

Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

Moving Beyond Gloomy Environmental Policy

| Market Report | Yr Ago | 4 Wks Ago | 3/9/01 |
|--|-----------|--------------|---------|
| <u>Livestock and Products,</u> | | | |
| <u>Average Prices for Week Ending</u> | | | |
| Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt | \$70.66 | \$77.92 | \$82.01 |
| Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt | 93.07 | 92.58 | 98.69 |
| Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg | 98.67 | 95.51 | 99.45 |
| Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt | 110.44 | 118.04 | 125.06 |
| Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt | 40.88 | * | 45.50 |
| Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd | 57.50 | 49.34 | * |
| Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt | 107.60 | 108.56 | 131.70 |
| Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt | * | * | 82.50 |
| Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt | 170.00 | 162.50 | 171.00 |
| <u>Crops,</u> | | | |
| <u>Cash Truck Prices for Date Shown</u> | | | |
| Wheat, No. 1, H.W. Omaha, bu | 2.87 | 3.15 | 3.27 |
| Corn, No. 2, Yellow Omaha, bu | 2.00 | 1.87 | 1.97 |
| Soybeans, No. 1, Yellow Omaha, bu | 4.84 | 4.33 | 4.42 |
| Grain Sorghum, No. 2, Yellow Kansas City, cwt | 3.45 | 3.54 | 3.66 |
| Oats, No. 2, Heavy Sioux City, IA, bu | 1.32 | 1.27 | 1.30 |
| <u>Hay,</u> | | | |
| <u>First Day of Week Pile Prices</u> | | | |
| Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton | 87.50 | 115.00 | 115.00 |
| Alfalfa, Lg. Round, Good Northeast Nebraska, ton | 82.50 | 70.00 | 70.00 |
| Prairie, Sm. Square, Good Northeast Nebraska, ton | * | 105.00 | 117.50 |
| * No market. | | | |

The wide-array of books and materials (both textbooks and supplementary reading) now available for helping students in our universities understand the arena of environmental and ecological policy economics is staggering and impressive, while at the same time disturbing. The books are impressive in their comprehensiveness and sophistication of analysis; students can be well prepared, indeed. Yet the same books are disturbing, for while some project doom (e.g., Hackett, 1998) and others seem to have an air of surrealistic cornucopia (e.g., Anderson and Leal, 1991), both lead to a rather gloomy set of environmental policy recommendations.

Now, having better tools and machinery with which to help students think about environmental policy, even though oft times giving different outcomes, is important. Some of these students, after all, will go on to build the foundations and structure of policy in the future, and good tools are important to good construction. Also, the newest books summarize and represent the latest thinking coming out of research in the universities, so students are exposed to it, even though it is rather unsettled. There are two approaches for our attention, both leading to a kind of gloomy outlook for ever finding a suitable environmental policy. This is no more apparent than in conservation and environmental, agricultural and food system policy.

Perhaps one of the best books, due to it at least recognizing the problem, is that by Chapman (2000, p. xi), who argues the "... healthy tension between environmental economics and ecological economics..." even inviting the presidents of the respective professional associations (Association of Environmental and Resource Economists and the International Society for Ecological Economics) to contribute parts to the book. While both presidents try to assure us that all is well, we do not feel it, especially when we continually see the two approaches clashing on almost a daily basis in the legislative, administrative, judicial and



market forums in which policy is formulated, implemented, litigated and experienced, as well as in the media that reports the goings-on. This feels more like stress, leading to anxiety and gloom, than to health!

So, we might ask: what are the main features of these two approaches, or schools of thought? What kinds of gloomy policies are the outcomes of each? Is there hope?

First, we are told in books like that of Anderson and Leal (1991) that the task is simply one of getting the prices right in a world of abundance, i.e., no biophysical limits, as depicted by Simon (1981). That is, if only we would quit distorting prices with government interventions (e.g., Conservation Reserve Program payments, subsidies tied to conservation plans), then all will be well. Resource and environmental scarcity is created by the government messing with the system that is best left to individuals in their pursuit of self-interest. As Anderson and Leal (1991, p. 3) say it, "At the heart of free market environmentalism is a system of well-specified property rights to natural resources." So, in two words, privatize and market.

Second, we are told in books like Hackett (1998) and Daly and Cobb (1990) that the task is simply one of getting the norms right in a world of real biophysical limits. Scarcity is real, and when the private sector messes with the ecological system by using markets, it is threatening our very survival. Markets distort the true values that are better expressed through community and government based organizations. It is best to leave resource and environmental economy to the pursuit of a common others-interest. As cited in Kasun (1999, p. 94), Daly and Cobb (1990, p. 376) see the problem as overpopulation and the need for a smaller number of humans to get in synch with the "community of other things" in the spirit of a kind of "deep ecology." So, in two words, legislate and mandate.

The result is a bipolar kind of environmental policy, both paths gloomy in their implementation and results. First, under free market environmentalism and the environmental economics model, nothing is sacred to the community. Everything is for sale. We must buy and sell air, water, energy, birds, fish, natural beauty, perhaps even a beautiful sunset over the Western Plains... as though this is the only way to be free. Second, the ecological economics model leads to nothing being for sale. It is as though individual values are not to count at all, unless shared with someone else in some kind of a lock step to a common end. So, even an air pollutant market and a water market, both proven to lead to environmental improvements (i.e., cleaner air and conserved water), are not deemed viable ways. Freedom of choice is not valued. And, perhaps most significantly, these two polar extremes cannot be reconciled, so we face insurmountable conflict, tension and stress in the policy forums. Gloomy, indeed.

The third way is hardly ever considered. This third way recognizes that we humans are really far more complex entities who are motivated jointly by the self-interest and the others-interest in a kind of symbiotic balancing act. We hug trees and we cut the same tree down. We provide habitat for wildlife and then go hunt to keep populations in control. We look out for ourselves at the same time we look out for families, friends, neighbors, business-partners and traders, community and society, and, yes, even other living things beyond the human community. We know, then, that neither the environmental economics nor the ecological economics model has gotten it right. We can see beyond their gloom. It has become clear that we need a new kind of metaeconomic ("meta" meaning "going beyond" and "transcending") model for environmental policy.

Fortunately, the new idea of "cap and trade" is headed in this direction. The idea is that a community of individuals, meaning individuals who share a commonly evolved set of values, would set the "cap", e.g., how much irrigation water is to be made available on the market, and then help individuals "trade." The market will be used to allocate and reallocate the water. As another example, we, the community of people, set carbon emission limits in consort with our fossil fuel burning electric utility plants, which then creates the potential that a carbon storage commodity (i.e., carbon stored in agricultural land) could be bought and sold on a market. Such "cap and trade" approaches to policy move us beyond that arising from both the books and the environmental policy circles of our day. It sees the reality that we are both self and others-interested, which helps us see the light by moving beyond the gloom of it all.

- Anderson, T. L. and D. R. Leal. *Free Market Environmentalism*. Boulder, CO: Westview Press, 1991.
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- Daly, H. E. and J. B. Cobb, Jr. *For the Common Good: Redirecting the Economy towards Community, the Environment and a Sustainable Future*. London: Merlin Press, 1990.
- Hackett, S.C. *Environmental and Natural Resource Economics: Theory, Policy, and the Sustainable Society*. Armonk, NY: M.E. Sharpe, 1998.
- Kasun, J. R. "Doomsday Every Day: Sustainable Economics, Sustainable Tyranny." *The Independent Review*, 4 (Summer 1999): 91-106.
- Simon, J. *The Ultimate Resource*. Princeton, NJ: Princeton University Press, 1981.

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