Sustainability in a Bright Green Future

By Michael Strong

Sustainability advocates are passionately trying to create a new value system, based on ecological sustainability, and they are passionately trying to evangelize to others that they, too, should accept the growing sustainability value system. A U.N. press release captures the prevailing notion well:

WORLD'S MINDSET -- SHORT-TERM, WEDDED TO FOSSIL FUELS -- MUST CHANGE TO ACHIEVE SUSTAINABLE DEVELOPMENT, SAYS SECRETARY-GENERAL, ACCEPTING ENVIRONMENT PRIZE

With the sense that the fate of the planet depends on it, they are urgently trying to convince billions of people in different cultures around the world that their patterns of consumption must change.

There is certainly nothing wrong with trying to do this, and the sustainability movement is slowing the pace of environmental degradation and paving the way for innovative technologies that could have an enormous positive impact. At the same time, it is important to realize that "creating a value system," "changing the world's mind-set," or "raising consciousness" is not going to result in an environmentally sustainable world.

Instead, as some leading thinkers in the sustainability movement have recognized, a systems approach, based on the creation of new institutions, will be necessary. In the long run, which is what really matters with respect to environmental sustainability, we will need to create property rights solutions of some kind in order to preserve all environmental commons sustainably.

In 1968 economist Garrett Hardin analyzed situations in which a "commons," such as a fishery, or our water supply, or the global atmosphere, was used by many different people. His conclusion was that unless a system was devised to prevent over-use, a "tragedy of the commons" would take place in which they fishery would be depleted, a water supply would be overused or over polluted, or in which the global atmospheric commons would be over polluted. Hardin himself realized that reliance on personal conscience (or "value system" or "mind-set") would not be adequate to secure such environmental commons for degradation.

How Property Rights Create Sustainable Fisheries

It is increasingly being recognized that indigenous peoples often relied on property rights to ensure the sustainability of the natural resources on which they relied. This description of how the Alaskan Tlingits managed their salmon fisheries before the arrival of the white man is one such example:

> House or family groups controlled access to locations where the sockeye could be caught, while the clan determined the fishing locations. Each group had exclusive rights to its fishing locations. When an outsider infringed on a location, the trespasser was required to compensate the owners or potentially face violent consequences.
>
> The eldest clan male, the yitsati, generally possessed superior knowledge about salmon runs, escapement, and fishing technology and became the "custodian or trustee of the hunting and fishing territories". He also assisted in parceling out goods that had been produced collectively to members of the clan. Rights initially could not be transferred to those outside the group. This allowed the exclusion of those who might not abide by customary norms.[1]

The important fact with respect to sustainability about this anecdote is that the Tlingits did not rely on a "value-system" or "mind-set" alone, but rather on specific institutions: a set of property rights and corresponding norms about transfer of those property rights.

In the tribal context in which we evolved, it made sense to influence those around us by means of persuasion and criticism. Just as we have an evolutionarily propensity to eat fats and sugars at every opportunity, so too we have an evolutionary propensity to criticize those who are engaging in harms to the community and to the environment. Indeed, in a tribe of 150 who lived their entire lives together, such criticism was an effective force for constraining behavior. But praise and blame, our natural tools for socializing each other, are no longer adequate tools as our communities become larger than the evolutionary tribe.

The Tlingit population of southeastern Alaska was about 15,000 at the time of contact with the white man. The "value system" or "mind-set" of their original culture had most likely been an inadequate means of managing the salmon fisheries for many thousands of years. There is a fascinating research showing that under many circumstances, people spontaneously develop norms for resource allocation; Robert Sugden gave this famous example in his ground-breaking article on norms, "Spontaneous Order,"

> In a fishing village on the Yorkshire coast there used to be an unwritten rule about the gathering of driftwood after a storm. Whoever was first onto a stretch of the shore after high tide was allowed to take whatever he wished, without interference from later arrivals, and to gather it into piles above the high-tide line. Provided he placed two stones on the top of each pile, the wood was regarded as his property, for him to carry away when he chose. If, however, a pile had not been removed after two more high tides, this ownership right lapsed (...)

[1] Donald Leal, "Community-Run Fisheries," http://www.perc.org/perc.php?id=652&subsection=6

No doubt, many generations in the past, the Tlingit began to involve norms for fishing salmon fishing rights much as the Yorkshire villagers had evolved norms for driftwood gathering.

Formal property rights, now enforced by law throughout most of the world, are an essential pre-requisite to the large scale, complex societies in which we now live. These property rights originated in tribal customs, but have since been integrated into our current system of legal documents, courts, and policing.

There is a sense in which all of our environmental challenges are the result of the fact that property rights solutions, similar to what the Tlingit independently discovered thousands of years ago, have not been created rapidly enough to keep up with the pace of economic growth and population growth. This does not mean that such solutions are not possible; it simply means that we need to focus our energies on creating such solutions.

In order to get a sense of how such solutions might work in the modern world, and what new institutions need to be created, let's look at some recent institutional innovations in contemporary fisheries management. In order to see the power of well-designed institutions, it is worth reviewing the history of Alaskan halibut fisheries, which show the dramatic contrast created by good institutions:

> The Alaskan halibut fishing season once lasted for almost ten months. When regulators decided that overfishing was a problem, they began reducing the length of the season. Before long, however, the season was down to 48 hours, with almost no change in the amount of fish caught. The motivation to catch as many fish as possible, as quickly as possible, remained, and so ingenuity and technology overcame restrictions.[2]

I happened to live in Homer, Alaska, when the halibut season was 48 hours long. Thousands of fishermen, owning hundreds of millions of dollars worth of big, fast, fishing boats with sophisticated fishing detection equipment would prepare for weeks for the race to the halibut grounds. Although most of them had other jobs or participated in other fisheries at other times of the year, the halibut fishery represented a significant portion of their annual income. Their families depended on them to get out there fast and catch as much as they could.

The result was grim:

> To take advantage of this narrow window, crews went out for 48 consecutive hours, working through the night and - at times - in dangerous weather conditions. Boats and lives were lost. With no time to waste, crews wouldn't bother struggling with tangled long-lines. They would simply cut them loose and cast new ones, even though the old lines continued to lure and kill fish (a destructive process

[2] De Alessi, "One Fish, Two Fish, I Fish, You Fish," Fraser Forum, July 2003, http://findarticles.com/p/articles/mi_m1316/is_n7_v29/ai_19596307.

> known as "ghost fishing"). There was no time to sort each haul either, so undersized halibut and other species that would normally be released were torn apart and thrown overboard dead or dying. "Bycatch," as these innocent victims are called, is always an environmental cost of fishing, but this cost escalated significantly during the 48-hour season.[3]

Millions of tons of fish were simply left in the water to rot, the sort of sickeningly wasteful behavior reminiscent of the massive buffalo slaughter of the 19th century. In the eagerness to get their way, fishermen would sabotage each other's boats, shoot at each other when another boat came near them, and cut each other's fishing lines, thus wasting more fish in the horrid feeding frenzy.

It is very important to realize that this wasteful and vicious behavior was not caused by "western civilization," or "capitalism," or "value systems," or "mind sets." It was caused by poorly designed institutions – a lack of property rights in the halibut fishery. In 1995, a system of property rights in the halibut fisheries was created based on "Individual Transferable Quotas" (ITQ) whereby a total limit of 37 million pounds of halibut to be caught each season was allocated among existing fisherman based on a complex (and controversial) system of historical catch.[4] The ITQ could then be traded, though it remained a provisional privilege granted by the government rather than a real property right.

Immediately after the ITQ system was implemented the insanity of the halibut fisheries came to an end. Again, the fishermen's behavior did not change because they had a new "value system" or "mind-set." It changed because they faced far more sensible incentives. After the ITQ system was passed, they halibut season once again extended to months and fishermen settled into less wasteful practices. The beliefs or personalities of the fishermen had not changed.

Critics of the halibut fishery in Alaska after ITQ point that the Alaska fishermen are still not pro-actively investing in the fishery. But once again, the problem is not values, mind-sets, or beliefs: it is flawed incentives. New Zealand hoki (a flaky whitefish that is New Zealand's most important fishery) fisheries have combined a more flexible ITQ market (closer to a real property right) along with weaker anti-trust laws (fishermen cooperating on ITQ shares would violate U.S. anti-trust law); as a result the hoki fishing community has been more proactive. Because the hoki fishermen have secure property rights, a futures market in ITQs had developed, and because it is in the fisherman's long term interest to increase the value of the ITQ, they now have an incentive to preserve the fishery.

After the system was established, the hoki fishermen collectively decided to catch 50,000 metric tons less fish than the government proposed not because they had become

[3] http://www.etei.org/case_study_2.htm

[4] Indeed the issue of allocating ITQs fairly was so contentious that other fisheries insisted on passing a federal moratorium on ITQs that only recently expired.

environmentally enlightened, but because such a decision increased the long-term value of their fishery. Because of these well-designed institutions, there is every reason to believe that the hoki fishery is now sustainable; the fishermen are proactively committed to ensuring that sustainability.

At the most mundane level, people like the Alaskan halibut fishermen do not regard themselves as bad people – they are just ordinary folk out to earn a living. Again, the problem is not extraordinary greed (among the Tlingit or the halibut fishermen) but merely ordinary people engaged in ordinary behavior.

Why Encouraging Changes in Values Won't Be Enough

More deeply, in a pluralistic world, it is unlikely that we will ever be able to obtain anything approach unanimity with respect to values, beliefs, norms, or behavior. Again, the human psychology that drives sustainability advocates to exhort others to engage in similarly conscientious behavior is a human psychology that was optimized for tribal groups of 150 or so. Face to face, day after day, in a community in which everyone shared the same culture and cosmic beliefs, it may have been possible to "persuade" others that they "must engage" in sustainable practices.

But in a world of more than six billion, in which even within a given nation-state there are diverse beliefs about morality (and reality), it is unrealistic to expect that everyone will be persuaded. People react to incentives and disincentives. Moral suasion is useful in projecting a values system, but if the persuasion lacks a meaningful, tangible incentive structure, the values are likely to be ignored. Carrots and sticks work far better than words and, when manifested in the price system, they allow for nearly instantaneous "sustainability" decisions to be made world-wide.

In addition, the structure of tragedy of the commons problems is often such that a few bad apples can destroy the commons – and in a world of six billion and growing, we are apt to have more than a few bad apples.

In A Place for Winter, Paul Tiulana, an elder from King Island, a small island in the Bering Sea, describes what life was like before the white man came. His tribe of Eskimoes lived along on King Island in one small village of about 200 people. Among his many fascinating memories he tells of how from time to time there would be a young man who would do things that people didn't like, who violated the norms of the village. After a number of people asked him not to do these things on a number of occasions, eventually someone would kill him, and the rest of the village would be grateful.

The romance associated with indigenous peoples, especially among advocates of sustainability, should not blind us to the fact that human beings have always included a range of personalities. Even in the pristine "original condition" of tribes before civilization there were some people who were, to be blunt, either jerks or criminals. Even when survival itself is at stake (conditions at King Island are very harsh) and even when

all the social pressure of a tribe of people who share a common culture, common myths, common cosmology, and a common belief concerning right and wrong – even then some people, albeit around 1% (apparently there was more than one such case in Paul's lifetime), are just plain jerks.

The selfish human being is not an invention of civilization - though life in large, pluralistic, anonymous societies may increase selfish behavior. But suppose "only" one out of every 200 people was selfish enough to have warranted killing on King Island (just to be clear, this is not a remedy we endorse in the modern world): In a nation of 300 million, that leaves 1.5 million jerks, and in a world of six billion it leaves 30 million jerks. Moreover, this assumes that the other 199 out of each 200 are perfectly well behaved, perfect citizens with respect to environmental sustainability. Realistically there is likely to be a continuum of behavior; the point here being that even under very modest assumptions the "change in consciousness" premise of environmental change is completely unrealistic.

Once we have sensible incentive systems in place, such as the Tlingit created, or were created for the New Zealand haki fishermen by the New Zealand legislature, then we have created a sustainable world – without changes in value systems or mindsets. We know nothing about the New Zealand fishermen; most likely there were some who were "environmentalists" and some who were not, some who were selfish and some who were not, some who cared about what other people thought of them and others who did not. But if, through the futures markets for their IFQs, they were able to see immediately that not taking as much fish now increased the value of their IFQ in the future, they immediately "did the right thing."

Thus changes in value systems and mindsets are neither a necessary nor a sufficient condition to ensure environmental sustainability. In a world of democratic governments, creating new property rights institutions is indeed a necessary and sufficient condition to ensure environmental sustainability, but the creation of those institutions is a matter of effective coalition building rather than a matter of changing value systems or mindsets.

While creating those coalitions may, indeed, involve changing the mindsets of some individuals, it is likely to require changing their mindsets in a manner diametrically opposed to the manner encouraged by the most passionate environmentalists. Coalitions are built by means of pragmatic compromise rather than impassioned and uncompromising moralism. Mutual understanding is the key mindset shift, not the ardent embrace of environmental ideals.

How Environmental Righteousness Prevents Progress on Achieving Environmental Solutions

Paradoxically, the ardent embrace of environmental ideals may delay the implementation of effective sustainability solutions. Evolutionary psychologists have shown, both through laboratory studies and through anthropological research, that those individuals in

a group who are most committed to working to solve a problem together are also the most punitive to those "free riders" who are not working to solve the problem. Again, in a tribe of 150, this punitive approach worked well. But in modern nation state democratic politics, a punitive approach towards those with whom one disagrees is not helpful in coalition building. Thus the required mindset is contrary to our natural tribal impulses, where those of us who led community initiatives found that our uncompromising moralism was typically rewarded with success.

Re-Uniting America is a group founded by Joseph McCormick, a Republican activist who ran for Congress as a self-identified "hard-right Christian" in Jimmy Carter's old district after having spent a decade in Republican activism. His account of his transformation is worth hearing in his own words:

> After losing my race in 1998 my life spun out of control. My wife left, I found myself in a power struggle with my partners for control of my business, and my sister who more or less raised me began a losing battle with cancer. By 2001 I had walked away from or watched the collapse of everything I had carefully built – my political career, my business, home, marriage. I had lost my identity. I ended up living alone in a mountain cabin in Floyd, Virginia, disillusioned, powerless, rolling the essential questions of life over and over in my mind: Who am I? Why am I here? The answers, even now, are unclear, but during this time I experienced a shift from living my life as if I knew who I was and why I was here, to living my life as more of an inquiry into these questions. This inquiry took on the form of a journey toward personal integrity, that is, reconciliation of the various sides of myself.

While living in Floyd, McCormick became friends with Pat Spino, a midwife from the alternative community there, a "hippy," from McCormick's perspective. Building from this one transpartisan friendship, McCormick and Spino have built a national organization dedicated to building dialogue across partisan divides, dialogue that transcends partisan bickering.[5]

Constructive solutions to environmental problems will require transpartisan cooperation (in all nations). In partisan battles, the environment will usually be the loser, as special interests will exploit partisan differences to continue in their same destructive patterns. Few people realize, of course, that the United States government subsidizes environmentally destructive activities, paying oil and gas, agriculture, mining, and timber interests hundreds of millions of dollars to engage in environmentally damaging activities. Worldwatch estimates that if the U.S. government stopped paying for environmental destruction, every family in America would receive a $2,000 tax cut per year. There is a Green Scissors Campaign in the U.S., an alliance between

[5] In order to create the transpartisan consensus needed for such a framework, FLOW is working with McCormick's *Re-Uniting America* to implement transpartisan property rights solutions to tragedy of the commons problems.

environmentalists and taxpayers organizations that is attempting to pass legislation of this type. Similar cuts in Germany, Japan, and most other industrialized nations are also possible. Governments around the world collect taxes from their citizens in order to subsidize polluting industries. As we shall see, this fact is not a curious coincidence: the structure of large nation-state democratic government is designed to ensure that special interests usually win.

Why We Need to Remove Environmental Assets from Government Control

A savvy child is often able to play off his parents against one another, going first to mommy, then to daddy, to get his way. The only way that parents can maintain discipline, and raise a child well, is to work together to create an appropriate, healthy framework. Similarly, special interests cleverly exploit partisan differences, playing the two sides off against each other, meanwhile ensuring that they get their way. Likewise, the only way that legislators can create a constructive environmental framework is to work together to create an appropriate, healthy framework.

Property rights solutions will ultimately lead to a sustainable environment more effectively than will government ownership of environmental assets. Modern large-scale nation-state democracy is not a reliable means of protecting the environment. Because of the structure of government, in most cases special interests will win because they have a far greater incentive to ensure that their interests are protected than the rest of us have to monitor any given issue.

To take one of the most notorious examples: Since 1982, American taxpayers have spent about $40 million per year to subsidize logging in the Tongass National Forest, about $1 billion in total in payments to increase the rate at which we clear cut one of our last old-growth forests. There has been a bi-partisan campaign, consisting of environmentalist Democrats and tax-cutting Republicans, trying to eliminate these subsidies, for about twenty years. Year after year, advocates of saving money by eliminating logging subsidies mobilize their troops, only to have the subsidies slipped in again during the course of the legislative process. Some progress was made in the early 1990s in reducing the subsidies, but the Forest Service continues to spend massive amounts building costly roads the only purpose of which is to facilitate logging. In May of 2006 the House of Representatives passed a resolution to end the subsidies for once and for all, but the final appropriations bill as signed once again included the subsidies.

The subsidies benefit a couple of pulp mill companies and provide a few hundred jobs: as special interests go, this is a very tiny, localized special interest. But the Alaskan Senators have enough power in the Senate, and are closely enough allied with these particular special interests, that time and again they keep the subsidies in place.

This can happen because while the rest of us are worrying about the war in Iraq, or global warming, or health care, or the minimum wage, or this or that scandal, or whatever, the Tongass timber interests are focused solely on maintaining their subsidies, day after day,

night after night. Mohair subsidies have been ridiculed as a joke for decades longer than Tongass timber subsidies. Why, exactly, do we need to pay farmers to produce mohair? The subsidies were initiated in 1954 on the grounds that a stable supply of mohair was needed for uniforms and more than fifty years later they live on. If the public can't even beat the mohair industry, what hope do we have of managing anything by means of a democratic process? While most of us pay attention occasionally to this or that public policy issue, or engage in partisanship of one kind or another, subsidized interests stay focused on their subsidy every minute of every day. They typically support both Republicans and Democrats, so that they maintain a close connection with whatever party is in power.

Although there are many idealistic organizations that urge the public to pay more attention to political issues, the problem here is one of simple arithmetic: the interests have only one issue to which they devote all of their attention, all the time. The rest of us, no matter how idealistic or altruistic we are, have our attention divided among numerous issues, each of which is hopelessly complex to follow. Even the most devoted policy wonk can only master a modest level of detail among a small number of issues. The fact that special interests will get their way in democratic government is not a problem that can be solved by means of public spiritedness, or campaign finance reform, or scandalous exposes, or by means of electing public officials with more integrity. Basic arithmetic will ensure that special interests win most of the time regardless of which party is in office.[6] I used to play chess and one of the mean things to do to a na_ve player is to check-mate them in the first four moves. Most players learn soon enough how to forestall this quick check-mate, but some continue to open themselves up to such a defeat time and time again.

The notion that a public spirited campaign of any kind can defeat special interests in general is contrary to simple arithmetic. The delusion is especially hard to give up because a public spirited campaign can always defeat any particular interest – if the Tongass and mohair subsidies were major issues in a national presidential campaign, and the politicians and media focused on them constantly for eighteen months, they could certainly be defeated. And, of course, the interests behind the oil subsidies, cotton subsidies, corn subsidies, etc. would be delighted to have the spotlight elsewhere – so that they can continue to secure their positions. (Actually due to public ridicule the mohair subsidies were eliminated in 1994. But then public attention turned to other issues, and in 1999 the mohair subsidies snuck back in again). The notion that any particular victory against any particular special interest is somehow a victory against special interests in general represents a failure to understand the arithmetic of focus. There are hundreds of thousands of public issues, and we can only focus on a handful of them at any time.

This "public choice" problem ("public choice" is a term which describes the theory behind this depressing and disillusioning arithmetic) is one of the most important

[6] Jonathan Rauch's *Demosclerosis* is a sadly entertaining and wonderfully accessible book on how this works and why it is necessarily part of the system. Charlotte Twight's *Dependent on D.C.* adds dozens of anecdotes of the extraordinarily ingenious machinations of politicians and special interests.

rationales for limiting government control over society and the economy. The larger government becomes, the more aspects of society over which it exercises control, the higher the probability that the public, on balance, gets screwed.

With respect to environmental sustainability, the only secure solution is to limit the extent to which democratic government exercises control. If the Tongass National Forest was private, then it would charge timber companies to cut trees, rather than paying the timber companies to cut trees. And thus there are economists who recommend privatizing environmental assets as a form of property rights solution to tragedy of the commons problems.

But this approach has, in this simple form, never met with enthusiasm among environmentalists for the simple reason that they don't trust private owners to preserve environmental amenities. Most private owners might be inclined to preserve the long-term value of forests, but some might simply clear-cut entire forests because they wanted the immediate cash, and thus a major environmental asset would be destroyed altogether.

Environmental Trusts: A Property Rights Solution Beloved by Environmentalists

For the past forty years, we have thus been stuck between a rock and a hard spot: Economists point out that the government is reliably poor at managing environmental assets, and environmentalists point out at that corporations are sometimes actively destructive of environmental assets. It appeared to be a choice between a long slow death of all public assets via government vs. random destruction of some percentage of those assets that had been privatized.

Gus Dizerega, Randal O'Toole, Peter Barnes, and others have recently developed a fundamentally new strategy that brilliantly reconciles the best solution in terms of overall long-term sustainibility, property rights solutions, without allowing for the occasional total destruction that had prevented environmentalists from previously embracing outright privatization as a solution. In Barnes' version, an environmental trust is created which has a legal obligation to preserve the environmental asset in perpetuity, and if the trustees fail to fulfill the conditions of the trust, they may be sued (if the Forest Service pays to clear-cut all our national forests, they couldn't be sued).

Moreover, any revenue derived from the environmental asset would go directly to the citizens via a Citizen's Dividend, modeled after the Alaska Permanent Fund. For several decades now, oil revenues from Alaskan state lands are put into a trust and each Alaskan citizen receives a check from the fund (it ranges in value each year, but has often been around $1,000 per year). Thus Barnes' vision of environmental trusts has the virtues of simultaneously creating incentives for responsible resource management (the trustees of each environmental asset would be held legally accountable for maintaining the integrity of the trust) as well as sharing any monetary value from the asset directly with the relevant set of citizens.

At present, land trusts are common, and thus Barnes' innovation is modest. There are also a few water and aquifer trusts. But Barnes' idea could be applied to any environmental asset including, in principle, the global atmosphere – his book *Who Owns the Sky?* proposed a global Sky Trust to solve climate change. In principle there could be specific environmental trusts for national parks, national forests, rivers, lakes, aquifers, the ocean, regional air quality, and the global atmosphere.

There could be habitat trusts that were designed to protect specific habitats that crossed various geographical features; a salmon habitat trust, for instance, could have a functional property right that gave it control over, and responsibility for securing, salmon habitat both at sea and in the spawning rivers. If a farmer wanted to build a bridge across a salmon stream, instead of dealing with government regulators she would negotiate with the salmon habitat trust to determine what features the bridge, and its construction, would need to have so as not to interfere with salmon spawning. If pesticide run-off from farms was damaging the salmon eco-system, the salmon habitat could sue those farmers responsible for the pesticide, or in urgent circumstances get a cease-and-desist order. Although this sounds hypothetical, bass fisherman's organizations have sued polluters in order to preserve water quality in bass fishing streams and rivers. Habitat trusts would ensure that not only those species that were popular to an existing interest group, such as bass fishermen, but any species that we wanted to protect, would have a legal advocate.

The Transition from Environmental Righteousness to Transpartisan Coalition Building

In small groups, such as the tribes of 150 in which we evolved, beliefs and norms concerning right and wrong were usually an adequate means of ensuring that the members of the tribe respected each other and the environment in which the tribe lived (though even in those circumstances, as Paul Tiulana reminds us, some people did not behave respectfully). As indigenous communities became larger, such as the Tlingit, they evolved formal property rights in order to ensure that the environmental commons was sustainable. Modern global society is growing so fast that we urgently need to create formal property rights solutions to ensure the sustainability of all environmental commons. Moral suasion is not enough.

The belief that fundamental environmental changes will take place primarily by means of education or moral suasion is moral illusion, analogous to an optical illusion. In our own lives, those of us who are most likely to read material like this make decisions and change our behaviors by means of the ideas and ideals that drive us. We are also responsive to the concerns of others on these issues. We know, with certainty, that we and many of the people we know have, in fact, changed our behavior as a consequence of education and moral suasion. And based on this experiential certainty, we redouble our efforts to educate and persuade others to likewise change their behavior.

Moreover there have been idealistic public campaigns that have transformed society. Although the idealistic campaign to bring equality to African-Americans, women, and

others has be no means completely succeeded, standards of public behavior are dramatically different today as compared to fifty years ago. Today a football coach or college professor can be fired for making statements that were universally made with impunity fifty years ago.

But consumption of wood products, or salmon, or oil is not like public expressions of racism. Public expressions of racism are easily monitored, and thus sanctioned, by others. They are also costless to quit doing. And there was widespread elite agreement that racist attitudes were negative, some considering such attitudes merely inappropriate and others considering them evil.

By contrast, our consumption of different resources involves many thousands of decisions by many thousands of individuals. Most of those decisions are made invisibly – we have no idea how much wood, salmon, or oil are used by all the people with whom we interact. In addition it is in some cases very costly for some people to quit using wood or oil. And even if there is some agreement that we should use less carbon-emitting fossil fuels (though by no means complete agreement), there is no agreement on how much less. The primary focus of the sustainability movement should be the transpartisan creation of new institutions to secure the environment, not the imposition of value systems or mindsets.

At present, the entire global sustainability movement is focused on creating norms around what they believe to be environmentally sustainable business practices, environmentally sustainable lifestyles, environmentally sustainable belief systems, etc. Again, there is nothing wrong with this and their efforts are no doubt launching valuable innovations that have played, and will continue to play, a positive role in creating long-term environmental sustainability.

But there is at present a smaller cadre of institutionally wiser environmentalists who are already working on lasting property rights solutions. These leading thinkers need considerably more support for their initiatives. Moreover, it is important that they receive transpartisan support.

There are several shortcomings with the sustainability movement's relative monofocus on creating new practices, lifestyles, and beliefs:

1. There are some problems for which their efforts are likely to be completely ineffective. Insofar as, for instance, they use less of a commodity for which widespread demand continues to exist, they merely decrease the price of that commodity (however slightly) in a way that may then lead to a corresponding increase in demand from others.

2. The belief that their lifestyle is morally superior to the lifestyles of others, which may or may not be a valid belief, depending on thousands of judgment calls in most cases, may exacerbate partisan and cultural polarization. While there is

nothing wrong with humble approaches to a sustainable lifestyle, demonizing the "other" is rarely helpful in a democracy, especially when the "other" is numerically large and powerful.

3. In some cases, advocates of environmental sustainability are also hostile to capitalism and economic growth, attitudes that often result in policies that harm the poor, especially the developing world poor.[7]

And yet with just a slight shift in emphasis, towards the creation of institutions that would internalize environmental externalities, many of the same ideals and energies of the sustainability movement will unambiguously position them as leading innovators and entrepreneurs creating a bright green future for all.

There will be some commons for which direct privatization may be appropriate. There may be others for which privatization into environmental trusts is more appropriate. Here we won't address the innumerable complex issues involved in these decisions. But on balance both private owners and trusts will defend the integrity and sustainability of their property. Because it is in their interest to do so, most of them, most of the time, will charge an appropriate amount for resource extraction (such as Tongass timber sales) or pollution (such as carbon emissions into the global atmosphere) so that the full cost of environmental destruction is included in the prices of the goods and services we purchase.

Green Tax Shifts as a More Immediate Solution

Because the full-blown creation of trusts to solve all of our environmental issues will take several decades, especially ambitious international trusts such as The Sky Trust, it will be appropriate to simultaneously work on parallel policy tracks that may have a more immediate impact. Tax policy is the most important such track: in addition to the Green Scissors campaign, mentioned above, a Green tax shift would help jump-start a bright green future for all now.

It is important to understand that the concept of a "tax shift" is revenue neutral or could even be combined with an effective tax cut (think transpartisan effectiveness); there would have to be guarantees that the result of the shift was not higher net tax revenues. The general strategy of such taxes is to reduce or eliminate taxes on income and wealth creation, on the one hand, while simultaneously increasing or imposing taxes on the use of natural resources.

If we had a Sky Trust, it would charge an appropriate fee for carbon emissions such that each time we filled up our gas tank, ate food shipped from overseas, or flew on a vacation, the environmental costs of our activity would be included in the normal prices

[7] See the film "Mine Your Own Business" for an entertaining and vivid illustration of some specific examples, http://www.mineyourownbusiness.org/.

that we paid for goods. Since we don't, and aren't likely to for several decades, an immediate solution within particular nations is to shift the tax burden from existing tax sources to a carbon tax.

For instance, Al Gore has proposed eliminating all payroll taxes and instituting a tax on carbon that would bring in the same amount of revenue. The fact that he proposed a trade, rather than simply proposing an additional tax, is crucial. Better yet, he wisely identified a tax that is known as "the worst tax" because it hits the poor the hardest.[8] If such a tax shift was gradually implemented, gradually millions of businesses and hundreds of millions of people would face a very different set of daily decisions. On the one hand, business and the economy would benefit: payroll taxes make it costly for businesses to hire workers, typically adding 30-40% onto the cost of every worker hired. With their existing budgets, they could add significantly more people to their workforces. The nation-wide demand for labor would increase average salaries across the board and decrease unemployment. As employees became more valuable, more companies would invest more in training and in workplace amenities. Most Americans would benefit profoundly in their day-to-day life.

At the same time, millions of businesses and hundreds of millions of people would have to make very different decisions about heating and cooling their homes, about travel plans, about which vehicles they purchased, and ultimately where they chose to live relative to their jobs. The vast majority of ordinary people and ordinary businesses make the vast majority of their decisions based on their personal financial planning: Can I afford to buy a new car? Can I afford that new house? Etc. With higher energy costs, an entire range of energy saving procedures and devices that, at present, are only purchased by zealous green consumers would suddenly be purchased by millions of ordinary Americans.

Those green entrepreneurs who are currently barely succeeding due to the fact that their market consists only of a tiny market of green consumers would suddenly find the demand for their product exploding. Demand for wind energy would increase dramatically, GE, the largest producer of wind turbines, may find its stock price increase, demand for electric and hybrid cars would increase, a market for low-carbon ethanol and other bio-fuels would become big business, etc.

Initially many people might resist such a green tax shift, because of fear and because there are always losers in every change. It would have to be phased in gradually so that people could adapt. At first glance, there might be some economic analysts who would be critical of such a tax shift on the grounds that the increased energy costs might damage the economy more than the elimination of employment taxes would help the economy. But if the shift was phased in slowly, innovation would ensure that the shift was a net

[8] Payroll taxes have been described as "the worst tax" because they especially hurt the poor directly while indirectly hurting the poor by means of slowing economic growth. See "The Worst Tax: How Payroll Taxes Have Hurt America's Working Class," *Washington Monthly*, July-August 1997, http://findarticles.com/p/articles/mi_m1316/is_n7_v29/ai_19596307.

gain. Better yet, if the shift was accompanied by a transpartisan effort to eliminate harmful and unnecessary regulation and reduce the extent of government control over the economy, both the environment and the people could be better off in the end.

In addition to Gore's proposed green tax shift, exchanging payroll taxes for carbon taxes, there is a significant literature on increasing the tax on land, but not construction, in order to encourage more efficient land use. Sprawl is essentially a government-sponsored program via the mortgage interest deduction and government highway construction. With increased land taxes, the elimination of the mortgage interest deduction, and increased reliance on toll roads, we would begin to see a dramatically different pattern of urban and suburban development.

The magnitude of these distortions is enormous: Mortgage interest absorbs about 7% of national income, represents a third of our annual debt, and is larger than the total value of private housing. Meanwhile, the assessed value of corporate real estate, due to depreciation schedules on buildings, is even more preposterous: In 1993 the Federal Reserve Bank discovered that all corporate land in America had a reported net value of negative $4 billion.[9] Just as timber companies and mohair producers conspire to keep their subsidies in the federal budget, so too do banks, real estate interests, and landowners conspire to ensure that their interests are favorably represented in the tax policy. Flat tax advocates believe that a flat tax would be more fair than our present system is because a complex tax structure, like a complex federal budget, multiplies the opportunities for special interests to get their way.

These massive, largely invisible subsidies lend credence to Mencken's cynical truism "The whole aim of practical politics is to keep the populace alarmed - and thus clamorous to be led to safety - by menacing it with an endless series of hobgoblins, all of them imaginary." Just as magicians perform their tricks by misdirecting our eyes away from what is really happening, so too do politicians perform their tricks by misdirecting our attention to the current urgent issue of the day. A new generation of environmentalists is learning to keep their eyes focused where it matters, and not where politicians want them to stay focused.

Discoveries such as the legalized distortions in real estate values mentioned above have shifted the attention of many thoughtful environmentalists away from traditional activism and towards tax policy reform. For instance Jeffrey Smith, a Green Party founder, has since become a Georgist libertarian (Henry George was a 19th century economist famous for advocating a land tax), focusing largely on land tax policy as the single most important means of reducing environmental damage.[10] Alan Durning, a former Worldwatch Senior Researcher and founder of Northwest Environment Watch, has

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[9] Fred Harrison, *The Losses of Nations: Deadweight Politics versus Public Rent Dividends*, pgs. 72-73.
[10] There are many excellent sources for proposed green tax shifts. See http://www.progress.org/banneker/shift.html and http://www.progress.org/geonomy/ for some places to start.

produced excellent material on green tax shifts.[11] A complete green tax shift could completely eliminate all individual taxes and all corporate taxes, both of which undermine human effort and slow economic growth, while simultaneously guiding us towards a improved environmental stewardship.

The Unlimited Resource

The only unlimited resource is human initiative and imagination.[12] Therefore the most important thing not to tax, and not to limit without good cause, is our ability to create, innovate, and enterprise. No human being has any idea what all transformations would take place in the economy if, say, gasoline was $10 per gallon due to a carbon tax. It could be that a low-carbon bio-fuel would be developed that completely eliminated our dependence on oil while having very little impact on our way of life. Or it could be that we would develop entirely new building techniques, entirely new recreations, or entirely new lifestyles. It could be that some aspects of our way of life might change very little, whereas other aspects, that right now seem trivial, might change dramatically.

Everything we buy is produced through a long chain of decisions involving the cost of energy, but even this information does not allow us to predict how life would be different if energy costs changed. At any point in that long link there could be innovations in production, design, relative cost of inputs, or otherwise that could lead to either an increase or a decrease in the final cost of a product. Current guesses regarding what products and services are likely to be "sustainable" are really just guesses. While in the short term, with modest changes in energy costs such guesses may have some validity, in the longer term with larger changes in energy costs no one knows.

For this reason as well, it is important that proposed changes be based on "taxing harms" rather than "subsidizing goods." As we saw above, a subsidy for an alternative fuel today is likely to survive for many decades, regardless of whether or not that particular alternative fuel is actually an improvement on our present fuel system. This is why the existing ethanol subsidies, really farmer and agribusiness subsidies, rightly make many people very uncomfortable. There is every reason to believe that corn growers and agribusinesses will promote the idea of ever increasing subsidies in perpetuity despite the inefficiencies of corn ethanol.

In the meantime, it is important for the sustainability movement to support the movement towards green innovation. Worldchanging.com, leading innovators of the concept of a bright green future through innovation, recently published a book, also titled *Worldchanging*, that includes 600 pages of "bright green" innovations. Their website

[11] Alan Thein Durning and Yoram Bauman, "Tax Shift: How to Help the Economy, Improve the Environment, and Get the Tax Man Off Our Backs," http://www.sightline.org/publications/books/tax-shift/tax/?searchterm=%22tax%20shift%22.
[12] See Julian Simon, *The Ultimate Resource*, for the original statement of human ingenuity as the ultimate resource.

offers extraordinary access to many thousands more examples. In the language of Alex Nicolai Steffen, Worldchanging's founder:

> With climate change hard upon us, a new green movement is taking shape, one that embraces environmentalism's concerns but rejects its worn-out answers. Technology can be a font of endlessly creative solutions. Business can be a vehicle for change. Prosperity can help us build the kind of world we want. Scientific exploration, innovative design, and cultural evolution are the most powerful tools we have. Entrepreneurial zeal and market forces, guided by sustainable policies, can propel the world into a bright green future.[13]

Steffen is correct. Entrepreneurial zeal and market forces, guided by sustainable policies, can propel the world into a bright green future.

Al Gore gets this:

> Free market capitalist economics is arguably the most powerful tool ever used by civilization. As the world's leading exemplar of free market economics, the US has a special obligation to discover effective ways of using the power of market forces to help save the environment.

In the short run, we need a transpartisan consensus to create a successful Green Scissors campaign, so we quit using taxpayers' money to destroy the environment. This will shift prices slightly towards a more sustainable future.

In the medium run, we need a green tax shift that will more completely align day-to-day decision-making for all with environmental sustainability while simultaneously liberating the economy from harmful taxes. This, too, can be based on a transpartisan consensus by means of a forthright appeal to reduce or eliminate taxes on work, effort, and investment.

And as we are working on these provisional approaches, we also need to begin working on a long, steady movement towards lasting property rights solutions to environmental problems, including either privatization or environmental trusts for all land, water, air, and habitats that we want, or need, to preserve. Once these private solutions have been established, and government is no longer involved in managing environmental assets, we will then have created a permanent foundation for a bright green sustainable future for all.

[13] "The Next Green Revolution," *Wired Magazine*, May 2006, http://www.wired.com/wired/archive/14.05/green.html

