup> Jane Shaw and Richard L. Stroup, Interview by author, 7 September 2006, Bozeman, MT. digital recording. An independent conversation with John Baden corroborates Stroup's account. Stroup claims that Friedman has never lost a debate, but Baden earned a tie.

<sup>17</sup> Arnold W. Bolle, Richard Behan, Gordon Browder, Thomas Payne, W. Leslie Pengelly, Richard E. Shannon, and Robert F. Wambach, "A University View of the Forest Service," Senate Doc. No. 115, 91<sup>st</sup> Congress, 2<sup>nd</sup> session (1970). The 1.6 million acre Bitterroot National Forest surrounds Missoula, MT and extends into Idaho. Research for the report was conducted by the University of Montana Forestry School.

<sup>18</sup> Stroup and Baden, "Externality."

Though they accepted some degree of economic development as inevitable, the FME scholars express clear disapproval of the status quo that favored extractive industries in their early publications. As mandated by the Multiple Use Act of 1964, federal bureaus were supposed to manage the lands to reflect the evolving values of a public that increasingly sought recreational activities, viewsheds, and unspoiled ecosystems. Yet, in the eyes of the FME scholars, bureaus such as the United States Forest Service, the BLM, and the USBR failed to reflect the burgeoning environmental ethic.<sup>19</sup> Instead, extractive industries (mining, logging, etc.) appeared to have ‘captured’ the bureaus, i.e., they dominated the decision-making processes within the bureaus resulting in policies favorable to industry. Their research led FME scholars to become “increasingly convinced that both the environmental and the economic costs of bureaucratic management of natural resources are excessively and unnecessarily high.”<sup>20</sup>

Mainstream historical interpretation corroborates their interpretation. Samuel Hays first noted that shortly after the creation of the federal land management bureaus, business interests “exerted their power over the new agencies” and shaped “the character of development in a manner contrary to the aims of Conservationists.”<sup>21</sup> Gabriel Kolko attempted to explain why this happened in *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916*.<sup>22</sup> Kolko noted that, “Bureaucracy, in

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<sup>19</sup> Joseph M. Petulla, *American Environmental History* (Columbus, OH: Merrill Publishing Company, 1988).

<sup>20</sup> John A. Baden, and Richard Stroup, eds., *Bureaucracy vs. Environment: The Environmental Cost of Bureaucratic Government* (Ann Arbor: The University of Michigan Press, 1981), 1-8.

<sup>21</sup> Samuel P. Hays, *Conservation and the Gospel of Efficiency* (Harvard: Harvard University Press, 1959; reprint, Pittsburgh: University of Pittsburgh Press, 1991. Page citations are to reprint edition.) William Cronon contends that “he [Stradling] and other historians have been critiquing... Progressive conservation for nearly a generation. See David Stradling, ed., *Conservation in the Progressive Era* (University of Washington Press: Seattle, 2004), viii.

<sup>22</sup> Gabriel Kolko, *The Triumph of Conservatism: A Reinterpretation of American History, 1900-1916* (London: The Free Press of Glencoe, 1963).

itself, needed a power base in order to operate in roughly a continuous, systematic fashion. Since it had no economic power itself, it had to support, and hence be supported by, powerful economic groups.”<sup>23</sup> This was precisely what the Bozeman scholars meant when they expressed concern that the federal land management agencies had been ‘captured’ by extractive industries.

Environmental historian Donald Worster provided a further example that supported Hays’ and Kolko’s thesis when he condemned the United States Bureau of Reclamation. In *Rivers of Empire: Water Aridity and the Growth of the American West*, published in 1986, Worster concluded that federal bureaucracies in the West, “tend[ed] to impose their outlook and their demands on nature, as they do on the individual and the small human community, and they do so with great destructiveness.”<sup>24</sup> Nancy Langston examined the United States Forest Service in the Blue Mountains of eastern Washington and Oregon and reached a similar conclusion in *Forest Dreams, Forest Nightmares: The Paradox of Old Growth in the Inland West*. Though generally well meaning, scientific management of the forests was an ecological disaster, she argues.<sup>25</sup> The case studies by Worster and Langston, motivated by different ideologies than the FME scholars, nonetheless corroborate the predominant theme running through the FME publications during their first decade: that the nation needed new land management policies because Progressive era conservation was not caring for the environment as well as it should.

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<sup>23</sup> Ibid., 303.

<sup>24</sup> Donald Worster, *Rivers of Empire: Water, Aridity, and the Growth of the American West* (Oxford: Oxford University Press, 1985), 332.

<sup>25</sup> Nancy Langston, *Forest Dreams, Forest Nightmares: The Paradox of Old Growth in the Inland West* (Seattle: University of Washington Press, 1995).

The contributors to FME scholarship express this sentiment in nearly all of their publications during these early years.<sup>26</sup> In “Externality,” Stroup and Baden argue that management decisions often reflect the effectiveness of self-interested lobbying groups to get what they want rather than an impartial assessment by public servants of myriad public demands. Subsequently, they conclude that both the ‘public’ and the environment may lose out to the wishes of special interests under the current bureaucratic management. Published eight years later, the title of the first comprehensive FME book, *Bureaucracy vs. Environment: The Environmental Cost of Bureaucratic Governance*, displays the centrality of this sentiment to the movement at this time.<sup>27</sup> This collection of essays elaborates on the means by which extractive industries dominated certain bureaucracies and the undesirable ecological outcomes of these institutional arrangements. One representative paper noted that environmentalists attempting to inculcate “new social, cultural, and political values” into the U.S. Bureau of Reclamation were repeatedly thwarted by the triumvirate of “powerful governmental bureaucracies, pork barrel Congressional committees, and [economic] interests.”<sup>28</sup> In the concluding essay, Bruce M. Johnson, Professor of Economics at the University of California, Santa Barbara, reflecting the main theme of the book, lamented, “As well-intentioned as it may have been, the transfer of resource control from private ownership and markets to public

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<sup>26</sup> See Terry L. Anderson and Peter J Hill, *The Birth of a Transfer Society* (Stanford: Hoover Institution Press, 1980); Terry L. Anderson, ed., *Water Rights: Scarce Resource Allocation, Bureaucracy and the Environment* (San Francisco: Pacific Institute for Public Policy Research, 1983); John A. Baden, ed., *Earth Day Reconsidered* (Washington: The Heritage Foundation, 1980); Richard L. Stroup, and John A. Baden, *Natural Resources: Bureaucratic Myths and Environmental Management* (San Francisco: Pacific Institute for Public Policy Research, 1983); Richard L. Stroup and John Baden, “Property Rights and Natural Resource Management,” *Literature of Liberty* 2, no. 4 (1979): 5-44.

<sup>27</sup> Baden and Stroup, eds., *Bureaucracy vs. Environment*.

<sup>28</sup> Bernard Shanks, “Dams and Disasters: The Social Problems of Water Development Policies,” in Baden and Stroup, eds., *Bureaucracy vs. Environment*, 108-123. Bernard Shanks was an Associate Professor of Forestry and Outdoor Recreation at Utah State University and a member of the Executive Council of the Wilderness Society.

ownership and governmental bureaucratic control has not been the panacea some expected.<sup>29</sup>

The Bozeman scholars also shared Jacoby's concern about the human costs of Progressive conservation. In *Crimes Against Nature: Squatters, Poachers, Thieves, and the Hidden History of American Conservation*, Jacoby exposed the injustices done to local inhabitants by Progressive era conservationists who, after long struggles, eventually "dispossessed" them to create the parks.<sup>30</sup> The Bozeman scholars extended this concern about equity on the publicly-owned lands to the period after they were created.<sup>31</sup> They argued that individual citizens living near public lands often lacked the wherewithal to engage in the political process, and therefore their voices were often not heard. Since powerful lobbyist typically succeeded in getting their desired policies enacted while these disproportionately voiceless local inhabitants paid the bill and lived with undesirable policies and the consequences they wrought, the FME scholars considered this system inequitable. Baden had witnessed this process first-hand while bunking with Cecil Garland in Lincoln, Montana. The instances vary for Jacoby and the FME scholars, but the characterization was consistent: Progressive institutions empowered elites at the expense of less powerful members of society.

## **Economics to the Rescue**

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<sup>29</sup> Bruce M. Johnson, "The Environmental Costs of Bureaucratic Governance: Theory and Cases," in Baden and Stroup, eds., *Bureaucracy vs. Environment*, 217-224.

<sup>30</sup> Jacoby, *Crimes Against Nature*. See also Mark David Spence, *Dispossessing the Wilderness: Indian Removal and the Making of the National Parks* (Oxford: Oxford University Press, 1999).

<sup>31</sup> See Stroup and Baden, "Externality;" John A. Baden, ed., *Earth Day Reconsidered*; John A. Baden, "A Primer for the Management of Common Pool Resources," in Garrett Hardin and John Baden, *Managing the Commons* (New York: WH Freeman and Company, 1977); Richard L. Stroup and John A. Baden, *Natural Resources*.

Having thus diagnosed the problems, the Bozeman scholars drew on several rich intellectual traditions to create environmental policies that they believed would solve the environmental problems produced by Progressive conservation. The political philosophy of the FME scholars significantly informed the development of their environmental policies and is critical to understanding them as a movement. The founders of FME saw themselves as Classical Liberals, claiming to uphold the “integrity of the individual and the right to freedom from coercion.”<sup>32</sup> These continue to be manifest today in the movement’s desire for a limited constitutional government, the rule of law, support for private property rights, and a free market economy.<sup>33</sup> Two ideas from the Classical Liberal tradition deserve particular attention for their prevalence to FME scholarship, and also because of their similarity to some of the ideas of Scott and Jacoby.

The first idea is ‘spontaneous order,’ originally articulated by Bernard Mandeville in 1714.<sup>34</sup> Mandeville argued that when individuals are free to pursue the ‘vice’ of self interest to improve their material well being, they end up benefiting society at-large by creating a sophisticated social order that nobody could have foreseen and planned. Thus, the right of individuals to engage in voluntary exchange - socially, economically, or otherwise (and without harming anybody) - is critical to healthy, free societies. Advocates of spontaneous order embrace societies formed by bottom-up processes and warn of those imposed upon the people from the top down, such as through monarchies, imperial and colonial regimes, centrally planned economies, and excessively powerful

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<sup>32</sup> Anderson and Hill, *The Birth of a Transfer Society*. xiv.

<sup>33</sup> Amy Sturgis, “The Rise, Decline, and Reemergence of Classical Liberalism,” The LockeSmith Institute, 1994, available from [http://www.belmont.edu/lockesmith/liberalism\\_essay/index.html](http://www.belmont.edu/lockesmith/liberalism_essay/index.html); Internet; accessed 9 March 2007.

<sup>34</sup> Bernard Mandeville, *The Fable of the Bees: Or Private Vices and Public Benefits*, (Indianapolis: Liberty Classics, 1988), 67. available from [www.oll.libertyfund.org](http://www.oll.libertyfund.org); accessed 9 March 2007. Also see Norman Barry, "The Tradition of Spontaneous Order," *Literature of Liberty* v, no. 2, (Summer 1982) 7-58.

and unrepresentative bureaucracies. In contrast with centralized bureaucracies, the FME scholars' believe spontaneously ordered societies are the antidote to institutional hegemony, and are likely to result in more just, equitable, and environmentally friendly societies.

The second idea is 'legal plunder.' Frederick Bastiat, a French statesman of the mid-19<sup>th</sup> Century, warned that the law could be perverted and, instead of protecting all people, it could be used to enrich some members of society at the expense of others. He claimed that there were only three ways to organize society, "1. The few plunder the many 2. Everybody plunders everybody 3. Nobody plunders anybody."<sup>35</sup> (In Bastiat's construction, the 'few' referred to a powerful elite that controlled society's wealth and government.) Endorsing Bastiat's preference for the latter, all of the FME policies strive to limit the use of state coercion in order to prevent elites, e.g. extractive industries, from trampling the individual rights of what Jacoby calls "rural folk perceived to be stubborn obstacles."<sup>36</sup>

To apply these political ideals to the environment, FME turned to ecologist Garret Hardin and the conversation sparked by his paper "The Tragedy of the Commons."<sup>37</sup> Among other things, Hardin identified open range land in the West and the National Parks as commons. The Bozeman foursome expanded upon this insight to include all of the publicly owned lands in the West. Though Hardin was no Classical Liberal, John Baden teamed up with him in an effort to find solutions to the tragedy of the commons, a

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<sup>35</sup> Frederic Bastiat, *The Law* (Irvington-on-Hudson, NY, Foundation for Economic Education, 1988), 19.

<sup>36</sup> Jacoby, 198.

<sup>37</sup> Garrett Hardin, "The Tragedy of the Commons," *Science* 162 (1968): 1243-1247. Hardin was not the first to identify this phenomenon, but he popularized the discussion of it. See H. Scott Gordon, "The Economic Theory of a Common-Property Resource: The Fishery," *Journal of Political Economy* 62, 2 (April 1954): 124-142.

partnership that resulted in the publication of *Managing the Commons* in 1977.<sup>38</sup> In Baden's contribution to the book, "A Primer for Management of Common Pool Resources," he posited that solving the tragedy of the commons required the creation of alternative institutions (i.e. not Progressive bureaucracies) that generated better information for decision-makers and incorporated incentives to promote sound stewardship.<sup>39</sup> This enterprise continues today.

To find alternative institutional arrangements Anderson, Baden, Hill, and Stroup turned to several strains of economic theory: the Chicago Schools, the Austrian School, emerging Property Rights Theory, and the burgeoning Public Choice School.<sup>40</sup> The Bozeman connection to Chicago was often personal.<sup>41</sup> P.J. Hill earned his Ph.D. in economics at Chicago, and several notable Chicago economists would take an interest in FME, participating in their conferences and contributing to their publications. Among other things, the school emphasized the role of positive incentives acting on self-interested individuals, an aspect of human nature that the FME scholars believed contributed to the destruction of the commons and could play a part in solving this tragedy. On the one hand, government subsidies to extractive industries amounted to an incentive for them to log and mine more than they otherwise would. These perverse incentives wasted productive energy and amounted to taxpayer-funded destruction of the environment.<sup>42</sup> In contrast, the Bozeman scholars asserted that ownership of a resource

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<sup>38</sup> Hardin and Baden, eds., *Managing the Commons*.

<sup>39</sup> Baden, "A Primer."

<sup>40</sup> The FME scholars all describe these as four discreet theories and the Nobel Prize awards, given to the founders of each school, supports this claim. Nelson scholar lumps these four schools into one, Chicago, and its various offshoots being the other three. Drake omits the Public Choice School all together.

<sup>41</sup> Nelson, 19-20. Milton Friedman was the most prominent member of this group and fourteen others affiliated with the economics department at Chicago received the Nobel Prize in Economics between 1974 and 2000.

<sup>42</sup> North, *Growth*, 164.

creates an incentive for the individual to consider the long-term and conserve. “Whether it is organized around a profit seeking or non-profit undertaking, there are incentives for the owner to preserve the resource... [because they] capture the full capital value of the resource. Self-interest and economic incentive drive the owner to maintain its long-term capital value.”<sup>43</sup> To promote salutary incentives the FME scholars would contemplate the merits of various alternative ownership schemes – non-profit, communal, private – and consider creative new institutional arrangements that maintained government ownership of resources for the next three decades.<sup>44</sup> Tribal ownership of elephant herds in Zimbabwe, to curb poaching, is one example of the implementation of their work in this area.<sup>45</sup>

As Scott noted, high modernist bureaucracies often suffered from the inability to collect the dispersed information needed to carry out their plans successfully. A strikingly similar argument was made by scholars in the Austrian School of economics. Friedrich Hayek, in his 1945 article, “The Use of Knowledge in Society,” articulated an idea that won him a Nobel Prize in 1974: economic information is time and place specific, thus centrally planning an entire economy was impossible to do well.<sup>46</sup> The FME scholars applied this to the environment, noting that ecological knowledge varies widely, constantly changes, and is imperfectly understood. They believed that this reality disrupted administration via scientific management for two reasons: first, all ecosystems contain unknown characteristics; second, local knowledge is too voluminous

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<sup>43</sup> R.J. Smith, cited in Adler, 139.

<sup>44</sup> See Elinor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*, (Cambridge: Cambridge University Press, 1991).

<sup>45</sup> See Robert Taylor, “Economics, Ecology, and Exchange: Free Market Environmentalism,” *Humane Studies Review* 8, no. 1, (Fall, 1992).

<sup>46</sup> Friedrich Hayek, “The Use of Knowledge in Society,” *American Economic Review* xxxv, no. 4 (September, 1945): 519-530. Also see Ludwig von Mises, “Economic Calculation in the Socialist Commonwealth,” in Friedrich Hayek, ed., *Collectivist Economic Planning*, (London, 1935).

and fleeing to convey to far away politicians and policymakers. To be effective, the Bozeman scholars argued, new policies must harness the creative energies of dispersed parties that held particular knowledge of particular ecosystems and empower them to act. Non-profit environmental groups and local stewards met these criteria. Generating new institutional arrangements that shaped their behavior in an environmentally friendly direction became the next task.

The scholars in Bozeman believed that well-defined and transferable property rights help remedy the tragedy of the commons by producing information and creating positive incentives for individuals to act in environmentally-friendly ways. Ronald Coase and Harold Demsetz played critical roles in advancing understanding of the latent benefits of property rights.<sup>47</sup> Coase used examples of grazing and air pollution to argue that property rights laws should be re-written and strengthened to hold polluters liable for their affects on neighboring property, lest ill-defined or weakly enforced property rights benefit the polluter. Demsetz expanded on Coase's insight, claiming that property rights were not absolute and evolved over time as circumstances changed. As a result, a community can shape property rights laws to concentrate the benefits and costs of particular behaviors on the deserving parties.<sup>48</sup>

The FME founders applied these insights to the environment, noting that property rights on public lands could be defined to create incentives for sound stewardship, as long as common law and nuisance liability law were similarly enhanced.<sup>49</sup> If done correctly, they believed, environmental resources would become assets for their owners,

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<sup>47</sup> Ronald Coase, "The Problem of Social Cost," *The Journal of Law and Economics III*, (Oct. 1960): 1-44.

<sup>48</sup> Harold Demsetz, "Toward a Theory of Property Rights," *The American Economic Review* 57, no. 2 (May 1967): 347.

<sup>49</sup> See Roger E Meiners and Bruce Yandle, "Common Law Environmentalism," *Public Choice* 94, no. 1-2 (January, 1998): 49-66.

extending the decision-making calculus to include long-term effects. The extension of property rights to ocean fisheries via ITQs, a policy adapted by various countries around the world with some initial success, provides one example.<sup>50</sup> The Bozeman scholars also held that, as long as they could be transferred, the price system would provide information about the worth of a property right, thus approximating the subjective values of society. Therefore, they sought to make non-transferable property right, such as grazing rights on National Forests, transferable so that environmental groups may purchase and retire them.<sup>51</sup> Finally, the FME scholars believed that property rights could be defined in a way that circumscribed the behavior of the title holder, e.g. conservation easements.

The final intellectual influence on the Bozeman scholars was Public Choice Theory, which scrutinized government failure, an analog to market failure, but when the *political* process produces negative externalities. The pioneers of Public Choice Theory, James Buchanan and Gordon Tullock, posited the unthinkable in 1962: perhaps those in the public sphere, politicians and bureaucrats, are motivated by self-interest just like most other people.<sup>52</sup> This was a radical proposal at the time as conventional wisdom held that

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<sup>50</sup> Under ITQ systems, or Individual Transferable Quotas, an upper limit on the total allowable catch for a fishery is set and individual fishermen are given a transferable property right to catch a certain percent of that total. For more information see [www.perc.org](http://www.perc.org).

<sup>51</sup> This policy is advocated many places, for a popular example see John Baden, "A Modest Idea to Create Balance in Range Reform," *The Seattle Times*, (17 November 1993).

<sup>52</sup> James Buchanan, and Gordon Tullock, *The Calculus of Consent: Logical Foundations of Constitutional Democracy* (Ann Arbor: University of Michigan Press, 1962); Gordon Tullock, and James Buchanan, *The Politics of Bureaucracy* (New York: Public Affairs, 1965). Both credit James Madison as the intellectual precursor to Public Choice Theory due to his concerns, expressed in the Federalist Papers, about designing governing institutions to account for self-interested individuals acting within the many factions of society.

bureaucracies were benign institutions, “serving the public good with objectivity and omniscience.”<sup>53</sup>

It was not long until the scholars in Bozeman applied their ideas to the public lands in the West.<sup>54</sup> In 1983, Anderson outlined five aspects of Public Choice Theory used by the FME scholars.<sup>55</sup> These were: It is rational for voters to remain ignorant of the electoral process because they benefit little from being informed; the members of small interest groups have more incentive to participate in the political process because the benefits are concentrated on them, compared to large groups, and thus they tend to dominate the political process; politicians have a strong incentive to win their next election and this produces a short-sighted bias when they evaluate policies; and elections are a poor measure of voter preferences on any single issue, such as the environment, because it can not be determined which issues motivated voters and to what degree. In sum, government institutions had their own built in flaws that society should address if they wanted a more representative government that would protect their rights.

These myriad analytical tools comprised the means by which the FME scholars attempted to make sense of the systemic flaws derived from the Progressive zeitgeist as identified by Scott, Jacoby, and others. To overcome these flaws, the FME scholars sought policies that would align the self-interest of individuals with society’s environmental interests. For example, Baden has advocated trusts, or wilderness

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<sup>53</sup> Charles K Rowley, online review of *The Politics of Bureaucracy*. available at <http://www.libertyfund.org/details.asp?displayID=1903>. accessed 2/22/07.

<sup>54</sup> Their were also significant personal connections between the scholars in Bozeman and Public Choice Theory: Baden studied at Indiana University under several of the founding members, including Elinor Ostrim, and Stroup co-authored the first comprehensive college text on the theory, which remains the preeminent text after 11 editions. See James D. Gwartney, Richard Stroup, and Rusell S. Sobel, *Economics: Private and Public Choice*, 9<sup>th</sup> ed. (New York: Harcourt, 1999).

<sup>55</sup> Anderson, *Water Rights*, 5-6.

endowment boards, for twenty-five years.<sup>56</sup> These institutions pursue stated environmental goals by harnessing the methods and motivations of non-profit organizations led by a board of trustees. People organize trusts in a variety of ways, from government ownership to private ownership, or partnerships of the two. Baden believes that there are several advantages of trusts. First, trustees must follow the guidelines established for the purpose of the trust and are legally accountable for their decisions. Second, trusts insulate decision-makers from short-term political time frames and encourage an appreciation for long-term ecological processes. Third, trusts are more likely to include individuals intimately familiar with and concerned about the site preserved in the public interest. Finally, by delegating the management decisions to a board of trustees, trusts reduce the conflict inherent in politicized resource management. Examples of successful trusts include the Quincy Library Group, the Valles Caldera Trust, the Grand Staircase-Escalante Group, and the Missouri River Corridor Trust.<sup>57</sup> The trust concept exemplifies the means by which the Bozeman scholars have attempted to change institutional structures in order to improve environmental stewardship.

All of the major intellectual contributions to the FME paradigm were new or resurgent in the 1970's. The Classical Liberal philosophy enjoyed a minor resurgence at the same time that Hardin's "Tragedy of the Commons" alerted environmentally conscious academics to an important new model for understanding ecological phenomena. Further, the four economic theories used by the FME scholars represented major theoretical breakthroughs in the understanding of human behavior: the pioneers of

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<sup>56</sup> John A. Baden and Richard L. Stroup, "Endowment Areas: A Clearing in the Policy Wilderness," *Cato Journal*, vol. 2, No. 3, Winter 1982.

<sup>57</sup> Sally K. Fairfax and Darla Guenzler, *Conservation Trusts* (Lawrence, KS, 2001), 25-38. See also Pete Geddes, John Downen, and John A. Baden, "National Forest Trusts: Breaking the Pattern of Discord," Unpublished Manuscript, FREE.

each won Nobel Prizes in economics between the years of 1974 and 1991. By combining these disparate intellectual strands into an internally consistent theory, the FME scholars broke new ground. Particular economic principles, such as the Pigouvian tax, had been applied to the environment, but these applications had been piecemeal.<sup>58</sup> Never had the principles driving market forces been applied so thoroughly to the task of analyzing and hopefully solving environmental problems.

### **Tree-Top Activists**

In the fall of 1979 two dozen economists descended upon Bozeman, Montana to attend the first conference hosted by the nascent FME movement. The topic was “The Environmental Cost of Bureaucratic Governance.”<sup>59</sup> This seminal event, an ‘Earth Day’ for economists, inaugurated a new paradigm that represented a radical break from traditional environmental economists who relied upon simple incentive schemes, such as Pigouvian taxes, to affect environment change. It was the first of 17 colloquia to be held in the next three years, and approximately 175 that the FME scholars would host during the next three decades.<sup>60</sup> Their activism had a powerful effect: every major think tank on the right has adopted free market environmentalism as their framework for engaging

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<sup>58</sup> A Pigouvian tax is levied to correct the negative externalities of a market activity by, for example, charging producers who pollute the environment based upon the amount of pollution.

<sup>59</sup> The Center for Political Economy and Natural Resources, “A Report on the Center for Political Economy and Natural Resources, 1978-1982,” p.1, Special Collections, Renne Library, Montana State University, Bozeman.

<sup>60</sup> The record for PERC is incomplete, but conservative extrapolation suggests that they held at least three conferences per year for a total of 69 from 1983-2006. It is likely that they’ve held considerably more. FREE’s record is complete, they hosted 90 conferences from 1987-2006. Gallatin Writers’ complete record has not been located yet. They hosted seminars at a much slower rate and the total is close to five, with an upper limit of ten.

environmental issues, presidential candidates consult them, one third of the federal judiciary has traveled to Bozeman, and their policies are now implemented world-wide.<sup>61</sup>

Guests at their conferences included academics, influential journalists, businesspeople, policy specialists, government bureaucrats, federal judges, and environmentalists. The main focus was to read and discuss FME scholarship and related work. In addition to the seminars, the Bozeman scholars sought to publish as much as possible, wherever possible. This included academic journals, books, policy pamphlets and booklets, and editorial pieces in national and local newspapers. Their approach was purposefully long-term, one that Baden claims “was designed to help my grandchildren.”<sup>62</sup> The Bozeman group primarily targeted influential elites, and they hoped their influence would percolate throughout society – a sort of trickle-down environmentalism.

Though they eventually coalesced into a single movement, the backgrounds of the primary foursome did not portend the genesis of a “new” brand of environmentalism. Baden studied anthropology, Anderson and Hill economic history, only Stroup’s dissertation, “The Economics of Air Pollution Control,” indicates an explicit study of environmental issues as a student.<sup>63</sup> Despite their disparate prior interests, through the

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<sup>61</sup> Of the ten largest Right-wing think tanks, the seven that examine environmental policy all advocate free market environmentalism. Beginning with the largest, this list includes the Heritage Institute, Hoover Institution, American Enterprise Institute, Cato Institute, American Legislative Exchange Council, Reason Foundation, and National Center for Policy Analysis. See Andrew Rich, *Think Tanks, Public Policy, and the Politics of Expertise*, (Cambridge: Cambridge University Press, 2004), 226-227. Two Republican presidential candidates have asked for Anderson’s assistance on environmental issues, George W. Bush in 2000 and Rudy Giuliani in 2007; and PERC Senior Fellow Donald R. Leal travels the world helping countries establish ITQ programs to manage their fisheries. See Terry L. Anderson to Walker Asserson.

<sup>62</sup> See Brian Cobb, “Home Ground Radio: Changes and Choices in the American West,” audio tape of radio broadcast, Yellowstone Public Radio, Program id# 070197.

<sup>63</sup> See Terry A. Anderson, “The Economic Growth of Seventeenth Century New England,” Ph.D. diss., University of Washington, 1972; Peter J. Hill, “The Economic Impact of Immigration into the United States,” Ph.D. diss., University of Chicago, 1970; Stroup, Richard L. “The Economics of Air Pollution Control,” Ph.D. diss., University of Washington, 1970. Also recall that Baden’s dissertation examined

institutional framework provided by four think tanks, these individuals advanced what became their common goal, FME. First, the Center of Political Economy and Natural Resources (CPENR) opened its doors in 1978 in partnership with Montana State University.<sup>64</sup> Its forced closure in 1982 facilitated the creation of the Political Economy Research Center (PERC, 1982-present) which took up its mission and activities. PERC's establishment was followed by the Foundation for Research on Economics and the Environment (FREE, 1986-present), and Gallatin Writers (1991-present). The first of these, the CPENR, had a self-identified mission "to provide an institutional setting that fosters the study of political economy and natural resource issues" in order to "examine how a property rights and market approach can be applied to critical issues of resource policy."<sup>65</sup> John Baden and Richard Stroup were the founders, though Stroup acknowledges that Baden was really the driving force.<sup>66</sup>

Academics comprised most of the 28 participants at the first conference (the typical conference had 15-20 participants), with Garrett Hardin the most conspicuous. Representatives from the Wilderness Society, the Environmental Defense Fund, and the

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Hutterite communes. Stroup's early publications also portend FME. See Barry E. Asmus and Richard Stroup. *Air Pollution Control Economics: The Case of SO<sub>2</sub> Emissions from a Montana Smelter* Bozeman, MT: Montana Agricultural Experiment Station, Montana State University, July, 1972. Research Report 24; Richard Stroup and Stuart B. Townsend, *Water Use and Coal Development in Eastern Montana: Water Availability and Demand*. Bozeman, MT: Montana University Joint Water Resources Research Center, December, 1974. Report No. 59; Richard Stroup, Michael D. Copeland, and Randal R Rucker. *Estimation of Amenity Values as Opportunity Costs for Energy Related Water Use in Montana*. Bozeman, MT: Montana University Joint Water Resources Research Center, August 1976. Report No. 81; Richard Stroup and Thomas Miller, *Feasibility of Ethanol from Grain in Montana*. Bozeman, MT: Montana Agricultural Experiment Station, Montana State University, January, 1978. Research Report 118. It is possible that Stroup published more of these reports, but these are the four on record and available at MSU.

<sup>64</sup> Anderson, Hill, and Stroup were Associate Professors in the Agricultural Economics and Economics Department at MSU. Baden had been an Assistant Professor of Economics at MSU and an Associate Professor of Forestry and Political Science and Director of the Environmental Studies Program in the College of Natural Resources at Utah State University. Now he was solely employed as the Director of CPENR. Ron Johnson subsequently joined the primary foursome as a member of the same department. Ramona Marotz-Baden, a professor in the Home Economics Department, completed the senior staff.

<sup>65</sup> The Center for Political Economy and Natural Resources, "A Report."

<sup>66</sup> Shaw and Stroup, Interview by author.

Western Timber Association also attended. Guests from other conservative or libertarian public policy institutes, such as the Heritage Foundation and the Center for the Study of Public Choice, joined as well. These contacts demonstrate remarkable networking prowess. Hardin's influence was immense at the time, The Heritage Foundation was the dominant conservative think tank during the Reagan era and has remained so since, while the Center for the Study of Public Choice enjoyed acclaim when one of its founders, James Buchanan, won the Nobel Prize in economics in 1986.<sup>67</sup>

The Bozeman group leveraged these networking accomplishments to compile the articles featured at the conference in their first monograph, *Earth Day Reconsidered*, published in 1980 by the Heritage Foundation.<sup>68</sup> Continued revisions and additions to this document by Center staff resulted in its 1981 reissue by the University of Michigan Press as *Bureaucracy vs. the Environment: The Environmental Cost of Bureaucratic Management*, the first book thoroughly expressing the principles that would come to be identified as FME.<sup>69</sup>

In pursuing the seminar tactic, the FME scholars acted upon their belief in the impact that powerful ideas can exert on public policy.<sup>70</sup> The enactment of a CPENR seminar was formulaic: invite about twenty people, send out readings to participants a couple of months before the seminar, gather for a few days and discuss the readings

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<sup>67</sup> George H. Nash, *The Conservative Intellectual Movement in America Since 1945*, 2d ed. (New York: Basic Books, 1976), 334.

<sup>68</sup> Baden, *Earth Day Reconsidered*.

<sup>69</sup> Baden and Stroup, *Bureaucracy vs. Environment*.

<sup>70</sup> They borrowed their seminar concept from the Liberty Fund, which sponsored the first conference, as it would five of the next 17, and dozens more for PERC and FREE. A wealthy Indianapolis businessman, Pierre Goodrich, created Liberty Fund in 1960 hoping "to encourage the study of the ideal of a society of free and responsible individuals." Goodrich recognized the hectic pace of modern life and sought to provide people with the time to engage in meaningful thought and discourse by inviting them to spend several days in a relaxing environment where they could focus their minds on philosophical issues. Goodrich provided all of the funding.

during several 90-minute sessions, and enjoy good meals, leisurely activities, and polite conversation between sessions. The first goal was that people would read, think about, and discuss ideas. The second goal was that ‘good’ ideas would emerge from the process and participants would gradually disseminate them throughout society. FME founder John Baden does not hide this ambition: “If intellectually-honest individuals contemplate our ideas” he later noted, “I’m confident they will find them useful.”<sup>71</sup> During the 90-minute sessions a moderator ensured that rational argumentation and critical discussion prevailed. Participants need not agree with each other, but they had to follow the protocol of civil discourse. (Ironically, the FME method of activism drew inspiration from the successful methods of the Fabian socialists a century earlier in Britain, as Friedrich Hayek and others encouraged the Right to target their activism towards influencing intellectuals.)<sup>72</sup> By encouraging the open exchange of ideas, the scholars at CPENR claimed that they aspired to generate a better understanding of the environmental issues facing society.

The next sixteen conferences resembled the first. In addition to Garrett Hardin, who attended a second conference, the participant lists contained several other notable attendees. Three future Nobel Prize winners in economics attended CPENR’s conferences - James Buchanan as a pioneer in public choice theory, Douglass North, an economic historian focusing on institutional economics, and Vernon Smith who made several breakthroughs in experimental economics.<sup>73</sup> James Watt, future Secretary of the

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<sup>71</sup> Baden, John. Interview by author, 16 July 2006, Bozeman, MT.

<sup>72</sup> Alan Ebenstein, *Friedrich Hayek: A Biography* (New York: Palgrave, 2001).

<sup>73</sup> The CPENR associations with these three were not ephemeral. In addition to providing some of the intellectual groundwork that the Bozeman scholars would draw on when developing FME and their repeated trips to Bozeman which brought prestige to CPENR, Buchanan and Smith sat on the Center’s Advisory Board. Anderson and Hill also co-authored the third edition of *Growth and Welfare in the American Past: A New Economic History* with North, while Buchanan wrote the introduction to *The Birth*

Department of the Interior in the Reagan administration also attended a conference, as did Julian Simon, winner of the controversial wager with Paul Ehrlich about whether demand would outstrip the ability of technology to provide natural resources.<sup>74</sup> The academics present at the 17 conferences represented 49 different institutions of higher learning. Scholars from Harvard, UC Berkeley, the University of Chicago, and MIT demonstrated the intellectual firepower the CPENR staff could muster, and the presence of individuals from the University of Montana and MSU indicated their concern for building local relationships.

CPENR also involved individuals from outside of academia. One entire conference was dedicated to journalists in order to act on the Bozeman foursome's belief that "the nation's understanding of important natural resource issues could be significantly increased if journalists were to learn more about the development and application of economic thought to these complex and often emotional issues."<sup>75</sup> Reporters and editors from 18 newspapers and magazines, such as the *Wall Street Journal*, *L.A. Times*, and the *New York Post* visited Bozeman. The Bozeman scholars also targeted public policy specialists working in think tanks because they brought expertise to the seminars and added a dimension to the networking potential for other participants. Along with the Heritage Foundation, individuals from eleven organizations, including the Cato Institute, Reason, Resources for the Future, Mountain States Legal Foundation, and the Pacific Institute attended Center conferences. Further, during the Center's brief

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*of a Transfer Society* by Anderson and Hill, and Vernon Smith would eventually occupy a seat on PERC's board of directors. See Douglas C. North, Terry Anderson, and Peter J. Hill, *Growth and Welfare in the American Past: A New Economic History*, 3d ed. (Engelwood Cliffs, NJ: Prentice-Hall Inc, 1983).

<sup>74</sup> The Simon-Ehrlich wager involved resource depletion: Ehrlich thought resources would become scarce over the course of a decade and Simon thought they would become more plentiful. Simon won the bet, based upon the decline of commodity prices, but the debate about the scarcity of resources continues.

<sup>75</sup> The Center for Political Economy and Natural Resources, "A Report," 5.

tenure, their seminars attracted individuals from six government bureaus (e.g. the United States Forest Service), one corporation (Standard Oil), and the two environmental groups previously mentioned.

Who paid for all of this? Montana State University offered a small amount, but the summary report claims that an “overwhelming majority” of the \$794,784.00 of funding over the four years of the Center’s activities came from private foundations and individuals.<sup>76</sup> Contributions per organization are not available, but the contributors include the AMAX Foundation Inc., the Carthage Foundation, the Center for Libertarian Studies, the Earhart Foundation, H.A. True, The Heritage Foundation, Liberty Fund, M.J. Murdoch Charitable Trust, Mountain Fuel Supply Company, Raymond Plank, The Samuel Roberts Noble Foundation, the Sarah Scaife Foundation, and the Scaife Family Charitable Trust. While open to criticism for this type of connection with right-wing foundations and the corporations that fund them, the founders of FME appear comfortable that they earn their money through voluntary contributions rather than ‘beg at the government trough’ and thus becoming beholden to the governmental leviathan.

While the influence these contacts had is difficult to gauge, Baden’s professional tribulations suggest that there is no compromise in his fight against the extractive industries that were destroying western environs. His experience was often representative of the Bozeman foursome. In 1982 Baden lost his job as Director of CPENR and the institution was shut down. According to Stroup and Baden, this happened for several reasons, one of them being that Baden refused to compromise, or temper, his opposition

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<sup>76</sup> The Center for Political Economy and Natural Resources, “A Report,” 15.

to government subsidies given to extractive industries.<sup>77</sup> Baden believed that subsidies given to the logging, mining, and agricultural industries encouraged more production of these commodities, which led to excessive environmental degradation. Baden's vociferous opposition to subsidies (by Baden's own admission, he was an arrogant and loud newcomer), which many in Montana considered sacred, created unrest in the Department of Agricultural Economics and Economics. Consequently, Vice-President John Jutila and Department Chair Dr. Bruce Beattie requested a peer review of the CPENR. The resulting report corroborates Stroup's and Baden's telling.<sup>78</sup> Baden was found to have done nothing wrong. Nonetheless, the university dismissed him.

A similar scenario played out when Baden moved to Texas and opened a short-lived think tank in the mid-1980s.<sup>79</sup> Baden took advantage of an oil boom to raise money for his think tank, but when the market slowed and oil companies sought government subsidies, relationships soured. According to Baden "when they realized my beliefs remained consistent, and opposed to subsidies, it was time for me to move on." Now in his forties, Baden had lost two jobs for his stubborn opposition to extractive industries and the subsidies they procured from the federal government. Clearly, money from conservative organizations did not alter Baden's commitment to the environment.

In the long term the closing of the CPENR was only a minor set-back. When PERC opened its doors in 1982, it was purposefully independent of the university, receiving all of its funds from private entities similar to those supporting CPENR.

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<sup>77</sup> John Baden, Interview, 20 July 2006; Shaw and Stroup, Interview. Baden still turns red with anger when describing his perception of the problem, "We were a threat to all rent-seekers."

<sup>78</sup> Bruce M. Johnson and Vernon W. Ruttan, "Report of the Site Visitation Committee Center for Political Economy and Natural Resources," Bozeman, MT: Montana State University, 10 December 1982. available in FREE Archive.

<sup>79</sup> Baden, John. Interview, 20 July 2006; Shaw and Stroup. Interview. This episode remains undocumented beyond these interviews.

Otherwisenot much else changed. In fact, PERC still exists with several of the same staff – Anderson is the Executive Director, Hill and Stroup are Senior Fellows, and Vernon Smith sits on the Board of Directors - and an expanded, albeit similar, set of activities. By the mid-1980's, a rift within the FME scholars, brought on by disputes over finances and prestige, facilitated Baden's move to Texas and Anderson's transition to the position of executive director of PERC.<sup>80</sup>

Upon consultation with Douglas Ginsburg, President Reagan's failed nominee to the U.S. Supreme Court in 1987, Baden tailored his third think tank to the task of hosting conferences for Federal Judges.<sup>81</sup> Between 1992 and 2006 approximately one third of the federal judiciary attended at least one of the Foundation for Research on Economics and the Environment's seminars held during the period. Baden also held conferences for law professors and 'environmental entrepreneurs,' and three of the FREE seminars occurred as participants bicycled along Montana's highways. The funding sources for FREE have been very similar to those of CPENR and PERC.

The fourth think tank Baden started was Gallatin Writers, which incorporated in 1991 and launched its activities in 1995, targeting environmental and community leaders and public intellectuals to grapple with issues surrounding the evolving culture, economy, and environment of the West.<sup>82</sup> Not as active as the other three think tanks, Gallatin

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<sup>80</sup> Anderson and Baden have declined to comment on this episode, so the details are obscure. But in a recent interview Stroup said that the conflict involved finances and prestige. Furthermore, a recent correspondence from Anderson claimed that "the Center was sending more money than it was raising, leading to a \$50,000 deficit for MSU, a deficit which Rick and I spent years trying to erase." Baden and Anderson have not spoken since the rift, and Baden was not invited to the 25<sup>th</sup> anniversary party of the institution he created. See Anderson to Asserson, Bozeman, 6 December 2006, author's collection.

<sup>81</sup> Ginsburg is currently the Chief Judge of the U.S. Court of Appeals for the D.C. Circuit. He did not pass the Senate hearings due ostensibly to his marijuana use while a professor at Harvard.

<sup>82</sup> Donald Snow joined Baden, Ramona Marotz-Baden, and Pete Geddes, as the primary associates of Gallatin Writers. Snow was the Mellon Professor of Environmental Studies at Whitman College during this

Writers hosted approximately ten conferences. Gallatin Writers did, however, branch out into several new and more creative arenas, such as conducting the Wallace Stegner Essay Contest for college students, creating the Missouri River Project to generate innovative ways to preserve the Upper Missouri River, producing a video for landowners demonstrating how to restore riparian and fishery habitat, and publishing three books.<sup>83</sup> The only source of funding that can be found is the Ford Foundation, and the amount cannot be determined. The activities at Gallatin Writers may appear unorthodox compared to the three previous FME think tanks, but it continued a pattern that characterizes the work of the FME scholars: reaching further out into various segments of society to generate support for their ideas.

A collection of letters written in 1981 reveals the effects that the early FME activism had on individual conference attendees, the basis for their success. In 1981, the CPENR wrote a proposal for a new 3-5 year series of seminars for journalists to submit to foundations for funding.<sup>84</sup> The proposal contains thirteen letters written by participants describing their experiences at the conferences. While the sample is certainly biased, it nevertheless reveals what the CPENR did well and why they continued to receive funding and attract participants for 30 years. Several recurring themes pervade these letters: the conferences were excellent; the Center should expand the number of conferences per year; having the speakers stay for the entire conference enhanced

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time, and from 1984-2001 he served as executive director of Northern Lights Institute in Missoula, Montana, where he founded the acclaimed journal, Northern Lights Magazine.

<sup>83</sup> They are John A. Baden and Don Snow, eds., *The Next West: Public Lands, Community, and Economy in the American West* (Washington, DC: Island Press, 1997); Karl J. Hess, and John A. Baden, eds., *Writers on the Range* (Boulder, CO: University Press of Colorado, 1998); Carolyn Servid and Don Snow, eds., *The Book of the Tongass* (Milkweed Editions: Minneapolis, MN, 1999).

<sup>84</sup> The Center for Political Economy and Natural Resources, "Economic Education Program for Journalists and Policy Makers, 1981," FREE Archive, Bozeman, MT.

learning; informal discussions during meals and leisure time promoted the exchange of ideas; and Montana was a great setting for deep contemplation.

A few representative letters from a range of participants demonstrate these sentiments. Joseph P. Kalt, an assistant professor of economics at Harvard, praised the CPENR “for creating the best atmosphere I have ever encountered at a conference of this type,” and Kalt wrote that he was “quite sure that the participants gained a great deal of knowledge and insight.”<sup>85</sup> Journalists continued the positive feedback. Associate Editor at the Oakland Tribune, Jo Murray, noted that “As a direct result of the conference” she wrote two articles, offered to publish an op-ed from Stroup, contacted an economist from the conference about a local environmental issue, acquired the names of two potential speakers for a conference she hosts, and used ideas from the seminar in everyday conversations.<sup>86</sup>

Government officials and business representatives shared the enthusiasm expressed by academics and journalist for the CPENR’s work. The Department of the Treasury was represented at the seminars by Paul Craig Roberts. He found the FME scholars’ work timely “because of the present opportunities to make important and fundamental changes.”<sup>87</sup> In the emerging Reagan era, Roberts was struck by the potential of the CPENR’s policies to simultaneously “eliminate much economic waste and inefficiency as well as ecologically [harmful] practices” and congratulated them on their foresight concerning these issues. John Benneth, regional manager of the American

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<sup>85</sup> Joseph P. Kalt to John Baden, 15 July 1981, transcript in the hand of John Baden, FREE archive, Bozeman, MT.

<sup>86</sup> Jo Murray to John Baden, 9 July 1981, transcript in the hand of John Baden, FREE archive, Bozeman, MT.

<sup>87</sup> Paul Craig Roberts to John Baden, 1 September 1981, transcript in the hand of John Baden, FREE archive, Bozeman, MT.

Forest Institute, offered to write a report summarizing the conference and circulate it within the forest industry. Benneth hoped that the Center “might find it useful in [their] contacts with other segments of business and industry.”<sup>88</sup>

Foundations responded positively to these glowing testimonial letters and provided the finances for the founders of FME to perpetuate their work and maintain their institutions. Their successive think tanks created a stable base of operations from which the FME movement could expand, and they successfully leveraged their comparative advantage – the natural splendor of Montana – to host hundreds of conferences, their primary outreach mechanism. Their ability to associate with elite intellectuals, such as Garret Hardin, five winners of the Nobel Prize in Economics, and two future Secretaries of the Department of the Interior, is a testament to the respect others had for the quality of their scholarship. Targeting journalist proved fruitful; many subsequently invited the FME scholars to pen editorials, or wrote their own favorable articles. In sum, their long-term approach to activism worked, policy makers in the U.S. and around the world now recognize free market environmentalism as a viable tool for solving environmental problems.

### **Are They Really Environmentalists?**

But to what end? Why, for instance, was a representative from Standard Oil present at one of their conferences? Their myriad contacts with those that many on the Left consider pernicious, such as The Heritage Foundation, garnered little respect and much invective from the ‘mainstream’ environmental movement. Early converts to FME

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<sup>88</sup> John E. Benneth to John Baden, 7 July 1981, transcript in the hand of John Baden, FREE archive, Bozeman, MT.

were few, but passionate, and often came in the form of esteemed economists whose endorsements contributed to the slow, steady spread of the movement. In contrast to the converts, critics of FME were plentiful and often overshadowed proponents of the movement.

Opponents of FME have spanned the political spectrum, and they have voiced their opinions in both scholarly and popular forums. Their evaluations have ranged from measured discussions of the shortcomings of FME policies to accusations of crypto-fascism. One of the earliest critiques of FME was written in 1982 by professor Scott C. Matulich in response to a paper by Anderson that outlined the main points of FME.<sup>89</sup> Matulich suggests that the founders of FME might be reasonable, but also might be zealots, and he warned against “economists bearing simple solution – simple, neat, and wrong.”<sup>90</sup>

Similar ideas pervaded the book reviews of early FME publications. *The Birth of a Transfer Society* (1980), by Anderson and Hill, was no more than a collection of “sweeping generalizations,” according to one reviewer, that “lack[ed] explanatory depth” and whose only value lay in its “importance as a putative artifact of 1980s intellectual history.”<sup>91</sup> *Bureaucracy vs. Environment* (1981), by Baden and Stroup, expressed a “naïve faith in the market” another reviewer argued, and was “replete with tiresome

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<sup>89</sup> Malulich was an Associate Professor in the Department of Agricultural Economics at Washington State University. Scott C. Matulich, “The New Political Economy of Natural Resources: Discussion,” *Political Economy of Natural Resources* 64, no. 5, (Dec., 1982): 944 - 946. The title of Anderson’s paper is not given, but is presumably a general overview of FME ideas at that time.

<sup>90</sup> Matulich, 946.

<sup>91</sup> See Tony Freyer, “Review of *Birth of a Transfer Society*,” *The Journal of American History* 68, no. 2 (September, 1981): 354-355; W. Elliott Brownlee, “Review of *Birth of a Transfer Society*,” *The American Historical Review* 87, no. 1 (February, 1982): 243; Harry N. Schieber, “Review of *Birth of a Transfer Society*,” *The Journal of Economic History* 41, no. 3 (September, 1981): 696-697.

assumptions and comparisons.”<sup>92</sup> *Natural Resources: Bureaucratic Myths and Environmental Management* (1983) was simply a “propaganda tract” that “lacked rigor.”<sup>93</sup> Finally, one review referred to Anderson’s *Water Rights: Scarce Resource Allocation, Bureaucracy, and the Environment* (1983) as a volume that would “appeal to true believers [in markets]; atheists and agnostics, however, will find little to exercise their minds.”<sup>94</sup> Positive reviews of these books also exist, but these early reviews establish a pattern of criticism that depicted the FME scholars as insignificant ideologues whose simple theories were dangerous in a complex world.

*Free Market Environmentalism*, by Anderson and Donald Leal, garnered most of the scholarly criticism in the 1990’s.<sup>95</sup> This book is considered by many to be the seminal statement of FME, and it is used widely in university classrooms as such.<sup>96</sup> Peter S. Menell, Professor of Law at the University of California at Berkeley School of Law, offered a moderate criticism. He condemned Anderson and Leal for being naïve, narrow-minded, and utopian, similar in this respect to the scientific management philosophy they liked to criticize. Yet, he also approved of some of their ideas.<sup>97</sup> Menell argued that the authors’ overemphasized property rights as a panacea and exaggerated the extent of bureaucratic incompetence, but agreed that these were legitimate concerns. Other

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<sup>92</sup> James E. Stacey, “Review of *Bureaucracy vs. Environment*,” *The Public Historian* 7, no. 2 (Autumn, 1985) 97-101.

<sup>93</sup> See Anne Mayhew, “Review of *Natural Resource*,” *Annals of the American Academy of Political and Social Science* 475 (September, 1984): 222-223; Paul Comolli, “Review of *Natural Resource*,” *Southern Economic Journal* 51, no. 3 (January, 1985): 944-946.

<sup>94</sup> Paul Herrington, “Review of *Water Rights*,” *The Economic Journal* 94, no. 376 (December, 1984) 1013-1049.

<sup>95</sup> Terry L. Anderson and Donald R. Leal, *Free Market Environmentalism*. New York: Palgrave, 1991.

<sup>96</sup> Not all of those participating in the FME movement would agree with this characterization, and an examination of the body of literature existing prior to its publication suggests that *Free Market Environmentalism* consolidates much that was already written, albeit with Anderson and Leal’s own emphasis on certain principles and policies, particularly property rights.

<sup>97</sup> Peter S. Menell, “Institutional Fantasylands: From Scientific Management to Free Market Environmentalism,” *Harvard Journal of Law and Public Policy* 15, no. 2, (Spring, 1992): 489-510.

moderate scholars expanded upon Menell's observations: market solutions *do* have inadequacies that require regulatory action; privatization would have significant *costs* along with any benefits; property rights do not *guarantee* sound environmental practices; enforcement of environmental law at the state and local level is *unreliable*; prices can't reflect the *full value* of the natural environment; and finally, the *public's right* to a livable environment justifies regulations.<sup>98</sup>

Perhaps the most potent criticisms of *Free Market Environmentalism* came from another classical liberal, Mark Sagoff, professor at the Institute for Philosophy and Public Policy at the University of Maryland. He accused the authors of focusing too much on the cold calculations of economic efficiency at the expense of the incalculable gifts of a healthy environment.<sup>99</sup> Nonfiction author Jack Turner, who attended a FREE conference in 1992, creatively communicated this same point: economists "treat[ed] Mother Nature as a whorehouse" by pricing her assets.<sup>100</sup> According to Turner, the worldview of most economists, with its emphasis on financial values, ignores most of the things that make life worth living. His emotional response - "the word *economics* makes me hiss like *The Hobbit's* Gollum: I hates it, I hates it, I hates it forever." - is likely commonplace amongst FME critics.<sup>101</sup>

Richard W. Behan, Dean of the School of Forestry at Northern Arizona University, provided historical context for Turner's antipathy toward economists in

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<sup>98</sup> See Michael C. Blumm, "The Fallacies of Free Market Environmentalism," *Harvard Journal of Law and Public Policy* 15, no. 2, (Spring, 1992): 371-390; Tony Smith, "The Case Against Free Market Environmentalism," *Journal of Agricultural and Environmental Ethics* 8, no. 2 (1995): 126-144.

<sup>99</sup> Mark Sagoff, "Free Market Versus Libertarian Environmentalism" *Critical Review* 6, no. 2-3 (1993): 211.

<sup>100</sup> Jack Turner, "Economic Nature," in *Northern Lights: A Selection of New Writing from the American West* New York: Vintage Books, 1994. Also see Brian G. Norton, "Thoreau's Insect Analogies: Or, Why Environmentalists Hate Mainstream Economists," *Environmental Ethics* 13 (Fall, 1991): 235-251.

<sup>101</sup> Turner, "Economic Nature," 121.

general, and FME in particular. His article “Degenerate Democracy: The Neoliberal and Corporate Capture of America’s Agenda,” published in the *Public Lands and Resources Law Review* in 2003, laid out an argument frequently made against FME.<sup>102</sup> Behan blamed the U.S. Constitution for establishing a society that favored individual interests over public interests. To his approval, the Progressive movement overcame this tendency until powerful new legal entities, corporations, and the rise of neoliberal philosophy once again subverted the primacy of the public good in favor of private interests during the last quarter of the 20<sup>th</sup> century. Behan believed that the desires of Milton Friedman, Friedrich Hayek and others who sought free market solutions to a host of social ills via privatization and deregulation represented all that was wrong with neoliberalism and America.<sup>103</sup> Behan criticized a large web of conservative and libertarian think tanks for being pawns of corporate interests via the foundations they established that then fund the think tanks. He identified the twelve foundations he believed to be the most pernicious, which he termed the ‘Diligent Dozen,’ and noted that PERC received funds from nine of them and FREE received funds from seven. Subsequent contacts between the FME scholars with high-level government officials and their advocacy of privatization led Behan to conclude that FME is no more than a thinly veiled attempt to help corporations evade environmental regulations. As such, they were part of the reason that “American Democracy today is degenerate” brought about by “neoliberalism [that] has given us crypto-fascism instead.”<sup>104</sup> Behan provides no empirical evidence to support these inflammatory claims.

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<sup>102</sup> Richard W. Behan, “Degenerate Democracy: The Neoliberal and Corporate Capture of America’s Agenda,” *Public Lands and Resources Law Review* 24 (2004): 9–23.

<sup>103</sup> *Ibid.*, 18.

<sup>104</sup> *Ibid.*, 21.

One class of criticism most deserves serious consideration: the moderate voices who questioned the practical effectiveness of the FME suggestions. Finding success with environmental policies requires their type of scrutiny. Time has proven the earliest critics wrong: FME scholarship has had an international impact and some of their policies are quite complex, such as ITQs. Sagoff and Jackson's criticism is true to an extent, but a large part of this problem is linguistic. As Baden says, "economists prefer calculus to any other form of communication," and this makes communication difficult with more emotional audiences.<sup>105</sup> Simply using the jargon of one's profession, however, does not mean that one is indifferent or hostile to the environment. On the other hand, the FME scholars regularly contend that environmental values must be reconciled with 'other' values in society. The vitriolic attacks on FME by individuals such as Behan rely upon the possible, yet unproven, assertion that receiving money from right-wing foundations necessarily means you are hostile to the environment. In the decade, or more, since this charge surfaced no evidence of actual malicious intent or the resulting harm done to the environment has been provided. Rather than empirical research, ideology seems the motive of these critics. Yet, due to the difficulty in disproving a negative, the accusation that FME is partnered with corporate America haunts the movement.<sup>106</sup>

Baden's personal experience provides additional insight into the inaccuracy of the critics' most harsh accusations. Baden regularly interacted with the business community,

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<sup>105</sup> Baden, John. Interview, 20 July 2006.

<sup>106</sup> For example, the Community Rights Council (CRC), a public interest law firm that helps state and local governments win eminent domain cases, began calling for the cessation of FREE's seminars for Federal Judges in the late 1990's. The CRC accused FREE of hosting 'educational seminars' with the real intention of allowing corporate executives to influence Federal Judges to rule in their favor. The CRC claims continue to receive national attention in publications such as the *Washington Post* and the *New York Times*. In 2004 they attacked several Federal Judges for sitting on FREE's Board of Directors and caused the attention caused three of them to resign. According to Douglas Kendall, executive director of the CRC, "a judge cannot be on the board of an organization that takes money form corporations in order to influence the outcome of cases before the federal courts."

a choice that he knew would leave him vulnerable to accusations of corruption. A personal letter written in 1989 to William S Broadbent, the Senior Vice President of Investments at Lehman Brothers, reveals his motivations for promoting and maintaining his relationships with the corporate world.<sup>107</sup> Most of this five-page letter revolves around his assertion that “polluting actions by business violate the foundations of free enterprise” and that this is caused in part by “a substantial lag between the development of new ethical systems involving humans and their ecological setting, and the development of legal and economic institutions within which businesses must operate.” He then applauds Pierre F. Goodrich for being “the first businessman to systematically incorporate environmental plans into his mining plans” and describes this at length. Based upon Goodrich’s example, Baden described an award he created for business leaders who “demonstrate the conjunction of business success and ecological responsibility.” Baden acted upon the beliefs he espoused in this letter. After Texas, he moved to Washington University in Seattle and co-founded the Environmental Management M.B.A. program.

Baden’s activism was not directed at the grassroots or policy-makers, but rather he and the other FME scholars targeted an elite segment of society. Baden puts it this way: “The low-hanging fruit had been picked. We went after the rest.”<sup>108</sup> Their activism sought to convert individuals who were not instinctively drawn to the new environmental consciousness that generated the first Earth Day, a demographic presumably more difficult to convert. Associating with such elites has provided ample ammunition for critics, but a closer look reveals that the Bozeman scholars engaged in an important task:

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<sup>107</sup> John Baden to William S. Broadbent, 1989 or 1990 [exact date uncertain], transcript in the hand of John Baden, FREE archive, Bozeman, MT.

<sup>108</sup> Baden, John. Interview, 20 July 2006.

the necessary proselytizing of those lacking an environmental ethic but possessing the power to affect change.

### **Privatization and Other Four-Letter Words**

FME publications lack the acknowledgements to Leopold, Thoreau, etc. typical of environmentalists' writings, instead favoring the champions of such ideas as efficiency, self-interest, externality, and privatization. John Baden offers one reason for this: "We [the Bozeman scholars] possess the mindset typical of economists – woefully lacking in empathy – and thus it should come as no surprise that we write in a 'cold' economic style."<sup>109</sup> Regardless, this style is abhorrent to some, such as the aforementioned critic Frederick Jackson, and the term 'privatization' likely arouses the most derision.

'Privatization' has many meanings to many people, especially if you are a critic or founder of FME. Since their inception, the FME scholars' advocacy for the privatization of federal lands has been controversial, turning many against FME. What the FME scholars meant, however, by 'privatization' might surprise those who have never actually read their work. In 1973 Stroup and Baden discussed the merits of Milton Friedman's suggestion that "government agencies should not manage these [National] forests at all. Instead management would be left to private managers..."<sup>110</sup> Rather than selling to the highest bidder, Stroup and Baden expressed concern that "a simple market solution, unbounded by continuing government intervention of some sort, would involve serious externality problems" such as "flood control, watershed protection, weather modification,

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<sup>109</sup> Baden, John. Interview, 16 July 2006.

<sup>110</sup> Stroup and Baden, "Externality," 305.

animal habitat, biotic diversity, and environmental buffering.”<sup>111</sup> They suggested that one way to ameliorate the negative externalities was “by placing restrictions on the title transfer, constraining the buyers to avoid certain socially costly decisions,” such as developing the property.<sup>112</sup> This is far from critics’ notions that ‘privatize’ meant unrestrained selling to the highest bidder, yet such concepts pervade the first decade of FME publications and activism.

A decade later, Stroup elucidated the limits he believed should be placed upon the privatization of public lands: federal lands should be sold to non-profit environmental organizations such as The Nature Conservancy and the Sierra Club.<sup>113</sup> The FME scholars believed that non-profit environmental groups were more committed to the environment than the federal government. An unpublished paper in 1981, “Free Market Environmentalism,” explained the fear that motivated this belief: “Those of us who remember November, 1973 [when Congress mandated a Trans-Alaskan oil pipeline] realize that environmental concerns can be quickly swept away when the United States runs low on vital resources [oil].”<sup>114</sup> Baden and Stroup cited the Rainey Preserve, owned by the Audubon Society, as an example of how private ownership by environmental groups would protect vulnerable ecosystems from exploitation and degradation with a vigor that the federal government lacked:

The refuge is carefully controlled and managed for otter, mink, deer, reptiles, thousands of birds – and oil wells. Because the Rainey preserve is in private hands, there is every incentive to use the resources efficiently. The timing, placement, operation, and structure of the oil operation is carefully programmed with the seasonal habitat requirements of the

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<sup>111</sup> Ibid., 307-312.

<sup>112</sup> Milton Friedman quoted in Stroup and Baden, “Externality,” 307.

<sup>113</sup> Stroup and Baden, *Natural Resources*.

<sup>114</sup> John A. Baden, and Richard Stroup, “Free Market Environmentalism,” Bozeman, MT: Center for Political Economy and Natural Resources, June, 1981.

wildlife residents. Revenue derived from the operation is used to buy additional preserves to further advance the Society's goals. Clearly this is a positive sum game. All participants win.

A public exposition of the FME position on privatization occurred in the Great Falls Tribune in 1982. That summer the Center hosted a major conference, and Governor Ted Shwinden made a speech on the final night that generated numerous newspaper articles across the state and provided significant press coverage for the fledgling movement. Amidst a flurry of expletives, the Governor lambasted privatization, railing against "oil sheiks, conglomerates or the Burlington Northern president" grabbing up the land.<sup>115</sup> Frank Adams, reporter for the Great Falls Tribune, had attended the entire conference and depicted a different view of the FME position. "Baden and other free market resource economists have proposed ways of avoiding that [oil sheiks, etc.], such as turning wilderness areas over to environmental groups like the Sierra Club or Audubon Society." Adams also cited Baden's rationale "[In an oil crisis] who do you want to have title to the lands – the Audubon Society or James Watt."<sup>116</sup>

In 1982, Anderson, Baden, and Stroup submitted a report to the Department of the Interior promoting yet another version of 'privatization,' long-term leases.<sup>117</sup> Applicable to BLM rangeland in the West, the authors claimed that "the basic goal, or rationale, for private leasing of federal lands would be to harness the self-interest of the lessee to the social goals of the national government as landowner." Private parties would be granted management rights

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<sup>115</sup> Frank Adams, "Governor Down-to-Earth in Assessing State Image," Great Falls Tribune, 17 July 1982, 1(A). According to Stroup the Governor was drunk and Adams also alludes to this in his article.

<sup>116</sup> Ibid., 2(A).

<sup>117</sup> Terry L. Anderson, John Baden, and Richard Stroup, "Report to the Department of the Interior on Innovative Resource Management Strategies," Bozeman, MT. February, 1982. See also John A. Baden, "Advancing Environmental and Economic Goals: Let's Put Public Lands in Private Hands," Bozeman, MT: Center for Political Economy and Natural Resources, January, 1982.

to the land for decades at a time, but the government would maintain ownership and control over particular rights such as “wilderness areas or wilderness habitat.”<sup>118</sup> The only two tables and the appendix list conservation organizations that acquired land, their membership trends, acreage owned, and budgets – most of which demonstrated phenomenal growth. There was no additional information provided about extractive industries, presumably because they sought to steer the Department of Interior towards more environmentally friendly policies.

What ‘privatization’ meant to the FME scholars was quite different from the meaning used by critics. The FME scholars advocated a system of privatization tailored to protect the environment from the negative externalities inherent in market failure and government failure. They believed if the new institutional arrangements were designed well, this would result in win-win policies similar to the Audubon Society’s Rainey Preserve. Meanwhile, critics decried what they perceived to be an attempt to sell public lands to the highest bidder, a policy that would likely result in more economic development. Ironically, the curbing of excessive economic development is precisely what the FME scholars sought. Some on the Right may have advocated unrestrained privatization, but the published record indicates that the Bozeman scholars did not.

Yet, the negative perception created by the ambiguous term ‘privatization’ plagues the FME scholars, as demonstrated by Brian Drake’s recent dissertation, a chapter of which is titled “Tending Nature with the Invisible Hand: The Free Market Environmentalists.”<sup>119</sup> In it he attempts to explore the history of FME, but actually

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<sup>118</sup> Anderson, Baden, and Stroup. “Report,” 22-28. Leases could vary between 40-90 years, during which recreation, wilderness, and extractive users could obtain control over certain rights for agreed upon uses. Lessees would be required to pay all management and operation costs on that tract of land.

<sup>119</sup> Drake, “Tending Nature with the Invisible Hand.”

perpetuates a negative caricature of free market advocates to form the basis of his appraisal of the FME scholars, in which he accuses them of conspiring to privatize “all parts of nature,” including the air, wildlife, and the oceans.<sup>120</sup> Drake’s footnotes make it clear that he relied heavily on *Free Market Environmentalism*, published 18 years after the movement began, and read little, if any, of the early publications. As a consequence he commits serious errors, such as entirely omitting the critical role Public Choice Theory played in the development of FME. Drake successfully defeats the straw men that he erects, but he fails to understand the fundamental aspects of FME scholarship, including the commonalities between the scholarship of Scott, Jacoby, and the FME scholars.

Drake has company. In a recent exchange between Baden and critic Marjorie Smith, columnist for the Bozeman Daily Chronicle, Baden’s hometown paper, Smith stated that, “The folks at PERC and FREE might object to my interpretation since they hold that the market economy is the best solution to every problem and have been known to preach that Yellowstone would be much better preserved if it were in private hands.”<sup>121</sup> Baden responded in an email:

You perpetuated a misunderstanding that bothers me, at times a great deal. I can’t speak for PERC, but I have consistently, repeatedly, recurrently, and I thought convincingly, argued exactly the opposite. I have carefully explained why the market is not some magic elixir and why Yellowstone should be in public rather than for profit hands. Specifically, to protect the park from political pressures (think snowmobiles) or the “reforms” pushed by Bush II, I’ve always advocated public trusts. My published record on this spans several decades.<sup>122</sup>

Between Baden’s lines lurks an old conversation the founders of FME had concerning the name of their movement. In the early 1980’s they pondered whether they

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<sup>120</sup> Ibid., 298-302.

<sup>121</sup> Marjorie Smith, “Nobel Laureate Thomas Schelling: The Optimistic Guru,” *New West* available at [www.newwest.net/index.php/city/article/10934/C396/L396](http://www.newwest.net/index.php/city/article/10934/C396/L396), accessed on 13 June 2006.

<sup>122</sup> John A. Baden, “Re: Column on Thomas Schelling,” Personal e-mail (22 August 2006).

should retain the original name, New Resource Economics, or adopt a new moniker?<sup>123</sup>

The trepidation towards change involved apprehension about the negative reaction some people automatically have to the phrase ‘free market.’ They feared that this reaction might stall the movement’s general acceptance and influence. Drake and Smith demonstrate that this fear was well-founded. For thirty years, misunderstandings, brought on in part by reflexive responses to terms such as ‘free market’ and ‘privatization,’ have hindered the growth of FME and the fair hearing their policies deserve.

### **Contention or Comprehension?**

Now, as concern about environmental issues continues to grow in America, the historical antecedents of current environmental positions on the right at least demand greater scholarly understanding, if not acceptance. Three decades ago Anderson, Baden, Hill, and Stroup built a movement that now receives widespread national and international attention. They identified environmental problems generated by markets and those endemic to government management, and then developed a broad set of principles necessary to overcome them. Their paradigm challenged the widely held perception that environmental problems were unique and could only be solved through government intervention to mitigate market failure. This flawed belief, they posited, too often resulted in a one-size-fits-all approach to environmental legislation that neglected important differences among diverse ecosystems and ignored local knowledge.<sup>124</sup> The FME scholars also warned that trusting a powerful centralized government as steward of the

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<sup>123</sup> Baden, Interview, 20 July 2006.

environment was a dangerous pursuit subject to the whims of politicians and bureaucrats. To ameliorate these problems the FME scholars strove to align individuals' self-interest with society's environmental interest, thus harmonizing environmental goals with responsible economic growth and an appreciation for the ideals of a free society.

Anderson, Baden, Hill, and Stroup deserve recognition as the originators of a comprehensive new approach to environmental issues. Using the principles powering capitalism to remedy the excesses of capitalism had not previously been advocated in any sustained manner. After thirty years of activism, FME has certainly arrived. Their influence on domestic environmental policy already extends deep into the Department of the Interior, the Environmental Protection Agency, right-wing think tanks, high-ranking Republican politicians, and the Federal judiciary, and several nations, such as South Africa, turn to PERC for answers to their environmental problems. Additionally, in 2007 Baden inaugurated a new conference series for leaders of the powerful evangelical movement, some of whom have recently taken an interest in the environment. While some of their ideas may prove wrong, their achievement lies in expanding the set of possible solutions from which environmental policy-makers can choose. For too long many responded reflexively to FME with contention. Now, it is time for measured comprehension.

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