

## Free Markets and the Environment

*A summary of WPC's 10th Annual Environmental Policy Conference*

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### Key Findings

1. The focus of environmental policy is too often on “look good, feel good” policies that target popular issues with insufficient attention to any underlying scientific evidence.
2. Scientific research and measurement is essential to meaningful improvement in the state’s environmental and economic health.
3. By moving from a politics-based approach to one grounded in property rights, natural resources can be more sustainably managed.
4. Free-market environmentalism relies on two concepts: Sustainability must equate to profitability; and property rights provide incentives for people to “do good and do well.”
5. By taking advantage of free markets and tapping economic incentives, we can ensure the continuation of the environment’s health and beauty.

Washington Policy Center held its 10th Anniversary Environmental Policy Conference and Luncheon on June 7th in Seattle. The event featured free-market approaches and solutions to regional and national environmental policy.

The conference opened with Todd Myers, director of WPC’s Center for the Environment, who introduced the speakers. The morning panels featured presentations on working forests, property rights and fishing catch shares, and environmental updates from Olympia and Washington D.C. The luncheon address was given by Terry L. Anderson, executive director of the Property and Environment Research Center and free-market environmental policy expert. In addition, Washington Policy Center presented its 10-year Recognition and Annual Environmental Innovator awards to some of the founding supporters of WPC’s Center for the Environment.

One hundred seventy-five people attended the event, including many state-level policymakers, local officials and agency administrators. The conference was covered by TVW and may be viewed on WPC’s website.

### Breakfast Presentation

- *Todd Myers, director, WPC’s Center for the Environment and author of Eco-Fads: How the Rise of Trendy Environmentalism Is Harming the Environment.*

Todd Myers introduced the conference and touched on a few facets of environmental policy in Washington state. Emphasizing that the environment is an important issue to individuals of all political stripes, Myers identified a lack of results as one of the major problems facing Washington’s environmental policies. The focus, he said, is too often on “look good, feel good” policies. These policies frequently target popular issues, such as transportation, with insufficient attention to any underlying scientific evidence. Yet the eco-fad approach neglects other areas that may yield empirically superior benefits for the environment.

Myers gave several examples of how Washington state’s environmental efforts have fallen flat. The state’s rank of 44th in the nation in greenhouse gas reduction, he said, shows how its extensive regulations do not translate into an environmentally effective outcome. Seattle has reduced per-capita emissions by 17%, while the United States has reduced its emissions by 23%. This exemplifies a sharp divide between the state’s environmental spending and regulation and real-world results. Myers highlighted one state agency, the Puget Sound Partnership

and its failure to clean up the Puget Sound, arguably the state's paramount environmental priority, as a clear example of state policy shortcomings. Myers noted the need for alternatives to our policy failures. He stressed a focus on environmental results rather than attention to political image. Moreover, scientific research and measurement is essential to meaningful improvement in the state's environmental and economic health, he said.

#### Summary Points:

1. Washington state's environmental policies often produce unsatisfactory results.
2. Policymakers need to consider alternatives to our policy failures.
3. These alternatives should be based on scientific evidence and empirical measures of sustainability.

### **Panel I: Environmental Policy in Olympia and Washington, D.C.**

- *Rep. Bill Hinkle, House Agriculture & Natural Resources Committee*
- *Brandon Houskeeper, Director, Government Affairs and Environmental Policy, Association of Washington Business*
- *Reed Hopper, Pacific Legal Foundation Environmental Attorney*

The conference's first panel discussed the successes and failures of environmental policy in Olympia and Washington D.C.

Brandon Houskeeper began this discussion by noting the need for bipartisan support in order to pass any kind of environmental legislation; a Washington bill needs 50 House votes, 25 Senate votes, and the governor's signature in order to be enacted into law.

He reminded attendees that politics and policymaking are often intertwined. There are many influences in Olympia, including constituents, the environmental lobby and the courts. Misunderstood bills and media attention can complicate decision making. Houskeeper underscored the importance of evaluating Olympia in the proper context and considering the volume of information that goes into passing legislation.

Next, Houskeeper outlined some of the adopted policies, rejected policies and missed opportunities of the 2012 session. Many of the adopted policies, he said, represented small but important successes for the business community. These included SB 5575, which counts certain biomasses as renewable; HB 2152, which clarifies the timelines associated with plats; and HB 2469, which concerns boatyard treatment facilities.

Potentially detrimental policies such as SB 6120, which would have banned certain chemicals in children's products, and SB 6369, which would have added a precautionary principle to the State Environmental Policy Act, were rejected by lawmakers.

Houskeeper briefly described some missed opportunities, such as SB 6211, which would have accelerated hazardous waste cleanup, and HB 2335, which would have implemented standards for the use of science to support public policy. Overall, he noted wins and some disappointments in Washington environmental policy for 2012, and concluded with the remaining need to “stay vigilant, move forward, and stay engaged.”

The panel’s next speaker, Representative Hinkle, gave examples of the obstacles facing a bill’s passage. Like Houskeeper, Rep. Hinkle noted the inundation of information that legislators deal with when making policy decisions. Substantive discussion, he added, is often lacking in environmental policymaking. He listed fiscal considerations, such as the misuse of money that goes toward cleaning up the Puget Sound, as a concern for many legislators. The appeasement of interest groups represents another obstacle to policy discourse, he said.

Rep. Hinkle called for measures that would improve Washington State’s environmental policies. These included supporting municipalities in building infrastructure, designating mineral lands and proposing an earlier review process for the State Environmental Protection Act. Overall, he augmented Myers’s results-oriented appeal with a legislative perspective, saying, “We need a system where we understand what results are.”

Reed Hopper provided perspective on national environmental policymaking and its Constitutional implications by describing the United States Supreme Court case *Sackett v. United States Environmental Protection Agency*. The Sacketts received a compliance order from the E.P.A., which contended that the Sacketts’ recently purchased property was subject to the Clean Water Act. The Sacketts attempted to obtain a hearing with the E.P.A., but eventually had to file suit and were represented by Pacific Legal Foundation. While the Sacketts lost in both trial court and the 9th Circuit, the Supreme Court ruled unanimously in the Sacketts’ favor, saying that individual property right is more important than the administrative convenience of a federal enforcement agency.

Hopper pointed out the dangers in environmental policy, which has become increasingly regulatory, eclipsing individual rights. Public officials, Hopper said, should enforce environmental laws, but only at a level equal to or less than their duty to protect the people from regulatory abuse. Environmental policies’ increasing influence, exacerbated by frequent ambiguities in existing policies, represents a concern for policymakers at both state and national levels.

#### Summary Points:

1. Progress in Washington’s environmental policy has been slow and limited in the past year.
2. From Rep. Hinkle’s perspective, attention to results should play a bigger role in Olympia’s environmental policymaking.
3. As described by Reed Hopper, sweeping environmental regulation has the potential to violate individual rights.

## Panel II: Forests, Fish and Free-markets

- *Elaine O’Neil, U.W. College of Forest Resources Research Scientist*
- *Todd Myers, WPC Environmental Center Director*

The conference’s second panel focused on free-market approaches to environmental protection in areas such as fishing and forestry. Todd Myers discussed a well-known scenario in economics known as the Tragedy of the Commons. This is the idea that when no one owns resources, the lack of ownership encourages maximum use of those resources and discourages resource stewardship.

Myers used fishing as a real-world example of the Tragedy of the Commons. In many areas, the fishing season’s length is limited according to available biological stock. The limited season encourages people to catch as many fish as possible as quickly as possible, resulting in dangerous working conditions and wasting fish by trying to catch by volume rather than targeting certain species. This waste, known as bycatch, represents up to 17% of the fish caught under a limited-season system.

It is a fundamentally political system, with constant pressure to increase the season limits. Myers presented a free-market alternative, catch shares, that eliminates the inefficiencies of the limited-season system. Catch shares allow a year-round fishing season that allocates a percentage of total catch to fishers. Fishers can trade allocations among one another if necessary. The catch share system, Myers said, provides an incentive for people to care for the stock and assures them shares in future seasons.

Myers gave an overview of Alaska’s catch share system, Amendment 80, which was implemented in 2007 by the Pacific Fishery Management Council. He explained that the free-market incentive system has reduced bycatch by 12%, improved efficiency by encouraging target equipment use, and increased profits by reducing injuries and risk. Moreover, the catch share system promotes sustainable catch levels by encouraging long-term planning. By moving from a politics-based approach to one grounded in property rights, Myers concluded, the fisheries can be more sustainably managed.

Elaine O’Neil explored another free-market approach to environmental sustainability through the topic of working forests. O’Neil noted that trees are the most efficient natural carbon dioxide uptake systems on the planet; as they grow, forests actively pull carbon dioxide out of the atmosphere.

She acknowledged that it takes time to store carbon in growing trees and she said that other factors such as beetle blights and forest fires should be considered. Sometimes, she said, storing carbon is a bad idea. Millions of acres of forest have been compromised by the mountain pine beetle. Forest fires have also had a devastating effect on forests across the country. O’Neil explained that problems with beetles and fires usually occur on federal lands, not on private, working forests. Beetle infestations and fires damage a forest’s ability to capture carbon dioxide and are phenomena that should be considered when evaluating the sustainability of working forests.

In addition, O’Neil addressed the criticism that working forests don’t promote “green” products or lifestyles. “Any benefit that accrues from using one

product over another is housed within the original decision,” she said, and pointed out that the carbon storage benefit really starts when trees are turned into wood products, like a house that may last 50 or 100 years.

This raises the question of whether maintaining a federal forest for 40 years, without fully using the economic benefit of the investment, is sustainable or economically sound. O’Neil pointed to working forests’ great potential for carbon mitigation and recommended that architects and engineers re-evaluate the useful role of working forests within their industries.

#### Summary Points:

1. Lack of property rights can encourage resource depletion and inefficiency.
2. Catch shares represent a free-market fishing alternative that improves safety, economic growth and environmental sustainability.
3. Working forests pull carbon from the atmosphere and provide a meaningful model for sustainable forestry.

### **Keynote Luncheon**

- *Terry L. Anderson, executive director, Property & Environment Research Center*

Before the keynote address, Washington Policy Center presented the Center for the Environment’s 10-year Recognition Award to several of its founding supporters who made the Center for the Environment’s success possible. The recipients of the 10-year Recognition Award attended the event. They were: Susan Hutchison and the Charles Simonyi Fund for Arts and Sciences, Columbia Helicopters, Green Diamond Resource Company, the Washington State Farm Bureau, and WPC board members Jim Day and Al Symington. The Annual Environmental Innovator Award was presented to the event’s keynote speaker, Terry L. Anderson.

Terry L. Anderson began his keynote presentation with a humorous depiction of a “new political party” he called the Green Tea Party. Anderson used this hypothetical political party to discuss the effectiveness of various environmental policies. Appealing to the need to treat the environment as a market good in order to ensure its long-term health, Anderson gave several examples of the hypothetical party’s slogan, “pro growth, pro environmental quality, and pro liberty” in action. Anderson described the environmental advantages of free enterprise in industries such as forestry and wildlife management.

He introduced the problem of diminishing returns to illustrate the importance of multiple use management of public lands. According to Anderson, free-market environmentalism relies on two concepts. First, sustainability has to equate to profitability. Second, property rights provide incentives for people to “do good and do well.”

Anderson outlined how these principles apply to water markets, public lands, and energy and climate change. Markets can solve water quantity and quality problems, for example, by compensating farmers for leaving water in streams. Similarly, Anderson described how improving the management of

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sawmills on national forests could benefit forest sustainability and simultaneously turn a profit.

He also discussed allowing markets to adapt to fluctuations in energy supply and climate change, instead of heavily regulating markets through measures such as a carbon tax. Only by taking advantage of free markets and tapping economic incentives, he concluded, can we ensure the continuation of the environment's health and beauty.

#### Summary Points:

1. Free-market principles can be applied to ensure long-term environmental health and economic prosperity.
2. Anderson outlined several successful scenarios where free enterprise led to sustainable environmental practices.