**(3:14) Economists Debate Approaches to Environmentalism and Climate Change**

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**Richard Stroup on Free-Market Environmentalism**

**Source:** https://www.econlib.org/library/Enc/FreeMarketEnvironmentalism.html

1. Free-market environmentalism emphasizes markets as a solution to environmental problems. Proponents argue that free markets can be more successful than government — and have been more successful historically — in solving many environmental problems . . . Growing evidence indicates that governments often fail to control pollution or to provide public goods at reasonable cost. Furthermore, the private sector is often more responsive than government to environmental demands.

2. For markets to work in the environmental field, as in any other, rights to each important resource must be clearly defined, easily defended against invasion, and divestible (transferable) by owners on terms agreeable to buyer and seller . . . When rights to resources are defined and easily defended against invasion, all individuals or corporations, whether potential polluters or potential victims, have an incentive to avoid pollution problems. When air or water pollution damages a privately owned asset, the owner whose wealth is threatened will gain by seeing — in court if necessary — that the threat is abated.

3. Liability for pollution is a powerful motivator when a factory or other potentially polluting asset is privately owned. The case of the Love Canal, a notorious waste dump, illustrates this point. As long as Hooker Chemical Company owned the Love Canal waste site, it was designed, maintained, and operated (in the late 1940s and 1950s) in a way that met even the Environmental Protection Agency standards of 1980. The corporation wanted to avoid any damaging leaks, for which it would have to pay. Only when the waste site was taken over by local government . . . was the site mistreated in ways that led to chemical leakage.

4. Because the owner’s wealth depends on good stewardship, even a shortsighted owner has the incentive to act as if he or she cares about the future usefulness of the resource. This is true even if an asset is owned by a corporation. Corporate officers may be concerned mainly about the short term, but . . . even they have to care about the future. If current actions are known to cause future problems, or if a current investment promises future benefits, the stock price rises or falls to reflect the change . . . This ability and incentive to engage in farsighted behavior is lacking in the political sector.

5. Property rights tend to evolve as technology, preferences, and prices provide added incentives and new technical options. Early in American history, property rights in cattle seemed impossible to establish and enforce on the Great Plains. But the growing value of such rights led to the use of mounted cowboys to protect herds and, eventually, barbed wire to fence the range . . . Advances in technology may yet allow the establishment of enforceable rights to schools of whales in the oceans, migratory birds in the air, and . . . even the presence of an atmosphere that clearly does not promote damaging climate change. Such is the hope of free-market environmentalism.

**Paul Krugman presents a practical Keynsian approach to addressing climate change**

**Source:** https://www.nytimes.com/2010/04/11/magazine/11Economy-t.html

1. There is no reason to assume that free markets will deliver an outcome that we consider fair or just . . . But the logic of basic economics says that we should try to achieve social goals through “aftermarket” interventions. That is, we should let markets do their job, making efficient use of the nation’s resources, then utilize taxes and transfers to help those whom the market passes by.

2. One way to deal with negative externalities is to make rules that prohibit or at least limit behavior that imposes especially high costs on others. That’s what we did in the first major wave of environmental legislation in the early 1970s: cars were required to meet emission standards for the chemicals that cause smog, factories were required to limit the volume of effluent they dumped into waterways . . . But while the direct regulation of activities that cause pollution makes sense in some cases, it is seriously defective in others, because it does not offer any scope for flexibility and creativity. Consider the biggest environmental issue of the 1980s — acid rain. Emissions of sulfur dioxide from power plants, it turned out, tend to combine with water downwind and produce flora- and wildlife-destroying sulfuric acid . . . Imposing a tough standard on all plants was problematic, because retrofitting some older plants would have been extremely expensive. By regulating only new plants, however, the government passed up the opportunity to achieve fairly cheap pollution control at plants that were, in fact, easy to retrofit.

3. What has caught on instead is . . . a system of tradable emissions permits, a/k/a cap and trade. In this model, a limited number of licenses to emit a specified pollutant, like sulfur dioxide, are issued. A business that wants to create more pollution than it is licensed for can go out and buy additional licenses from other parties; a firm that has more licenses than it intends to use can sell its surplus. This gives everyone an incentive to reduce pollution, because buyers would not have to acquire as many licenses if they can cut back on their emissions, and sellers can unload more licenses if they do the same.

4. The very scale and complexity of the situation requires a market-based solution, whether cap and trade or an emissions tax. After all, greenhouse gases are a direct or indirect byproduct of almost everything produced in a modern economy, from the houses we live in to the cars we drive. Reducing emissions of those gases will require getting people to change their behavior in many different ways, some of them impossible to identify until we have a much better grasp of green technology . . .The only way to get people to change their behavior appropriately is to put a price on emissions so this cost in turn gets incorporated into everything else in a way that reflects ultimate environmental impacts.

**Jeff Sparrow argues socialism is the answer to the climate catastrophe**

**Source:** https://www.theguardian.com/commentisfree/2018/oct/24/is-socialism-the-answer-to-the-climate-catastrophe

1. In a rational society, an imminent threat to planetary civilisation would constitute rather a big deal. In our society, not so much . . . It’s increasingly difficult to ignore the profound incompatibility between serious climate action and an economic system predicated upon the pursuit of profit in a ceaseless war of all against all. When our leaders privilege GDP over the environment, they do so because the economy must expand year after year, decade after decade – or else the world tips into crisis. We’re locked into a frankly carcinogenic model, predicated on unplanned but relentless growth, conducted with complete indifference to long-term consequences.

2. Marx defined capitalism as a regime of universal commodity production, in which goods were created not because they were useful but because they could be exchanged. It was, he said, a society in which things ruled people, rather than the other way around . . . From a human perspective, the argument “if we don’t mine the stuff someone else will” is obscene. Within the logic of capitalism it makes perfect sense, since amoral self-interest underpins the entire system. As a result, the measures for which the IPCC pleads – massive changes in transportation, industry, cities and land use as part of a thoroughgoing transition away from fossil energy – become almost impossible to implement.

3. Many mainstream pundits can avoid acknowledging the profound failure of capitalism . . . But for millennials, who can expect to see the IPCC’s predictions unfold, what does liberal centrism – or indeed capitalism as a whole – offer? It’s not just that the scientific consensus warns of the ruination of the planet. It’s also that capitalist business-as-usual means the steady destruction of social welfare, a preposterously unaffordable housing sector, an increasingly sinister security state and a political culture dominated by race-baiting charlatans.

4. There’s every reason to expect various versions of socialism to play an increasingly important role in discussions about the climate catastrophe. After all, they all begin from the conviction that humans can and should collectively decide how they interact with the world. Let’s remember that, for the overwhelming majority of recorded history, people created most objects to use, rather than exchange. In the age of nanotechnology and AIs and the Mars rover, do we truly think ourselves incapable of similar agency today? If we accept democratic control over politics, why shouldn’t we exercise the same scrutiny over economics, so that production becomes subordinate to human need rather than global markets? Isn’t that the obvious (perhaps only) solution to the environmental crisis – the conscious direction of resources away from fossil energy and towards planetary repair?

5. Marx and Engels . . . suggested that fundamental social divisions would culminate either in “a revolutionary reconstitution of society at large” or in what they called “the common ruin of the contending classes”. The IPCC’s given us a terrifying image of what ruination could involve. It’s well past time we started talking about the alternative.