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PROPERTY RIGHTS: OUR BEST ENVIRONMENTAL TOOL
by Richard Stroup and John Baden*

The environmental wave may have crested, but it is a strong and continuing one. During the 1970s, environmental issues exploded in perceived importance. An increasingly wealthy nation developed greater appreciation for natural amenities and a rising fear of technological threats to the environment. Throughout the 1970s, public opinion polls conducted by Harris, Gallup, CBS, and the Survey Research Center consistently demonstrated strong support for environmental protection and conservation. Despite the continuing tax revolt in 1980, 64 percent of California's voters supported a bond issue for water pollution control and 52 percent supported bonds for park acquisition. The expected backlash of the environmental movement was not strong, if it even existed. Throughout the decade, only 10 percent of U.S. voters surveyed indicated

* Rick Stroup is Research Director of the Political Economy Research Center and author of numerous books and articles. He has recently returned to PERC after serving 2-1/2 years as Director of the Office of Policy Analysis, U.S. Department of the Interior.

John Baden is Executive Director of the Political Economy Research Center. A member of the National Petroleum Council, Dr. Baden has written and edited six books dealing with property rights/free market approaches to natural resources and environmental management.

The Political Economy Research Center (PERC) is a nonprofit 501(C)(3) educational and research foundation devoted to building the intellectual foundations for a society of free and responsible individuals and their relations with one another and their environment. PERC is widely recognized for leading the development of free market environmentalism and the new resource economics. Two of the recent books supported by PERC are Bureaucracy vs. Environment: The Environmental Cost of Bureaucratic Governance (University of Michigan Press) and Natural Resources: Bureaucratic Myths and Environmental Management (Ballinger Press).

that they were "unsympathetic" to the environmental movement. The acrimonious squabbles and full-scale battles of the last few years are unfortunate and were unnecessary.

Many politicians underestimated the strength of commitment to that movement while few environmentalists understood the powerful contributions that a system of private property rights can make to achieving environmental goals. It is decidedly unfortunate that no leader in the Reagan Administration built the case for linking fiscal conservatism with conservation and environmental sensitivity. Building upon our books and articles, we do so below.

The gladiators of the environmental movement, the professionals who speak for it and enjoyed nothing more than a joust with Jim Watt, imply that the environmental movement and the political left wing of the United States are identical. Jim Watt certainly did little to dispel that myth. The truth is different; three out of every four members of the National Wildlife Federation, the nation's largest environmental organization, supported Ronald Reagan for president in 1980. Even though professional environmentalists tend to speak entirely in terms of governmental control and ownership of natural resources as the solution to environmental problems, the rank-and-file environmentalist is hardly a committed socialist—and a great many are economic conservatives.

When private sector programs can achieve environmental goals, true environmentalists will welcome them. Rhetoric of the extreme environmentalist leaders aside, private property rights and voluntary action are generally the solution, rather than the cause, of environmental problems. For anyone who examines the situation carefully, it becomes quite clear that a resource owned by someone, in fact by anyone, is far more likely to enjoy good stewardship than is the resource owned or operated by "the

people" as a whole. Private ownership establishes accountability. When everyone "owns" a resource and is "accountable," often no one is.

Serious environmental problems indeed exist and government has a legitimate role in dealing with them. Unfortunately, many of these problems of environmental and resource management are actually caused by governmental action. In these cases economic inefficiency compounds environmental damage. Thus, fiscal conservatism, private property rights, and free market allocation strongly support conservation and environmental sensitivity.

Many of the issues that concern environmental activists would not arise if massive governmental subsidies were not in place. Environmentalists and conservatives agree that the taxpayer is injured twice by such economically inefficient and environmentally atrocious projects as the Garrison Diversion project in North Dakota and deficit timber sales in the Rockies and Alaska. In such cases, the taxpayer unknowingly subsidizes the destruction of the quality of his environment. How many duck hunters would agree to support programs that: (1) generate far greater costs than revenues; (2) artificially promote greater crop surpluses requiring additional subsidies; and (3) destroy ten of thousands of acres of America's best duck habitat in the process? They, of course, do so when their taxes are squandered on boondoggles such as Garrison. Clearly, there are strong forces leading to a coalition of conservationists and fiscal conservatives. That coalition would support policies that link authority with responsibility to assure accountability. Property rights do precisely this.

Accountability, it turns out, is the key to every environmental problem. If a polluter can be held accountable for his pollution damages in exactly the same way he is accountable for damages he causes with his

automobile, there would be no special pollution problem. Property rights establish accountability. That accountability, together with the innovative freedom it fosters, is exactly why private property rights and the market system are usually the best tool available to solve environmental problems while taking advantage of environmental opportunities. In what follows, we will use a series of nationally recognized, but commonly misunderstood environmental case studies to show how and why collective or socialized approaches to resource and environmental management typically do not work very well—and why private rights are usually superior from both environmental and economic standpoints.

The Love Canal Fiasco

Seldom has the development of an environmental problem been so misunderstood as was the Love Canal situation. When Hooker Chemical used the canal for a waste dump, they did so in an extremely careful way. They first lined the canal with clay and other materials in a painstaking manner. Having filled it, they carefully sealed and covered it. Their motives may or may not have had a "social responsibility" component, but they certainly acted as if they cared about their neighbors and future generations. Their lawyers had advised them well about the potential liabilities involved. Due to the systematically distorted view of Hooker Chemical and the Love Canal situation in the press, most Americans do not realize that Hooker Chemical did not sell the covered-over dump site to developers at a profit. Instead, they were forced under threat of eminent domain to sell their site to local government which wanted the site for a school. After much protest, Hooker sold the property for one dollar. It was local government, against the advice of Hooker, which went ahead and

built the school. Worse yet, local government sold the remaining land to private developers who used the site for a housing development.

In addition, governmental decision makers allowed trenches for water and sewer lines to be dug right through the carefully lined walls of the covered-over Love Canal. Thus, it was irresponsible governmental activity, rather than Hooker Chemical, which allowed the chemicals to escape and to contaminate the local soils. The protection, via private liability, of private property rights had been removed—to be replaced by governmental decision making. The governmental officials in charge had the ability to take appropriate care of the waste site. They did not have the same personal liability as those at Hooker, and thus did not face the same incentives to act responsibly. Presumably, they were good people; but the information they sought and the incentives that they faced were quite different from those facing the owners and managers of Hooker Chemical when they owned the land and acted responsibly.

Profiting By Environmental Preservation

Holding owners accountable for any damage they do, as in the case of the Love Canal before it was socialized, is a powerful tool for preventing unnecessary or excessive damages. However, it is equally important to recognize the positive side of accountability. In the private sector, accountable individuals can be allowed to respond in many imaginative ways to environmental opportunities. A prime example is in the authors' own backyard at Big Sky, Montana.

This large recreational complex was begun just before Earth Day (1970) by Chet Huntley and a consortium of major corporations. Huntley and his partners recognized a greatly increasing demand for the kind of environmental amenities offered in the Big Sky area, just 45 miles North of

Yellowstone Park They were also aware that any development would draw other businesses in, potentially at the cost of the very environmental values which made the project so attractive.

As Chet Huntley said, they didn't want "the corrugated iron bar and beanery" with neon signs adjacent to their project. They bought and traded for most of the private land in the high mountain valley and traded land with governmental units to "block up" their unit. They assembled a sufficiently large piece of land to include most of what affected their development. Then, they subdivided. But they did so only after strict legal covenants were written to govern the behavior of land buyers. Thus, they were able to preserve environmental quality on into the future, even after the property had left their hands. By doing so, they substantially raised the value of the lands they wanted to sell. Each potential buyer knew that all other landowners would be under environmental rules. Thus, all were assured that most potential environmental atrocities simply would not be permitted. The value of future environmental quality became capitalized into the value of the development.

Just as shopping centers provide shoppers and shopkeepers with mutually beneficial commercial environments, the Big Sky of Montana Corporation had purchased, preserved, and merchandised an attractive package of natural environmental quality. No one was coerced, no one had his development rights confiscated, and everyone knew that a simple political change that might affect local zoning boards or planning commissions, would not, without their consent, change the environmental rules of the game at Big Sky. No one would have to make political investments year after year to see that their environment was protected from abuse from their neighbors. Did the owners and managers of Big Sky really care that deeply for the environment? We don't really know, but we

do know that private property rights gave them the ability and the incentive to act as if they did care, and it worked.

Freedom and Volunteerism

Property rights and the private sector bring out the best in environmentalists. For many decades now, the growing—but not new—concern for scenic and natural habitat values has been expressed in the nonprofit, as well as the profit, portions of the private sector. Hundreds of groups ranging from local garden clubs to the Audubon Society and The Nature Conservancy, nationally have preserved millions of acres of American land for such purposes. Often acting before the general public even knows there is a problem or an opportunity ripe for environmental action, individuals have often gotten together to solve the problem or take advantage of the opportunity.

Hawk Mountain Sanctuary in western Pennsylvania is an excellent example. Through a purchase by private individuals 50 years ago (when there were governmental bounties on hawks), private action turned what had been a slaughtering ground on a critical hawk flyway into a sanctuary for these raptors. No legislatures had to be lobbied, no congressional committees convinced, and no laws passed. Since the land was privately owned, voluntary donations could make it happen; today they continue to make it happen. Ducks Unlimited, dealing with private landowners, has saved millions of acres of wetlands for migratory waterfowl. The National Audubon Society owns a quarter of a million acres in special preserves, and local chapters own many more.

As we have written elsewhere, when environmentalists own the land with which they are concerned, their management tends to be quite rational. Instead of railing against any sort of development, as they often do on

governmental lands, they tend instead to think in terms of their most important goals and look toward protecting the most important values. An example is given below.

In the now famous Rainey Preserve in Louisiana, the Audubon Society allows very careful development of oil and gas reserves and livestock grazing on their sanctuary. By carefully considering which costly restrictions to place on such development, the Society is able to further its aims by protecting everything important on the sanctuary while acting as if they care about other people's goals also. Ownership forces them to consider tradeoffs.

In contrast to the above, when dealing with governmental lands, they have little incentive to act as if other people's goals also matter. It is difficult for their mission to be furthered by even acknowledging the existence of tradeoffs. Similarly, when Ducks Unlimited goes out to try to work with farmers to preserve wetlands, they have every incentive to be constructive as they approach the landowners. As it turns out, no matter what private group owns the land, all owners, users, and potential users have incentives to behave reasonably and to think of constructive ways to get what they want at the least cost to anyone else. Otherwise, they will find themselves paying more for what they buy or in missing cash payments from others that would have been made under a more reasonable and constructive policy. Thus, the oil companies and the Audubon Society are quite cooperative on Rainey while antagonistic when competing for access on public lands.

Summing Up

Briefly stated, it is absolutely critical that we recognize the importance of property rights in preventing environmental problems and in

generating possibilities for environmental improvements. Moving away from private property, as some of the collectivist/environmental leaders would have us do, separates the authority to act from the full and personal responsibility of decision makers for their actions. When the United Mine Workers and eastern coal mine owners forced expensive control technology onto coal-fired power plants in the East, rather than allowing the cheapest possible control, the result was both dirtier air and high costs. Yet, those who provided the clout got the benefits of extra union employment and coal profits while the costs are being borne today by all who experience the dirtier air and those who pay the higher costs of electric power.

Public sector action, such as above is analogous to a classic environmental problem: A factory acts irresponsibly by sending its garbage up in smoke. It lets the wind carry it away and avoids garbage removal costs. It forces others to bear the costs of the dirtier air. In the same way eastern coal interests preserved benefits for themselves, passing on far greater costs to the general public. While legal liability for pollution costs may not be efficient and effective in the case of enforcing rights to clean air, due to the difficulty of establishing property rights, the private ownership approach is surely feasible for wilderness, wetlands, and a number of other environmental problems and opportunities.

Enforceable, tradeable property rights are the greatest tool we have to solving environmental problems, avoiding needless environmental obstructionism, preserving and enhancing our most vital environmental resources, and at the same time insuring a constructive, common sense approach to environmental vs. developmental trade-offs. It is a tool we cannot afford to ignore.