

# Eco-Fads or Innovation

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## The Free-Market Environmental Approach

Todd Myers, Director  
Center for the Environment  
Washington Policy Center for the Environment.

# A Noble Nobel

- 2009 Nobel Prize for Economics – Lin Ostrom
- Her work is on resource economics and institutions to deal with commonly held resources
  - “One instance is that active participation of users in creating and enforcing rules appears to be essential. Rules that are imposed from the outside or unilaterally dictated by powerful insiders have less legitimacy and are more likely to be violated. Likewise, monitoring and enforcement work better when conducted by insiders than by outsiders. These principles are in stark contrast to the common view that monitoring and sanctioning are the responsibility of the state and should be conducted by public employees.”

# Environmentalism as Trojan Horse

- "We're talking about remaking the economy of the nation, the whole globe." – Becky Kelly, Washington Environmental Council
- "But it also provides us with opportunities to do a lot of things we ought to be doing for other reasons anyway."  
– Al Gore
- "In effect, the prospect of EPA regulation is a bulwark against Congress falling down on the job." – Dan Esty, Yale University environmental professor

# Addressing Eco-Fads

- Too much of our policy is based on eco-fads
  - In the absence of information, fads fill the gap
  - These fads can become policy if they aren't addressed
- The Washington Policy Center seeks to address eco-fads
  - Green building fads
  - Climate policy fads
- Forestry eco-fads
  - Protect “old growth”
  - “Protecting” forests by using steel
  - Unhealthy forests

# Protecting Old-Growth

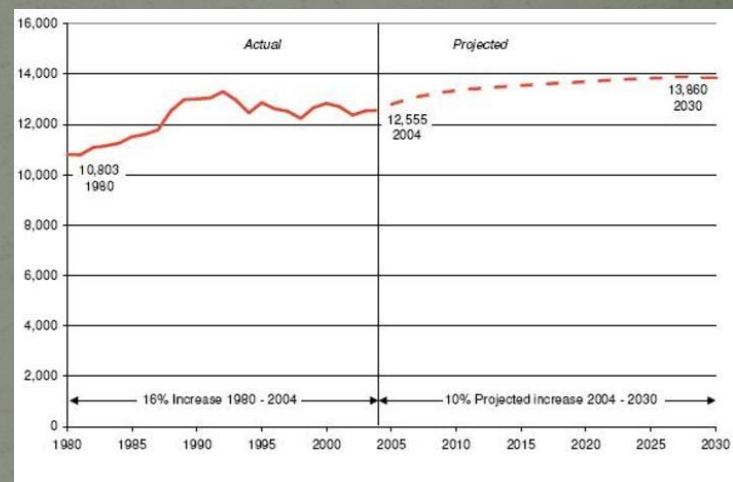
- Old-growth is a common excuse for forestry regulation
- It is applied indiscriminately, however
- Toilet paper
  - Old growth is being used to make toilet paper
  - The claim is actually that “old, second-growth forests” are being used
  - They say “as much as 22 percent of its pulp from producers who cut trees in Canadian boreal forests where some trees are 200 years old.”
- Green buildings “Do not contribute to the destruction of old-growth forests.”

# Protecting Forests with Steel

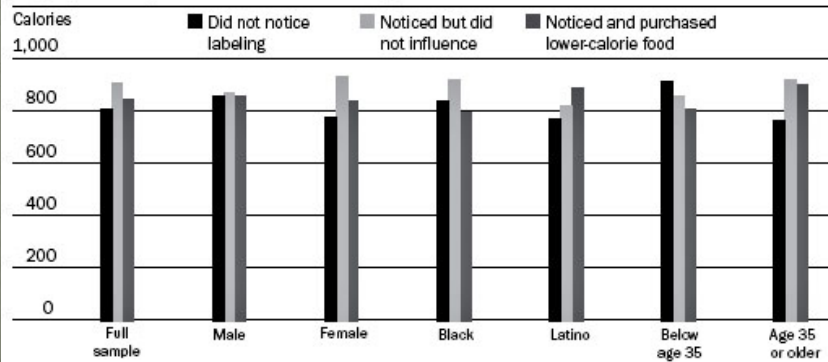
- Efforts to protect forests are so pervasive that they justify some silly responses
- New condominium in Ballard
  - “By using steel and concrete construction, [we] saved approx. 1,609 trees. “
  - According to the UW, concrete emits 35 % more CO<sub>2</sub>
- Forestry is best for reducing carbon emissions
  - Snohomish environmentalist -- “Replanted young trees will take centuries to soak up the amount of carbon from the atmosphere that was stored in the original forest.”
  - Actually, it takes 10-15 years to get back to zero

# Lifestyle Modification Fails

- Goal is to modify your lifestyle
  - “I think we can change people's behavior.” – Secretary LaHood
  - Transit spending has increased, but miles traveled has not
- Changing lifestyle is hard
  - Study found that calorie may not reduce calorie intake
  - It may actually INCREASE



**EXHIBIT 4**  
Number Of Calories Purchased In The New York City Sample After Calorie Labeling Began, In Response To Calorie Labeling, 2008



# Politically Favored Technologies Fail

- Technology failure spawned cap-and-trade
  - Senate first passed legislation to require technology to reduce SO<sub>2</sub> emissions
  - This helped coal producing states
- This was extremely expensive
  - Cap-and-trade replaced the policy
- Hydrogen Highway
  - In 2003, they planned to have 200 stations by 2010
  - Current number is 15
- In Washington, I-5 is the Hydrogen Highway



# Subsidies Waste Resources

- Biofuel Subsidies
  - “traders ship biodiesel from Asia or Europe to U.S. ports, where it is blended with a “splash” of regular diesel, the paper reports. ... it is shipped back to Europe where it is also subsidized. ... between \$30 million and \$300 million in U.S. subsidies being exported that way to Europe.”
- Cash for Clunkers
  - Offers \$3,500 for car that gets 4 MPG better than trade
  - This amounts to \$261.96 per metric ton of CO<sub>2</sub>
  - Going rate for carbon reduction in Europe is \$19
- Waste of money is waste of resources

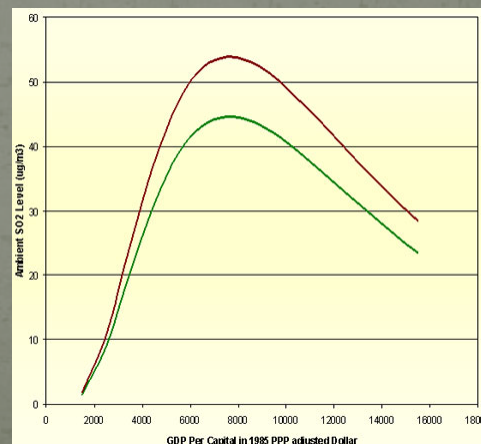
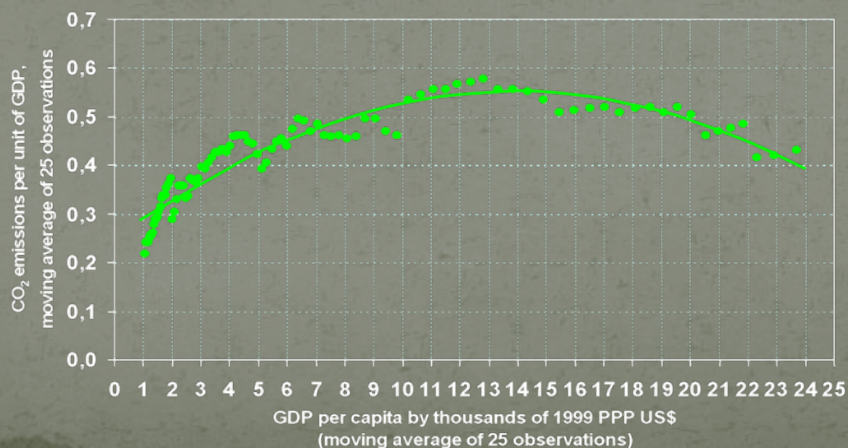
# Markets Promote Environmental Stewardship

- The free market promotes environmental stewardship
  1. Provides the prosperity necessary to address problems
  2. Encourages efficient use of scarce resources
  3. Promotes technology that is the real solution to environmental problems
- These are more powerful and more effective than government approaches

# Prosperity for the Environment

- Disposable income to use for environmental projects
- Forestry and salmon
  - State and private forests have fixed salmon culverts
  - Federal government and DOT haven't
- Kuznets Curve
  - Prosperous countries have lower environmental impact

Kuznets curve, GDP per capita and CO<sub>2</sub> emissions per unit of GDP



# Efficient Use of Scarce Resources

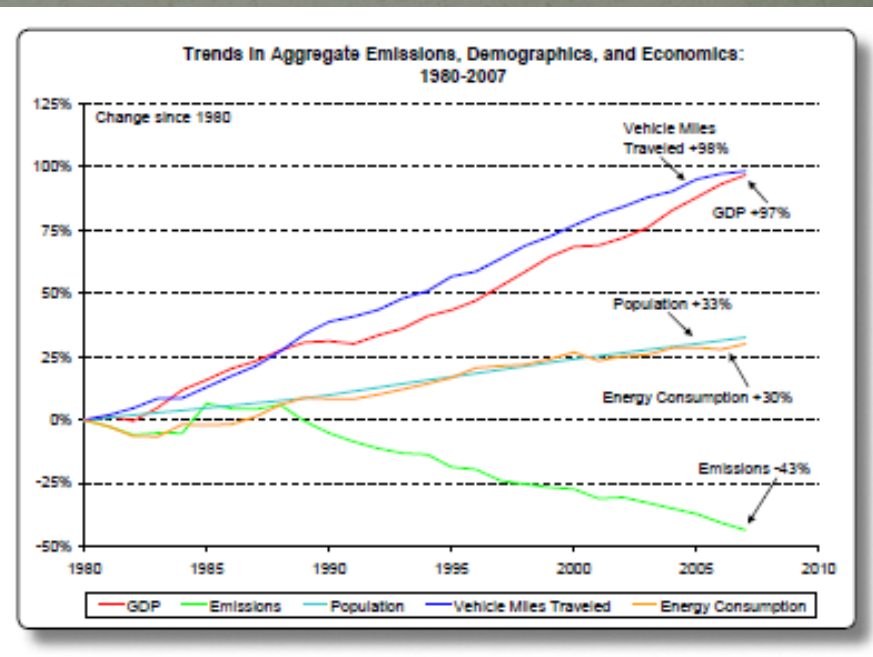
- Market promotes the efficient use of scarce resources
- Seattle Kyoto claims
  - Claimed to meet Kyoto targets
  - “For economic reasons, natural gas has gained favor over oil for space heating since 1990.”
- Eco-shape bottles



CO<sub>2</sub> emissions per unit of GDP

# Technology Solutions Work Best

- Technology solutions work best
  - Vehicle miles have increased in Washington state
  - Population has increased in Washington
  - Air quality has improved
- Clean air standards contributed
- Technology made it possible to meet those standards and promote prosperity



# Lifestyle vs. Technology

- Lifestyle approaches don't work
  - Transit efforts to get people out of their cars
  - Car-free days
  - Changing lightbulbs
- Technology does
  - Air quality is better thanks to technology
  - We are far more energy efficient today than 30 years ago
  - We use resources better – plastic bottles and aluminum cans
- We need to embrace an innovation approach to environmental sustainability

# Agenda for the Environment

- Price scarce resources
  - Markets don't capture all costs
  - Putting a price on resources is the most flexible and effective way to account for resources
- Prioritize environmental expenditures
  - Not all problems are a crisis
  - Prioritize problems based on cost and benefits
- Cut taxes for innovation and capital
  - Innovation creates jobs and prosperity
  - Reduce the cost of innovation and watch solutions flourish