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## Libertarianism and environmental protection

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The full contents of the *Encyclopedia of Libertarianism* are now online at [Libertarianism.org](http://Libertarianism.org), a website maintained by the Cato Institute. One of the newly posted entries is one I authored on “Environment.” Here’s a taste:

Environmental protection emerged as a major policy issue in the early 1960s, when public concern about the impact of human activity on our natural resources and their consequent impacts on human health became an important political issue. The result was the enactment of numerous laws designed to protect the environment through government regulation. Although there is broad public support for protecting the environment, there is increasing debate over whether government regulation is the best means of achieving environmental protection. Critics of environmental regulation point to its high costs and inconsistent results and also to its abundant weaknesses. Contemporary environmental regulation’s greatest failing, according to many of its critics, is that its effects are equivalent to those of central economic planning. These critics argue that market institutions, such as property rights, voluntary exchange, and common-law liability rules, would do a better job of advancing environmental concerns in concert with individual liberty. This approach to the environment, known as free-market environmentalism (FME), has played an increasingly prominent role in the debate over environmental policy.

Most environmental regulations are predicated on the idea that market failures exist when the government does not intervene. In the simplest of terms, this perspective holds that markets fail to account for the external environmental costs—externalities—produced by economic activities. Such external effects range from the air and water pollution that accompanies industrial production and agriculture to the depletion of natural resources that are commonly owned. For example, if a factory were to emit untreated effluent into a river or stream without compensating those who are impacted by the pollution, the costs of the factory’s actions are externalized. Whereas the factory must pay for the labor, capital equipment, and material inputs that it uses to make products, it need not pay for its use of the river for waste disposal. Such pollution externalities are presented as evidence that markets fail to account for environmental values, at which point, it is argued, government intervention is required. One problem with this paradigm is that it justifies government regulation of all human activities that have any measurable environmental impact. As a result, it provides an available pretext to regulate nearly anything.

Libertarian analysis of environmental policy rejects the market failure paradigm. In the broadest sense, libertarianism holds that environmental problems are instead the result of the absence of markets. Environmental problems, whether uncontrolled pollution or the unsustainable use of

natural resources, result when resources are left outside of the market institutions of property rights, voluntary exchange, and the rule of law. Libertarian environmentalists note that privately owned resources are typically well maintained. In contrast, resources that are unowned or politically controlled are more apt to be inadequately and poorly managed. Proponents of FME would establish institutional arrangements so that more of the world would enjoy the same custody and protection as a home or yard owned by an individual or group. “At the heart of free market environmentalism is a system of well-specified property rights to natural resources,” explain Terry Anderson and Donald Leal in *Free Market Environmentalism*. . . .

It is difficult to apply the FME paradigm to some environmental resources. Regional air pollution, for example, is difficult to address because of the inability to define and defend individualized property rights in air. Regional airsheds may well be unfenceable commons. To address this sort of problem, libertarian environmentalists endorse various policies that seek to replicate the institutional arrangements provided by markets. Two quasimarket approaches that are often discussed are the imposition of “pollution taxes” and the creation of quasiproperty rights in emissions, such as tradable emission permits that can be bought and sold. Another approach is the creation of an association or cooperative enterprise to manage the resource, much like a condominium association manages the common areas of a condominium. This property-based approach has been used for various land and water bodies and might be applicable to local or regional airsheds. Where pollution problems are the result of multiple small sources, such as individual automobiles, such aggregation can reduce the transaction costs involved with property-based approaches to environmental protection.

This market-based strategy is pervasive in discussions of environmental policy today. The benefits of FME approaches to environmental protection can be seen in many resources that are managed through property institutions. Examples include the creation of property rights in instream water flows in the western United States, which has empowered environmentalists to purchase water to protect fish; the establishment of property interests in wildlife in much of southern Africa; and the use of property rights in fisheries in New Zealand, Iceland, and parts of the United States. In each of these instances, the creation of property interests in environmental resources has created powerful economic incentives for sound resource stewardship and protection. The challenge for free-market environmental advocates is to develop creative means of extending market institutions to a broader range of environmental resources.

Some of my academic work has sought to apply the FME approach to specific environmental resources, such as water and fisheries. In other work, I have raised skepticism about whether the FME approach — at least as expounded by some of its proponents — can address certain types of pollution problems. I have also suggested that some libertarians seem awfully quick to abandon their concern for property rights and libertarian principle when it comes to the problem of climate change.

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