

BY THOMAS J. DiLORENZO

THE MIRAGE OF SUSTAINABLE DEVELOPMENT

HOW DO WE ACHIEVE BOTH ECONOMIC GROWTH AND ENVIRONMENTAL PROTECTION? AN ECONOMIST ARGUES THAT PRIVATE-PROPERTY RIGHTS WILL WORK BETTER THAN INTERNATIONAL BUREAUCRACIES.

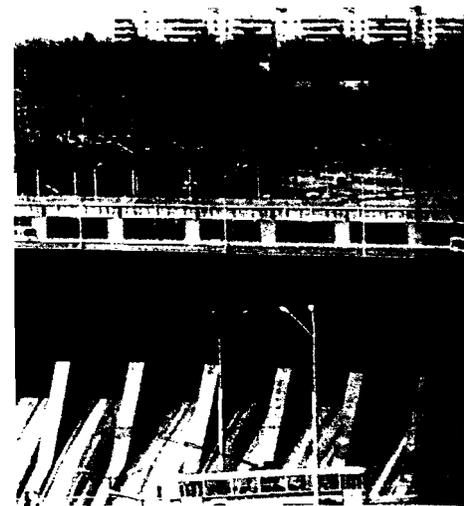
There is no precise definition of sustainable development. To some, it simply means balancing economic growth with environmental-protection goals, a relatively uncontroversial position. But to others, it means something different: dramatic reductions in economic growth in the industrialized countries coupled with massive international income redistribution.

According to advocates of the latter viewpoint, there are not enough resources left worldwide to sustain current economic growth rates, and these growth rates are also too damaging to the environment. Consequently, these advocates argue for government regulation of virtually all human behavior on a national and international scale and for governmental control of privately owned resources throughout the world. Such controls may be enforced by national governments or by international bureaucracies such

as the United Nations. The "lesson" to be learned from the tragic failures of socialism, the sustainability advocates apparently believe, is that the world needs more socialism.

Such views would be dismissed as bizarre and irrational if they were not held by someone as influential as Norway's Prime Minister Gro Harlem Brundtland, who also chairs the United Nations World Commission on Environment and Development. This Commission published its views in a 1987 book, *Our Common Future*, which laid the groundwork for the June 1992 "Earth Summit" held in Rio de Janeiro.

But the policy proposals advocated by *Our Common Future* and the Earth Summit fail to recognize the many inherent flaws of governmental planning and regulation, and they ignore the important role of private-property rights, technology, and the market system in alleviating environmental problems.



What Role for Property Rights And Free Markets?

The final collapse of communism in 1989 revealed a dirty secret: that pollution in the communist world was far, far worse than virtually anywhere else on the planet. In theory, this should not have been the case, for it has long been held that the profit motive and the failure of unregulated markets to provide incentives to internalize external costs were the primary causes of pollution. Government regulation or ownership of resources was thought to be a necessary condition for environmental protection.

But that was just a theory. The reality is that, in those countries where profit seeking was outlawed for decades and where government claimed ownership of virtually all resources, pollution and other forms of environmental degradation were devastating. According to the United Nations' Global Environment Monitoring Program, pollution in central and eastern Europe "is among the worst on the Earth's surface."

In Poland, for example, acid rain has so corroded railroad tracks that trains are not allowed to exceed 24 miles an hour. Ninety-five percent of the water is unfit for human con-



sumption, and most of it is even unfit for industrial use, so toxic that it will dissolve heavy metals. Industrial dust rains down on towns, depositing cadmium, lead, zinc, and iron. Half of Poland's cities do not even treat their wastes, and life expectancy for males is lower than it was 20 years ago.

The landscape is similar in other parts of central and eastern Europe, in the former Soviet Union, and in China. Eighty percent of the surface waters in former East Germany are classified unsuitable for fishing, sports, or drinking. One out of three lakes has been declared biologically dead because of decades of dumping untreated chemical waste. Some cities are so polluted that cars must use their headlights during the day. Bulgaria, Hungary, Romania, the former Yugoslavia, and the former Czechoslovakia suffered similar environmental damage during the decades of communism.

These sad facts teach important lessons that the sustainable development theorists have not learned. The root cause of pollution in the former communist world, and worldwide, is not the profit motive and unregulated markets, but the absence of property rights and sound liability

laws that hold polluters responsible for their actions. The environmental degradation of the former communist world is an example of one massive "tragedy of the commons," to borrow the phrase coined by biologist Garrett Hardin. Where property is communally or governmentally owned and treated as a free resource, resources will inevitably be overused with little regard for future consequences.

But when people have ownership rights in resources, there is a stronger incentive to protect the value of those resources. Furthermore, when individuals are not held liable for damages inflicted on others—including environmental damages—then there is little hope that responsible behavior will result. Needless to say, the state did not hold itself responsible for the environmental damage it was causing in the former communist countries. Thus, far from being the answer to environmental problems, pervasive governmental control of natural resources was the cause.

Our Common Future's Misinterpretations

Our Common Future neglects the role of property rights, and, conse-

quently, it grants entirely too much credence to the efficacy of greater governmental controls and regulations as solutions to environmental problems. Several examples stand out.

• **Deforestation.** International economic relationships "pose a particular problem for poor countries trying to manage their environments," says *Our Common Future*. For example, "the trade in tropical timber . . . is one factor underlying tropical deforestation. Needs for foreign exchange encourage many developing countries to cut timber faster than forests can be regenerated."

But the need for foreign exchange is not unique to people in developing countries. All individuals prefer more to less, but they do not all cut down and sell all the trees in sight for economic gain. Deforestation was also a massive problem in the former communist countries, but the main reason was that the forests were communally owned. Consequently,

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anyone could cut them down, and there were virtually no incentives to replant because of the absence of property rights.

Deforestation has also taken place in democratic countries, primarily on government-owned land that is leased to timber companies who, since they do not own the land, have weak incentives to replant and protect its future value. Some of these same timber companies are very careful indeed not to overharvest or neglect replanting their own private forest preserves. They do so not so much out of a desire to protect the environment as to protect the value of their assets. Well-enforced property rights and the existence of a market for forest products will assure that forests are likely to be used wisely, not exploited.

• **Desertification.** The sustainable development theorists also misdiagnose the problem of desertification—the process whereby “productive arid and semiarid land is rendered

economically unproductive,” as *Our Common Future* defines it. They blame capitalism for desertification, particularly “the pressures of subsistence food production, commercial crops, and meat production in arid and semiarid areas.” Their “solution” is greater governmental controls on agriculture.

Desertification is undoubtedly a problem throughout the world—including parts of the United States. The primary cause is not commercial agriculture, however, but the tragedy of the commons.

A particularly telling example of the importance of private property to desertification was reported in *Science* magazine in a 1974 article on desertification in the Sahel area of Africa. At the time, this area was suffering from a five-year drought. NASA satellite photographs showed a curiously shaped green pentagon that was in sharp contrast to the rest of the African desert. Upon investigation, scientists discovered that the green blotch was a 25,000-acre ranch, fenced in with barbed wire, divided into five sectors, with the cattle allowed to graze only one sector a year. The ranch was started at the same time the drought began, but the protection afforded the land was

enough to make the difference between pasture and desert.

• **Wildlife management.** The Earth Summit advocated a “biodiversity treaty” whereby national governments would establish policies aimed at slowing the loss of plant and animal species. The type of policies most preferred by sustainable development theorists include prohibition of commercial uses of various plants and animals, such as the ban on ivory from African elephants, and the listing of more “endangered species,” which may then be “protected” by governments on game preserves or elsewhere.

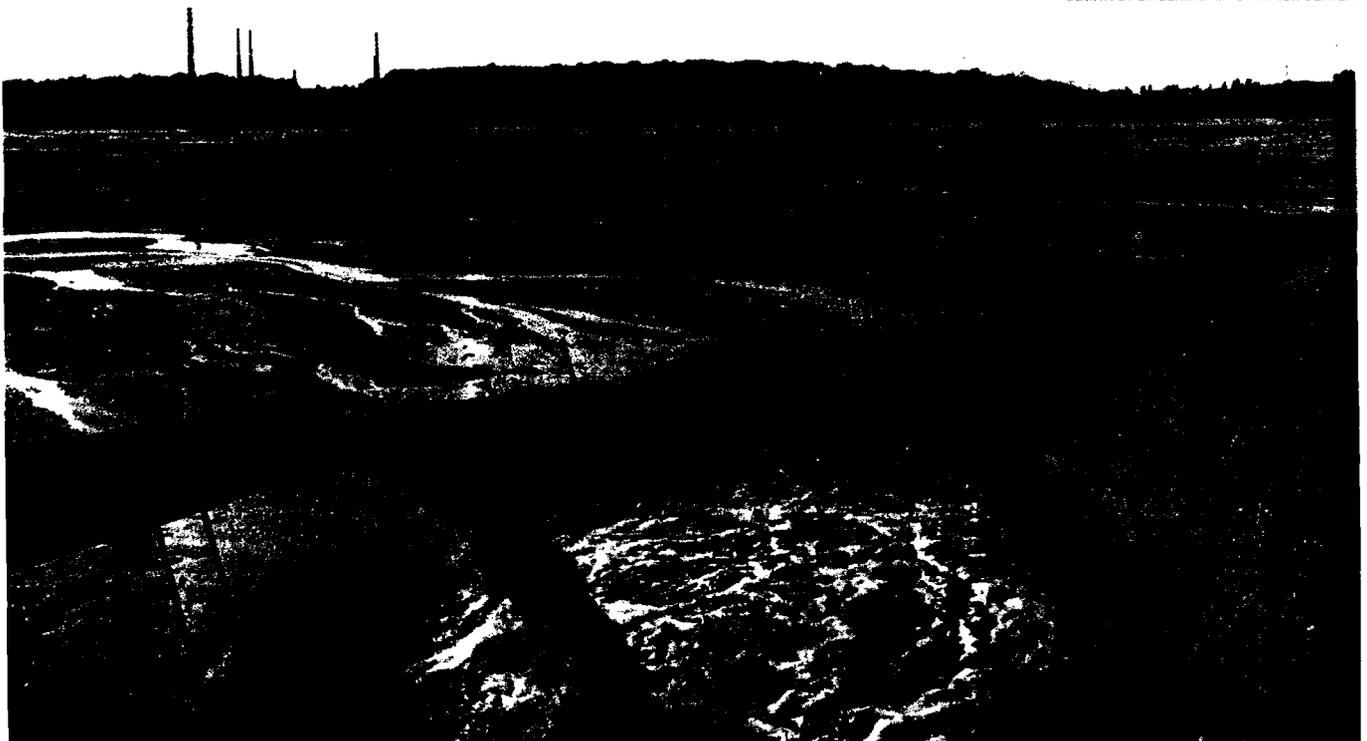
There is growing evidence, however, that the best way to save truly endangered species is not to socialize them, but to allow people to own them. As conservationist Ike Sugg has written:

[W]here governments allow individuals to reap the economic benefits of conserving and protecting their wildlife stocks—wildlife flourish. Where individuals are denied the opportunity to profit from wildlife legally, they do so illegally and without the sense of responsibility that comes with stewardship.

One particularly telling example

Industrial effluents pour into river near Bitterfeld in eastern Germany. Decades of dumping untreated chemical wastes in the former East Germany have left one out of three lakes biologically dead and 80% of all surface waters unsuitable for human use.

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Factory in Espenhain, eastern Germany, emits foul pollutants, darkening the sky. Some cities in the formerly communist half of the country are so polluted that cars must drive with their headlights on during the daytime, says author DiLorenzo.

that illustrates Sugg's point is the African elephant. Kenya outlawed elephant hunting in the 1970s; its elephant population quickly *dropped* from 140,000 in 1970 to an estimated 16,000 today as illegal poaching proliferated.

In contrast, Zimbabwe had only 30,000 elephants in 1979 but has over 65,000 today. The main reason for these differences, according to Sugg, is that in 1984 the government of Zimbabwe granted citizens ownership rights over elephants on communal lands—a large step in the direction of defining property rights. As expressed by one tribal chief who implicitly understood the value of property rights and the commercialization of elephants:

For a long time the government told us that wildlife was their resource. But I see how live animals can be our resources. Our wealth. Our way to improve the standard of living without waiting for the government to decide things. A poacher is only stealing from us.

The preservation of endangered wildlife through private-property



African elephants are protected by bans on ivory trade and other government measures. But there is growing evidence that private-property rights over wildlife may be more effective than "socialization" in protecting endangered species, according to DiLorenzo.

rights and free markets is also prevalent in parts of the United States in the form of game ranching, which typically involves "exotic" or non-native animals. Game rancher David Bamberger of Texas, for example, has

preserved 29 of the 31 remaining bloodlines of the Scimitar-horned Oryx, a rare antelope that is virtually extinct in its native Africa. Despite such successes, several states have outlawed game ranching because the notion of privatizing wildlife is blasphemy to the "religion" of environmentalism (not to mention "animal rights"), which holds that markets and property rights decimate species.

The principle of using property rights and market incentives to protect global resources and the environment applies to a wide range of

problems, including the exploitation of water resources in the American West, the mismanagement of government-owned forest lands, the overfishing of public lakes and streams, and even the ocean commons: The Law of the Sea Treaty, which the United States has thus far refused to sign, would establish the oceans as the largest government-owned and regulated commons on Earth—and, inevitably, the largest tragedy of the commons.

This elementary principle, however, is not even acknowledged by the United Nations' sustainable development theorists. In answering the question, "How are individuals . . . to be persuaded or made to act in the common interest?," the Brundtland Commission answered with "education," undefined "law enforcement," and eliminating "disparities in economic and political power." No mention was made of the role of property rights in shaping incentives.

Sustainable Delusions

Sustainable development—as it is defined by the Brundtland Commission and the planners of the Earth Summit—can best be understood as a euphemism for environmental socialism—granting governments more and more control over the allocation of resources in the name of environmental protection. But if any lesson can be learned from the collapse of socialism in the former communist countries, it is that government ownership and control of resources is a recipe for economic collapse and environmental degradation. Socialism is no more effective in protecting the environment than it is in creating wealth.

Government ownership of natural resources inevitably leads to the tragedy of the commons, but that is all too often the "solution" offered by the Brundtland Commission. The Commission recommends government control of everything from outer space to energy, which is supposedly "too important for its development to continue in such a manner" as the free market allows.

Perhaps the top priority of sustainable development theorists is to expand the international welfare state

by agitating for wealth transfers from "the rich" countries to the developing. But the whole history of development aid is government-to-government—most of it is typically used to finance the expansion of governmental bureaucracies in the recipient countries—which can be adverse to economic development. Even if most of the aid did make it into the hands of the citizens of the recipient countries, sustainable development theorists do not explain how that will translate into savings, investment, capital formation, and entrepreneurial activity—the ingredients of economic development.

Finally, the theory of sustainable development commits in grand fashion the mistake of what Nobel laureate Friedrich von Hayek called "the pretense of knowledge." The detailed and constantly changing "information of time and place" required to produce even the simplest of items efficiently is so immense and so widely dispersed that no one human mind or group of minds with the largest computer in existence could imitate to any degree the efficiency of a decentralized market system. This, after all, is the principal lesson to be learned from the worldwide collapse of socialism.

Moreover, the larger and more complex an economy becomes, the more remote the likelihood that governmental planning could be anything but guess work. As Hayek states in his 1988 book, *The Fatal Conceit*,

By following the spontaneously generated moral traditions underlying the competitive market order . . . we generate and garner greater knowledge and wealth than could ever be obtained or utilized in a centrally directed economy. . . . Thus socialist aims and programs are factually impossible to achieve or execute.

The theory of sustainable development calls for myriad varieties of *international* central planning of economic activity. If the "pretense of knowledge" is fatal to attempts at governmental planning at the national level, the belief that international or global planning could possibly succeed is untenable.

The Brundtland Commission's recommendation that every govern-

THE SOVIET ENVIRONMENT

Before its demise, the Soviet Union had the world's strictest, most detailed environmental regulations. But they were never enforced, says RAND researcher D.J. Peterson.

In his new book, *Troubled Lands*, Peterson points out that, in the late 1950s, once the Soviet economy began to decline and large-scale environmental degradation increased, the Communist Party passed a number of laws aimed at protect-

Coal miners in southern Siberia. The Soviet Union's rich natural resources were overexploited by a regime that concentrated on economic and industrial prowess, with little attention to the environment until it was too late, according to a new book.



ment agency in the world engage in economic planning and regulation in the name of environmental protection would lead to a massive bureaucratization of society and, consequently, a sharp drop in living standards. The image of millions of "green" bureaucrats interfering in every aspect of our social and economic lives is frightening.

The irony of it all is that the

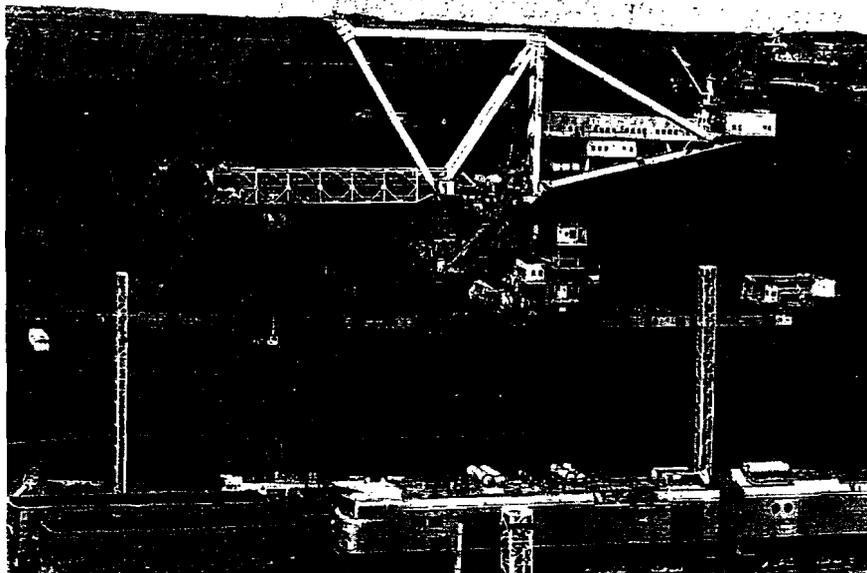
LEGACY

ing land, water, air, and wildlife. But the regulations and codes met insurmountable obstacles in the Soviet bureaucracy itself, says Peterson. For one thing, responsibility for carrying out the government's efforts at environmental protection was divided among several ministries and state committees, all with other priorities besides protecting the environment. The regime's development imperative measured ministries' performance by how many tons of cement were produced, for instance, or how many hectares of land were irrigated.

Since environmental degradation—in the Soviets' mind—was associated with bourgeois development in the capitalist world, it took the Chernobyl disaster to wake the system up to reality.

Peterson quotes one physicist: "Before the Chernobyl explosion, many important specialists and political figures believed that a nuclear reactor could not explode."

Peterson believes that environmental concern in the Soviet Union contributed to the forces that brought about the collapse of Communist control. "For Soviet society, the state of the environment, in physical terms, epitomized the state



Rotor excavator used in Kazakhstan mine in 1981 removed 5,000 tons of coal per hour. Despite a comprehensive and strict set of environmental laws, the Soviet Union failed to make its economic development sustainable.

of the Union," he says. "Environmental destruction, added to social, economic, and political stresses, compounded the people's anger and ultimately undermined the Soviet regime. The Soviet Union can be relegated to history, but its *dostizheniya* (achievements), manifest in the legacy of widespread environmental destruction, cannot be easily erased. Will the emerging post-Soviet societies cope with the challenge?"

There is a danger that zealous new capitalists, both those within the former Soviet Union and those representing international investors, will overexploit the region's vast natural resources, creating a back-

lash of public sentiment away from cooperation with the global community, Peterson warns.

"The West bears responsibility, when possible, not to violate the good faith and hopes of the emerging societies in the region. . . . The scale of the post-Soviet environmental challenge, in terms of global interdependence, mandates cooperation to support the democratic alternative," he concludes.

Source: *Troubled Lands: The Legacy of Soviet Environmental Destruction* by D.J. Peterson. Westview Press, 5500 Central Avenue, Boulder, Colorado 80301. 1993. 276 pages. Paperback. \$19.95.



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wealthier economies are typically healthier and cleaner than the poorer ones. By impoverishing the world economy, "sustainable development" would, in fact, also be harmful to the environment. Private property, free markets, and sound liability laws—anathemas to the theory of sustainable development—are essential for a clean environment and for economic growth. □



About the Author

Thomas J. DiLorenzo is professor of economics in the Sellinger School of Business and Management, Loyola College, Baltimore, Maryland 21210. He has written and lectured extensively on public finance and public-policy-oriented issues and is an editorial referee for 15 academic journals.

A longer version of this article was published by The Center for the Study of American Business (CSAB), a nonpartisan research organization at Washington University in St. Louis. Copies of "The Mirage of Sustainable Development," Contemporary Issues Series 56 (January 1993), are available from CSAB, Washington University, Campus Box 1208, One Brookings Drive, St. Louis, Missouri 63130-4899, telephone 314/935-5630.