

By Martin Hostettler, dipl. Ing. ETH, Cycad AG, CH-3011 Bern^{1,2}

Summary

An effect of the ongoing advances in technology and in the economy is that the value of an intact environment has become of ever greater importance for people. Precisely what appearance this environment should take, however, is subjective and the source of countless conflicts of interest and conflicts over use. These conflicts are reflected in widely used terms such as «environment» and «nature». Such terms are imprecise and favor over-regulation, seizure and arbitrariness on the one hand while ceding the prerogative of interpretation to environment bureaucrats and experts on the other. Characteristic of the public demand for environment generally is the poor processing of limited quantities of information, leading to imprecise public environment decrees. The tragedy of the processing of information in the context of the public demand, however, highlights the advantages of private demand and of self-production. Measured against people's preferences, self-production and private demand provide even today to a large extent the environment demanded.

Intact environment thanks to technological progress

Technological advances have improved our prosperity enormously. The wealthier people are, the more interested in an intact environment they become. Environmental protection has enjoyed its greatest successes in recent years thanks to new environmental technologies - this too a consequence of constant technological progress. In exceptional cases, technological advances also lead to new environmental threats. The many new technologies, however, make it possible to contain the growing demand for environment within reasonable limits. The impact in the world's more developed countries of these two effects, namely the growing demand for environment and the improved environmental technologies, has been a reduction in many measurable environmental stresses and a marked improvement in environmental quality in recent decades. Consider, for example, the immense technological developments in motors, filters and catalytic converters. In many cases, these have served to reduce the emissions produced by motor vehicles, factories and incinerators by more than 99% (!).

Naturally, the growing demand for an intact environment has led to a corresponding supply. In the following, I will approach the semantic issues first from the supply side and subsequently from the demand side. In the spirit of Hayek (1945), I will approach the issues with an information theory emphasis. I will not focus primarily on the information content with respect to the prices, however, but rather on the methodological individualism and on the **processing of the preferences** of the citizenry in the ordering process.

1 martin.hostettler@cycad.ch

2 I thank Dr. Peter Deegen (TU Dresden) and Dr. Hans Heinimann (ETH Zurich) for their support.



Entrepreneurs sought, not lobbyists

Environment is produced in part by enterprises and sold on the environment market. The suppliers are also variously referred to as environmental entrepreneurs, eco-entrepreneurs, green entrepreneurs, ecopreneurs and enviropreneurs. All of these terms share a common arbitrariness. The very term entrepreneur is itself not unproblematic and has, insofar as it has aroused the interest of scientists, caused considerable debate in the field of economics (Baumol & Schilling 2008, Blaug 1997, Casson 1987). I deem «entrepreneur» to be an umbrella term and consider its combination with a second, even less precise term such as «environment» or «eco» to be of limited use.

Study of the providers on the environment market reveals that a part of the enterprises is consistently geared towards either the private or the public demand. Product development and acquisition are approached differently in accordance with the consumer, and the types of information collated and processed differ. It would be wrong, however, to refer to the one as the «real» entrepreneurs and the others as lobbyists. In reality, the distinction is tricky. As the example of Tesla Motors shows, innovative young enterprises also strive extensively to obtain subsidies and tax breaks although they are by all means successful producers of low emissions vehicles for the private market. Or another example: Did not the entrepreneurial icon according to Anderson & Parker (2013), who created an income from property rights that had not previously existed, become a politician and lobbyist for his own ends? In my view, it is important, therefore, that our rules of the game, and our institutions, employ entrepreneurs productively and not unproductively, or even destructively (Baumol 1990). Unfortunately, in reality there exists a large bias in favor of making demands on the environment using the instruments and means of the community, the member state and of the federal state – with an emphasis on the federal state. As I wish to demonstrate, the state demand for environment is only barely coordinated and so of limited productivity.



Experts and bureaucrats dictate state demand

Environmental policy as the sum of countless conflicts over use

In environmental policy we experience again and again that terms become fashionable, and become the occasion for large international conferences and provide much to write about and discuss over many years. In the late 1970s, for example, there was a furore surrounding «qualitative growth». Other terms to have become established are sustainability, sustainable development, ecological scarcity, biodiversity and sufficiency. The common trait shared by all of these terms is their imprecise nature. Their wide social acceptance stems from the very fact that everyone can interpret these terms in their own way. The words provide a common umbrella for many people who by no means all share the same preconceptions regarding the environmental policy to be pursued. At best, they provide a general line of approach. This arbitrariness is also to be found in what are possibly the two most important terms in this context, «environment» and «nature». Which environment do we want exactly? Which nature do we mean? Environment and nature are prototypes for the subjective perception and reasoning of people. In my work I am confronted by these two questions on a daily basis and experience environmental policy as the sum of countless conflicts over use. Or expressed in another way: the Austrians salute Coase!

100 gourmets in the deli with a borrowed credit card

The aforementioned bias in the choice of means is likely to derive in no small part from over-rated economic theories such as the theory of externalities or the theory of public goods. In other words, the first step in solidifying the term environment resides with the state actors, and then primarily with the administrators responsible for drafting bills for parliament. The environment bureaucracies have grown very large in recent years. This is also linked to the fact that the countless environmental interests are first registered and inventoried by a host of experts within the administration. It would be wrong to think, however, that these bills, and the subsequent parliamentary debates, ultimately regulate the equally countless conflicts over use. The opposite is true: each discipline is considered from the legislative perspective and receives an equally long section in the law text according to the pirate toast «take what you can get, give nothing back!» One can compare it with the situation described in the heading above.

The advantage of this approach is that, in practice, the weighing of interests is based chiefly – and often as part of an arduous and protracted process – on the specific case in question. However, I also perceive significant disadvantages and observe, among other things, (1) a very high level of regulation; (2) as a consequence of this, the arbitrary enforcement of the countless legal prescriptions; (3) an anarchic attitude in the area of natural resources where budgetary restrictions are compensated by means of theft («regulatory takings»); and (4) the staging of conflicts over use employing pseudo scientific objectiveness such as environmental damage scores, ecobalances and ecological footprints. Ultimately, therefore, the prerogative of interpretation concerning which environment or nature is being referred to in each specific case is almost always in the hands of environment bureaucrats and experts.

The tragedy of the processing of information

Saving the environment from within the fog?

The cause of these excesses resides in the fact that we know very little about just which environment and which nature the principals want. There are two reasons for this. On the one hand, the citizens are not required to contemplate their specific preferences. At the same time, the bureaucrats and the experts with the greatest say are not especially interested in the wishes of the citizenry. In their eyes, only «objective» natural science criteria apply.

And with this we come to the knowledge deficit, the primary problem of the state demand. Firstly, with their demand for «more environmental protection» and the delegation of «green» representatives, the voters inject very little information into the democratic process. Secondly, there are – as the Public Choice school testifies – numerous losses and distortions in transmission up to the moment when the final decision is made regarding the type of environment desired. Keywords in this context are concentrated benefits with distributed costs, logrolling, pork barrels, earmarking, short-sightedness, rent-seeking, lock-in (e.g., Tullock 1975), crony capitalism, and bootlegger and baptist coalitions. And thirdly, the prerogative of interpretation enjoyed by the environment bureaucrats and experts concerning which environment and which nature is in fact meant leads to additional distortions in transmission. The vibrant state demand for environment is based on astonishingly little information about the kind of environment the citizens actually want. False decrees are a daily occurrence and the resistance of the citizens



and the largely citizen-oriented municipalities to regulations formulated at national and canton level are a component of my everyday working life.

Self-production and private demand

Fortunately, there are two additional, alternative ways to arrive at the sought after environment. I can either create the environment I wish myself or I can buy it on the market, as an individual or in combination with like-minded people. These two means of procurement are unrecognized in the environmental policy discourse in terms of both their extent and their quality. The following are two arbitrary examples of this. Did you know that urban areas are very rich in species diversity thanks to private gardens? Or that a quarter of the total turnover achieved by Switzerland's largest retail business enterprise, Migros, is attributed to products bearing a sustainability or health label, or which have been produced regionally? I put forward the thesis that the self-production of environment, and the private demand from environment **measured on the basis of people's preferences**, are of a similar magnitude to the state demand. In contrast to the situation with regard to state demand, self-production and private demand lay open the preferences of the consumer, while the losses and distortions in transmission in the communication of information to the providers are negligible.

Environment markets remedy the knowledge problem

The «green economy», another diffuse term that has recently become fashionable, celebrates great success in the shape of the United Nations Environment Programme, and has prompted a referendum in Switzerland in the coming autumn. The expression suggests that the actual economy of today is not in fact green but brown and that it is in urgent need – certainly according to the bill proposed to the parliament by the Swiss Federal Assembly,³ informed by the environment bureaucracy – of advice, measurement, improvement, sanction, supervision and indeed cleansing. I consider such semantics to be misleading because they serve to dismiss and call into question the great, and rigorously provided, environmental services of private markets.

There are a certain number of environmental goods that the state is best equipped to provide easily and cheaply. Suitable instruments are regulations, taxes and subsidies, market procurement and even self-production. The legal restrictions on railway noise pollution, CO₂ taxes and the lease or purchase of areas of nature conservation are just four examples by which a collective demand for environment is reasonable. On the whole, however, I deem the arguments for an expansive and comprehensive state procurement to be excessive. The tragedy of the processing of information with respect to the public demand has highlighted the advantages of private demand and of self-production. My primary wish, therefore, is for entrepreneurs who, through their ideas, their courage and their resolve, reconcile conflicts over use **without intervention by the state**.

3 BBl 2014 1817 (Indirect counter-proposal of the Federal Council, Popular Initiative «For a sustainable and resource-efficient economy (green economy)»). [German: Gegenvorschlag des Bundesrats zur Volksinitiative «Für eine nachhaltige und ressourceneffiziente Wirtschaft (Grüne Wirtschaft)».]



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