David Schmidtz on economics and environmental philosophy

Dear Allenspark Conference participants,

I'm working away on my comments for the David Schmidtz panel. They need lots more work; in particular, I will need to explain David's views in more detail; and I will probably only be able to talk about elephants or *cost-benefit analysis, not both. However, my comments will probably follow this basic format and train of thought, and I wanted to get something up "on the board" for conference attendees who were interested. I'll try to post a fuller and more complete set of comments when they are ready.*

These comments reference David's articles on cost-benefit analysis ("A Place for Cost-Benefit Analysis") and on wildlife issues in southern Africa ("When Preservationism Doesn't Preserve," "Natural Enemies: An Anatomy of Environmental Conflict" and "Reinventing the Commons: An African Case Study"). The first three of these can be found in the anthology by Schmidtz and Willott, Environmental Ethics; What Really Matters, What Really Works*. The last two are reprinted in David's new book* Person, Polis, Planet: Essays in Applied Philosophy*. I will also try to post the first, third and fourth of these articles on the website, along with these comments.*

Phil Cafaro, Fort Collins, CO, June 2, 2009

Introduction

David Schmidtz has made important contributions both to ethical theory and to environmental ethics. His work is informed by the discipline of economics, but, in my opinion, not overwhelmed by it.

David has used economic thinking to illuminate the ethics of environmental issues. At the same time, he seems more alive than most economists to the limits of economic approaches to environmental issues. His work opens up the possibility that we may benefit from the rigor of economic thinking, without falling into economistic traps.

In what follows, I ask whether David's approach can help us better respond to our environmental situation, by getting right with economics. By this I mean two things. First, using the strengths of economic analysis to discipline our thinking about environmental issues. Second, thinking more clearly about the proper place of economic activity itself, in our lives and on the landscape—particularly whether there are necessary limits to such economic activity.

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I take it that global climate destabilization, the current anthropogenic extinction wave, and other big environmental problems, suggest that today's dominant economic paradigm is bumping up against physical and biological limits. There are arguments on the other side, of

course: arguments that humanity will need ever more wealth and prosperity to deal with our environmental and social problems. But given that in one form or another, human economic activity is the major cause of these problems, it seems to me that the burden of proof is on its advocates to show how more economic activity is going to help us solve them.

For example: the 4th IPCC reports make it clear that GCC is caused primarily by human economic and demographic growth. As the "Mitigation" report succinctly puts it:

> "GDP/per capita and population growth were the main drivers of the increase in global emissions during the last three decades of the 20th century. … At the global scale, declining carbon and energy intensities have been unable to offset income effects and population growth and, consequently, carbon emissions have risen." (p.107)

Here are the numbers:

> "The global average growth rate of CO2 emissions between 1970 and 2004 of 1.9% per year is the result of the following annual growth rates: population 1.6%, GDP/per capita 1.8%, energy-intensity (total primary energy supply (TPES) per unit of GDP) of –1.2% and carbon-intensity (CO2 emissions per unit of TPES) of –0.2%. (ibid.)

And crucially, the IPCC's projections for the next three decades see more of the same: "These trends are expected to remain valid until 2030." More people living more affluently means that despite technical improvements in efficiency, GG emissions will continue to rise.

The answer, whether from the IPCC itself, the nations of the world, or Al Gore, is "more efficiency"! But the likely insufficiency of "more efficiency"—the likelihood that it will fail us as an answer to global climate change and mass extinctions; the impossibility of projecting it out indefinitely into the future, in any case—means that we should at least consider alternatives. Rather than continue as if endlessly growing populations, consumption and economic activity are compatible with human happiness and the flourishing of wild nature, we might instead contemplate the need for the world's peoples to shift to an economic paradigm focused on providing sufficient resources for a limited number of people, and on leaving sufficient resources for the millions of other species on Earth.

My question is this: Can we specify an "enough" here? If so: where does it come from and what are its parameters? Can the discipline of economics help us discipline our economy in this way? Can David's approach to ethics, informed as it is by economics, help us do so?

(It seems to me that it is the endlessly growing economy that is causing habitat loss and global climate destabilization. At least for these problems, it appears to be market success, not market failure, that is causing them. Or am I wrong about this—and is there a way forward toward an environmentally sound future within the endless growth economy?

It seems to me that without specifying an economic "enough," some of our most important environmental values—particularly biodiversity and wilderness preservation—will

continue to be lost or diminished. “Environmentalism” might continue under an endlessly growing economy, at least for awhile. But it would become wholly anthropocentric: focused on keeping the world safe and pretty for the largest possible tonnage of human flesh. Or again, is this understanding of the situation incorrect? Can we continue to grow richer and more numerous and also make room for the rest of nature?)

I will explore these questions by looking at two issues analyzed by David. First, the treatment of African elephants as economic resources, in order to conserve them. Second, the proper role of cost-benefit analysis in environmental decision-making.

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In a series of important articles, David Schmidtz argues that even those holding strong preservationist sympathies regarding African elephants, have good reasons to want to allow them to be hunted or culled.

If poor southern Africans are allowed to profit from elephants—either by allowing hunting, or giving them a share of wildlife tourism revenues—then it becomes easier to preserve their habitat, or convince people to share habitat with elephants. In lieu of this, people who live with elephants, many of whom are desperately poor, will not have an incentive to preserve them on the landscape, and they <u>won’t</u> preserve them on the landscape. Even if you could argue that they should (and it would be a hard argument to make) it won’t happen. However, give people the incentive, and we can keep elephants and other wildlife on the African landscape.

Relatedly, elephants are destructive in too great numbers, to both people and to natural ecosystems. We need to allow them to be culled, or face great ecological and human losses, which in turn undermine the case for preserving elephants and wildlife generally, and the ability of the land to preserve them—leading to less elephants overall.

The more we learn about elephants, the more we might be inclined to say: elephants deserve to be treated with respect, as persons. However, in order to keep elephants on the African landscape, we need to find a way for Africans to use them as resources (or at least, for Africans to use elephant-laden landscapes as a resources).

The more we appreciate elephants for what they are and commit to doing everything possible to ensure their flourishing—the more we must engage practical, nuts-and-bolts, economic thinking.

I’m thoroughly convinced by David’s arguments here. And the power of them comes in part because elephants are so majestic, important, and person-like. The idea that we could realize all this, and that the more we realize it, the more we will move from “we’ve got to protect them, as a matter of <u>justice</u>,” to “we’ve got to allow them to be turned into valuable <u>resources</u> for people, because otherwise, they’ll be extirpated from one area after another.”

We of course often think of these two things as completely separate: the area of justice, the area of resources. Environmental ethicists have often argued (following Leopold) that the key

to getting right with nature is to shift from thinking about nature as resources, to thinking of nature as part of our community.

Of course, what Leopold said was that we need to think of nature not just as resources, but also as part of our community. He explicitly said that we would continue to have to think of nature in resource terms (how could he not, thoroughly enmeshed as he was in practical conservation issues?).

So I think David is on strong ground here, and saying something very important, with this example. However, it isn't enough to say "preservationists need to give way here and allow some sustainable use," and "intrinsic value theorists or animal rights theorists need to give ground, and let us kill elephants." This needs to be said, but once it is said, and acted upon, we are left with the further question: how should we think about this, and manage things in the future? A future, we want to insist, where we will continue to have wild African elephants?

David doesn't answer this question in any detail, and I'd be interested in hearing his views on this. In my view, we will need to think of them as economic resources and also set limits to thinking about them as economic resources. That is: we will need to bring other aspects of the situation into play, and allow these other aspects to limit how much we treat elephants as resources. Because David is right here, it becomes even more important to think through how we can engage economic thinking without being overwhelmed by it.

As I see it, doing so depends crucially on (1) continuing to respect nature; (2) appreciating what it is in itself (as opposed to what it is as a resource for people); and (3) allowing it to live relatively free from human interference or domination.

Of course, in our current crowded world, this can only be a relative freedom. As soon as we talk about using nature as a resource, we are talking about influencing and changing it, to some degree. But restraint is necessary and possible—as long as we recognize that the degree of influence and change varies and matters.

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So for example, we will want to keep national parks in place, where, to the extent possible, we allow elephants to live and elephant numbers to fluctuate based on natural ecological factors, rather than human control. There should be some (relatively) wild areas like this, which we explore and enjoy only in ways that have little to no influence on the animals.

In other areas, such as pastoral areas with cattle ranches, we might instead allow a greater and more impactful human presence; haze animals to get them to leave cattle alone; pay ranchers who lose animals to predators like cheetahs; etc. Such mixed use areas can still be of great use to wildlife.

Now we can find room for wild nature in both these kinds of landscapes. But only if there are limits to what we are willing to demand from the landscape economically.

David makes the point: “we won’t preserve nature if poor people can’t make a living from the landscape in some way.” But we also need to make another point: “we won’t preserve nature if we have too many people trying to make a living from the landscape, or if we make getting as rich as possible our goal.” Either of these can push us toward just clearing wild nature off the landscape and maximizing human returns.

To some degree, David’s example’s in Zimbabwe and South Africa obscure this, because at this point in time, it appears to be in the interests of Campfire villages and the South African landowners he discusses to keep wildlife on the land, to maximize their own economic benefit. But clearly this need not be the case, and in the context of an ever-expanding population demanding ever more wealth, this happy confluence of events is likely to break down.

Both preservationists and conservationists are in it for the long haul, or should be. We need to work creatively with economics, to preserve and conserve. But doing so will often mean foregoing certain economic possibilities. In the context of ever more people, we eventually may just need to plant corn. In the context of maximizing corporate profits, we may just have to cut the old growth.

Let me put it another way. We can commit to having elephants in Zimbabwe and cougars in Colorado, and then make laws and policies accordingly, with an eye to preserving these things in perpetuity, limiting our economic options accordingly. Or we can accept that elephants and cougars might or might not be preserved on the landscape; perhaps throw in some incentives to preserve them, but not worry about it over the long haul. Big difference between these two approaches!

David is right to call sentimental preservationists on the need to grapple with economics, and make some concessions to economics and to human interests. But I think the converse also holds: hard-headed economists need to make some concessions to the needs of wildlife and consider limits to how hard we are going to press economic activities in particular instances, if we hope to preserve wildlife.

Now, in the larger context of landscape ecology, the human economic enterprise continues to grow. We take ever more resources, leaving less and less for other species; we are changing world systems in countless ways, thus even impacting relatively wild areas. I want to know: can we stake out some limits to this?

Similarly, I want to know from David: should we, as a matter of justice, state that passing beyond certain limits is unjust toward other species? Some of David’s more theoretical work seems clearly to leave this open, as a possibility. But I don’t think he anywhere takes the plunge and argues for it as a necessary part of justice.

After all, we are saying that with all their wonderfulness, it is OK, presumably compatible with justice, to shoot whole elephant families, in order to make it possible for them to coexist with people and with ecological health in southern Africa. This is presented as a sad fact about our situation. But of course, such situations have histories, and people can pursue policies that reduce or increase the natural conflicts we have with wildlife.

No one wants to argue that we should shoot people, in order to make us compatible with the rest of nature. But in lieu of this, shouldn't we be talking about limiting human numbers, in humane ways? And talking also about limiting human wealth generation, which also drives other species off the land?

David's Africa pieces come back several times to the fact that poverty is the enemy of the environment, in wildlife conservation in Africa. But increased wealth also may be the enemy of the environment—certainly here in North America, probably also in much of the rest of the world, in many ways.

Again: what can economics tell us here? Can it help us deal with limits—or is it completely tied in to the endless growth economy?[1]

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"Environmentalists need to avoid thinking of economics as the enemy, because that antipathy interferes with understanding how to resolve conflicting priorities in environmentally benign ways" ("Natural Enemies," p. 237). Another place where David makes this point is in "A Place for Cost-Benefit Analysis," where he makes the case for the limited but real value of cost-benefit analysis (hereafter CBA) in environmental decision-making.

Wikipedia (the source for 85% of what I know about the world these days) defines CBA thus:

> **Cost-benefit analysis** is a term that refers both to a formal discipline used to help appraise, or assess [and] an informal approach to making decisions of any kind.
>
> Under both definitions the process involves, whether explicitly or implicitly, weighing the total expected costs against the total expected benefits of one or more actions in order to choose the best or most profitable option.
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> A hallmark of CBA is that all benefits and all costs are expressed in money terms, and are adjusted for the time value of money, so that all flows of benefits and flows of project

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[1] Compare: elephants as a resource, with human beings as resources. We have "human resource" departments in large organizations. There is something somewhat creepy about the locution and about some of the practices these departments engage in. On the other hand, having my employer think of me as a "resource" can be a good thing. If I am a valued resource, they might provide me with expensive training, which makes me a better worker (and I might take my new skills with me after I move on from the company). They might take my happiness into consideration as they design my work schedule or environment, if only to keep productivity high.

We are pretty comfortable with the idea of using people as resources, as long as it is kept within the bounds of morality. I can treat my waitress as a means to my end of enjoying a meal, as long as I don't treat her just as a means to that end. People playing productive economic roles (waitress, professor) can be a win / win game—provided we respect one another and play the game accordingly—which must include not playing it to maximize our own self-interest.

Is something similarly possible with elephants, deer, or the Cache la Poudre River that flows through my town?

costs over time (which tend to occur at different points in time) are expressed on a common basis in terms of their "present value."

David makes the point that CBA was first pushed as an important tool for policy decision-making by environmental reformers, in the late 60s and early 70s. These folks believed that forcing development proposals to run a CBA gauntlet would help them kill some of the worst ones. It was only after CBA was embraced by Reagan-era anti-environmentalists, as a tool to critique proposed environmental regulations, that environmentalists turned against it. Today, as David correctly notes, many environmentalists see CBA as a tool of the enemy.

David thinks this is a mistake, seeing CBA—when done properly, as a kind of "full cost accounting"—as a powerful tool for forcing development proponents to take account of "externalities" that they would rather avoid considering. This will help kill bad projects, and also help us more fully reckon the pros and cons of projects, a good thing in itself.

David states: "Many critics of CBA seem driven by a gut feeling that CBA is heartless . . . The fact is, weighing a proposal's cost and benefits does not make you a bad person. What makes you a bad person is ignoring costs—the costs you impose on others" (p.479). CBA (again, done right) can be a tool for acknowledging and considering such costs, rather than avoiding them.

Environmental problems in general involve actors internalizing benefits of projects while externalizing costs. "The problem in general terms is a problem of external costs. External costs are costs that decision makers ignore, leaving them to be paid by someone else" (ibid.). By doing CBA we can force people to take these costs into account, either derailing projects that don't pass the test, or making project proponents mitigate harms that they cause to people who are harmed by their projects.

Again, I think David is right here. I have seen CBA work in the way he describes, to help make the hidden environmental and economic costs of proposed projects explicit; strengthening the case for not going forward with them. Consulting with some friends who I consider among the most shrewd and hard-working enviros in northern Colorado, they were also generally very supportive of the value of CBA, to allow us to get these issues out there for public debate.

David also strengthens his case for CBA by hedging it with important qualifications. Among the more important:

* CBA should be used a tool to weed out bad projects, but not as a green light for good ones. Rather, if a project passes a CBA analysis, we should say "further discussion of it is warranted." Other issues might still derail it.

* CBA may be undertaken without translating all values into monetary values. Instead, we might better use it to get at a variety of values at stake, and use CBA to consider the pros and cons of a project, with various kinds of values listed on both sides of the ledger.

These caveats will make CBA more appealing to environmentalists. However, in the real world of CBA these may not hold; or they may hold formally, but not in actuality. (For example, we may have a choice between trying to put a dollar value on the "recreational value" of an undammed river, as part of a CBA, or seeing that value ignored by decision-makers.)

So, CBA, a form of economic analysis, may well help us (1) kill environmentally-bad projects and (2) make a more informed, "all things considered" decision on projects that we are unsure of. Of course, it will not provide a knock-down argument against all the projects that environmentalists would like to see derailed. But no other form of analysis will either, nor perhaps should.

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Further questions remain, about how best to go about CBA and how best to mesh it with other forms of analysis, to get the right answers to our environmental decisions.

David states that CBA should be used as a tool to weed out inefficient or bad proposals, not to greenlight good ones (this may or may not be possible). But that assumes there will still be more to say about these proposals. What is this "more," exactly, and would enviros be satisfied with it?

David gives as an example where we should set aside CBA a case where we are deciding whether to harvest a single person's organs, in order to help five other people. Here, we should not do CBA, or maximize overall human happiness. Instead, we should stand up for the individual's rights, as a matter of respect for human personhood. This seems straightforward enough: CBA is an "all things considered" kind of approach, but sometimes we just want to focus on rights and respect for persons. I wonder whether a similar argument might not hold in environmental cases.

For example, let's say we're considering whether to build a dam and drown a river. Are there "threshold" arguments against a dam on a river, along the lines of: "This project will 'kill' the river (destroy its integrity). Therefore, we shouldn't build it, regardless of the economics." Similar cases might involve projects that will (certainly or probably) extinguish a natural species.

David might say: "my approach allows you to make that argument, but you still have to make it! You need to go before your fellow citizens and argue that keeping that river 'alive' or flourishing is worth the benefits foregone." And maybe that is the best environmentalists can hope for.

CBA might still arguably help us clarify our decision—perhaps especially if we keep separate the economic from the noneconomic values. We might then be able to say to our fellow citizens: "from an economic point of view, this dam would be worth building, because the cheapest alternative way to get the water we need would cost $20 million more. But it would kill our river—so we shouldn't do it!"

Here are some sorts of "threshold arguments" that a limited use of CBA might still allow:

* This species / river / place, has great intrinsic value. So we should not destroy or displace it . . . (period) (if at all possible) (if other economic options exist) (if we can do so without doubling the cost we pay to get water) (if . . . ?)

* This species / river / place, has a right to continue to exist. So we should not destroy or displace it . . . (period) (if at all possible) (if other economic options exist) (if we can do so without doubling the cost we pay to get water) (if . . . ?)

* Life would be significantly less enjoyable / satisfying / worthwhile without accessible opportunities to experience wild nature. So we should not destroy or displace this species / river / place . . . (period) (if at all possible) (if other economic options exist) (if we can do so without doubling the cost we pay to get water) (if . . . ?)

I ask David: how do we mesh these kinds of arguments with the economic arguments clarified by CBA? How, in a world where people seem to appreciate economic factors more than other factors, do we ensure that noneconomic factors are properly taken into account? Or if ensuring this is too much to hope for: what overall approach is likely to maximize our chances of putting economics in its proper place?

One final concern I have with CBA (the reasonable CBA David defends). It seems well suited to helping us decide between various courses of action before us: clarifying the tradeoffs and making explicit the values at stake. But it seems poorly designed to help us see limits to how much we should be asking of the world. In other words: full-cost accounting CBA seems helpful in avoiding "market failures" and the environmental costs associated with them. But it isn't clearly helpful in alerting us to the environmental failures caused by "market successes": by the economy giving us what we want.

For example, in his paper, David notes how a change to full-cost accounting by Ontario Hydro (a large energy supplier in Canada) arguably improved its decision-making, in the early 1990s. But I note that a successor to the company (it was broken up into five or six smaller companies in 1999) is pursuing immense schemes to dam major rivers in northern Manitoba and Ontario, to provide more power to southern Canada and the U.S. This company uses CBA-inflected language to justify these schemes, comparing their dam projects to conventional coal or nuclear power plants and finding them superior on both economic and environmental grounds.

However, nowhere does the company consider the possibility that endlessly more people using endlessly more energy might not be a good thing. Could CBA, properly done, get at this question? Does CBA help us (or does it even allow us) to talk about economic limits: limits to how much room we want to allow economic activity or economic goals to take up in our lives, in our minds, on the landscape?

Again I come back to this. Economics should help us think more clearly and rigorously about our environmental decisions. And even though I'm an environmentalist, I think it can have a value in forcing environmentalists to face reality. But if economic approaches don't also help us (force us?) to face the apparent reality of ecological limits, then their value is limited.