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# How a Free Society Could Solve Global Warming

BY GENE CALLAHAN

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The phrase “global warming” has been around for quite some time, but in the past year it has captured the spotlight as never before. One can’t turn on the radio or open a newspaper without facing ads from “green” corporations, or hearing the latest way to reduce one’s “carbon footprint.” With even prominent Republicans (such as Arnold Schwarzenegger and George W. Bush) on board, it seems all but inevitable that major governments around the world will enact new policies to combat this ostensible threat—and to cripple economic growth in the process.

Thus far the typical libertarian response to the growing clamor has been to challenge the science behind it. Now it really is the scientific consensus that global warming occurred during the twentieth century. What is *not* so obvious is that (1) humans caused this warming and (2) this warming is necessarily bad.

Although it is interesting to explore the question of whether science has been perverted in the cause of environmentalism, there is a danger for libertarians in pinning their entire case on this strategy. After all, every serious student of science knows that when it comes to empirical claims, we never achieve certainty. For example, even if today one thinks that there are insurmountable problems facing the theory of manmade global warming, one still must accept the possibility that new evidence or theoretical advances could indicate that the environmentalists are perfectly right. Another possibility is that there is some *other*, similar disaster lurking unsuspected.

For these reasons, I believe it is crucial to accept provisionally, for the sake of argument, the scientific claims behind the case for manmade global warming. In the

present article I will demonstrate that it *still* would not follow that the taxes and other regulations typically proposed by greens are the best way to address the problem. Just as the free market is still the optimal economic arrangement, regardless of how many citizens are angels or devils, so too does the free market outperform government intervention, regardless of the fragility of Earth’s ecosystems.

When trying to determine if the free market is to blame for possibly dangerous carbon emissions, a logical starting point is to list the numerous ways that government policies *encourage* the very activities that Al Gore and his friends want us to curtail.

The U.S. government has subsidized many activities that burn carbon: it has seized land through eminent domain to build highways, funded rural electrification projects, and fought wars to ensure Americans’ access to oil. After World War II it played a key role in the mass exodus of the middle class from urban centers to the suburbs, chiefly through encouraging mortgage lending.

Every American schoolchild has heard of the bold transcontinental railroad (finished with great ceremony at Promontory Summit, Utah) promoted by the federal government. Historian Burt Folsom explains that due to the construction contracts, the incentive was to lay as much track as possible between points A and B—hardly an approach to economize on carbon emissions from the wood- and coal-burning locomotives. For a more recent example, consider John F. Kennedy’s visionary moon shot. I’m no engineer, but I’ve seen the takeoffs of the Apollo spacecraft and think it’s quite likely that

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the free market's use of those resources would have involved far lower CO<sub>2</sub> emissions.

While myriad government policies have thus encouraged carbon emissions, at the same time the government has *restricted* activities that would have reduced them. For example, there would probably be far more reliance on nuclear power were it not for the overblown regulations of this energy source. For a different example, imagine the reduction in emissions if the government would merely allow market-clearing pricing for the nation's major roads, thereby eliminating traffic jams! The pollution from vehicles in major urban areas could be drastically cut *overnight* if the government set tolls to whatever the market could bear—or better yet, sold bridges and highways to private owners.

Of course, there is no way to determine just what the energy landscape in America would look like if these interventions had not occurred. Yet it is entirely possible that on net, with a freer market economy, in the past we would have burned less fossil fuel and today we would be more energy efficient.

Even if it were true that reliance on the free-enterprise system makes it difficult to curtail activities that contribute to global warming, still the undeniable *advantages* of unfettered markets would allow humans to deal with climate change more easily. For example, the financial industry, by creating new securities and derivative markets, could crystallize the “dispersed knowledge” that many different experts held in order to coordinate and mobilize mankind's total response to global warming. For instance, weather futures can serve to spread the risk of bad weather beyond the local area affected. Perhaps there could arise a market betting on the areas most likely to be permanently flooded. That may seem ghoulish, but by betting on their own area, inhabitants could offset the cost of relocating should the flooding occur. Creative entrepreneurs, left free to innovate, will generate a wealth of alternative energy sources. (State intervention, of course, tends to stifle innovations that threaten the continued dominance of currently powerful special interests, such as oil companies—for example, the state of North Carolina recently fined Bob Teixeira for running his car on soybean oil.)

Private insurers have a strong incentive to assess the potential effects of global warming without bias in

order to price their policies optimally—if they overestimate the risk, they will lose business to lower-priced rivals; if they are too sanguine about the dangers, they will lose money once the claims start rolling in. Individuals finding their homes or businesses threatened by rising sea levels will find it easier to relocate to the extent that unfettered markets have made them wealthier. Industrial manufacturers, as long as they are held liable for the negative environmental effects of their production processes—a traditional common-law liability from which state policies intended to “promote industry” have often sought to shield manufacturers—will strive to develop technologies that minimize the environmental impact of their activities without sacrificing efficiency. Government interventions and “five-year plans,” even when they are sincere attempts to protect the environment rather than disguised schemes to benefit some powerful lobby, lack the profit incentive and are protected from the competitive pressures that drive private actors to seek an optimal cost-benefit tradeoff.

If the situation truly becomes dire, it will be free-market capitalism that allows humans to develop techniques for sucking massive amounts of carbon out of the atmosphere, and to colonize the oceans and outer space. Beyond these futuristic possibilities, the obvious responses to global warming—such as more houses with AC, sturdier sea walls, and better equipment to evacuate flooded regions—are again only feasible when the free market is unleashed.

It is the poorest people and nations that stand to suffer the most if the worst-case scenario for global warming is realized, and the only reliable way to alleviate their poverty, and thus help protect them from those effects, is the free market.

### Can the Market Meet the Threat Head-On?

**I**n the first section I summarized some of the ways governments inadvertently contribute to the very activities that allegedly cause dangerous global warming; in the second I sketched some of the ways that free markets allow humans to better adapt to climate change. However, I haven't really tackled the problem directly. Am I conceding that with a worldwide problem the market—which is just dandy for one-on-one interactions—can't match the concerted “will of the people”

working through their elected representatives for a common solution?

Of course not. Even when economic transactions generate so-called negative externalities (activities that shower harms on third parties), I still contend that the free market is the best institution for identifying and reducing the problems.

One way negative externalities can be addressed without turning to state coercion is public censure of individuals or groups widely perceived to be flouting core moral principles or trampling the common good, even if their actions are not technically illegal. Large, private companies and prominent, wealthy individuals are generally quite sensitive to public pressure campaigns.

To cite just one recent, significant example, Temple Grandin, a notable advocate for the humane treatment of livestock, asserts that McDonald's is the world leader in improving slaughterhouse conditions. While many executives at the fast-food giant genuinely may be concerned with the welfare of cattle, pigs, and chickens, undoubtedly a strong element of self-interest is also at work here, as the company realizes that corporate image affects consumers' buying decisions.

But that self-interest does not negate the laudable outcome of the pressure McDonald's has applied to its suppliers to meet the stringent standards it has set for animal-handling facilities. Similarly, to the degree that the broad public regards manmade global warming as a serious problem, companies will strive to be seen as "good corporate citizens" that are addressing the matter. And this isn't ivory-tower speculation on my part—I can see the "green friendly" ads already.

Critics of libertarianism sometimes denigrate it as a political program of "market fundamentalism" that, if put into practice, would reduce all human values to the price they can fetch as mere commodities. But that is a caricature of the social arrangements advocated by any sensible libertarian. The great figures of classical-liberal and libertarian thought have always recognized the vital

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contributions that nonmarket institutions, such as churches, families, charities, social clubs, communities of scholars and their students, art foundations, conservation groups, neighborhood associations, and youth athletic leagues, make to the healthy functioning of a free society. What libertarians offer as an alternative to statism is not a social order that judges every human interaction solely on a miserly calculation of profit or loss, but a society in which every desirable form of voluntary association is allowed to flourish, free from coercive interference by the state.

### Customary Law

Besides the samples listed above, most libertarians recognize private or customary law as another important, nonmarket source of social order. A historical

case in point is the Anglo-American common-law tradition in which legal norms evolved spontaneously from the customs of the people to whom it applied, rather than through legislation and state planning deliberately aimed at achieving some "public good." The many centuries during which the common law sustained civic order in the face of inevitable divergences between individual citizens' own interests demonstrate that a successful legal order does not inevitably require state sponsorship.

The common law has shown itself to be fully capable of dealing with a number of issues that, while not exhibiting the worldwide scope of global warming, are still similar to our present concern in arising from the cumulative effects of many individual actions, each of which, regarded in isolation, appears to be unproblematic and not subject to legal sanction. For instance, the salmon-fishing streams of Scotland are a valuable natural resource, and the communities along them have developed quite successful institutions for ensuring the value of the streams is maintained, including private policing and legal penalties for overfishing and for polluting the water.

The many cases in which voluntary solutions to problems of collective choice have worked pose an

empirical embarrassment for those who argue that “public goods” must be provided by the government. Most advocates of compulsory solutions to pollution abatement, for example, would assert that voluntary efforts will be vitiated by “free riding.” If individuals are not forced to contribute their fair share toward addressing these problems, this argument runs, each person rationally will hold back and hope others will pay for the proposed solution, since any free riders would gain the benefits (such as clean air) anyway. Since almost no one likes to be “the sucker,” it follows that the amount of resources devoted to the provision of the public good will fall woefully shy of the total that would be available if each person gave the amount he’d be willing to give if only he could count on everyone else pitching in equally. The sole solution that can be imagined is for the members of a society to create a “social contract” by which they are forced to pay for pollution abatement.

However, Anthony de Jasay notes in his book *The State* that this argument is severely flawed. If people cannot solve public-goods problems through voluntary cooperation, how can they rely on politicians’ promises to do so? There is no external authority to enforce those promises. There is only public opinion, the same thing that would enforce voluntary solutions. Moreover, government is itself a “public good” in the sense that free riders benefit from the efforts of those who try to get the government to produce public goods such as clean air.

### Is Temperature a Public Good?

Another consideration is that the earth’s temperature isn’t such a public good after all. That is, certain people really do have more at stake, particularly if the warming is moderate. For example, if Manhattan became submerged because of rising sea levels, that calamity would not affect every human being equally. The residents of Manhattan and the owners of its skyscrapers would be hurt far more than people living in inland China. Because all the various potential dangers of global warming affect particular people more intensively than others, it is these groups that (in a free market) would have the incentive to reduce CO<sub>2</sub> concentrations. For example, if rising sea levels would cause \$10 trillion in damage to a comparatively small

group of wealthy individuals, that’s a huge “pie” that the wealthy can offer others to motivate them to reduce emissions.

Despite my optimism about the potential to deal with environmental problems through voluntary means, I don’t wish to be misunderstood: If the official global-warming story is true, it presents a serious problem that humanity will find difficult to solve through voluntary means. But this isn’t a strike against voluntarism—of course a difficult problem will be difficult to solve! By the very same token, the government doesn’t do a terrible job at collecting stray dogs, because that’s a very simple task. When it comes to harder assignments, such as stopping terrorism or reducing teen pregnancy, the government’s record is quite a bit worse.

The very features of the official global-warming scenario that hamper purely private solutions would apply equally to government efforts. For example, even if the U.S. government passed draconian measures at home, that alone wouldn’t be enough if China and India don’t follow suit. And just as private companies in a free market may have an incentive to pollute if they can get away with it, so the state, under the influence of special-interest groups and run by leaders always tempted to ignore the public good in favor of increasing their own power and wealth, can have incentives to allow more pollution than is optimal. (It should be clear the “best” amount of pollution is not zero, because even using fire to cook generates some pollutants, and I doubt that anyone but the most misanthropic, fanatical nature worshippers want to reverse all of the last 40,000 years of human progress.)

As in all debates over public versus private choice, it’s inappropriate to measure a realistic free-market response to global warming against an idealized government program. We must try to envision what real people would do if their property rights were respected and compare that scenario with the probable outcome of actual politicians in today’s world being given a blank check in the name of saving the earth.

Government programs don’t ameliorate world poverty or sickness, and no libertarian would deny that these are serious problems. So even if manmade global warming is a real threat, why should we expect governments to get it right on *this* issue?

