



# On Prophecies of Environmental Doom

by Paul R. Portney and Wallace E. Oates

No one can fault *The Economist* for being boring. Its deliberately provocative article, "Environmental Scares: Plenty of Gloom" (December 20, 1997) is but one recent example of its ability to stir up a tempest—in this case among certain members of the environmental community.

The article starts in on Malthus and continues on up to the present day to indict members of the Club of Rome and other contemporary prophets of environmental collapse, proclaiming that "Forecasters of scarcity and doom are not only invariably wrong, they think that being wrong proves them right."

The implication is that we should disregard the "environmental scares" with which we are seemingly continually assaulted. Many environmentalists have taken deep offense and are fighting back; indeed, a symposium is being convened especially to respond to *The Economist's* proclamation. In this article we present a much-abridged version of the contribution that we have been invited to make.

No doubt many criticisms will be raised. It seems to us, however, that more than a germ of truth exists in what *The Economist* has to say. As a matter of fact, the prophets of environmental doom do have a very bad record. Their forecasts have, as *The Economist* says, been "invariably wrong."

The reasons are several. One is a simple misunderstanding of the way a market system works in the face of growing scarcity of exhaustible resources, including fuels and other minerals. Organized markets function to conserve such resources. As their supplies dwindle relative to demand, their prices rise. These price hikes set in motion powerful incentives to economize—to recycle or rehabilitate spent resources, to find substitutes for them, and finally to discover new, less-expensive ways to extract and/or produce them. One basic way in which resources in finite physical supply are "stretched" is through the devel-

opment and use of new technologies. A forthcoming book from RFF edited by David Simpson, for example, looks at technological changes that have resulted in **reduced** real prices over time for oil and gas, coal, copper, and timber.

Not all resources and environmental goods, however, enjoy such market protection. Yet even with regard to these resources, the most dire predictions have failed to materialize, in part because of the evolution of a variety of institutions for their management. Societies through the ages have developed techniques, some quite ingenious and fascinating, to regulate access to such common-property resources as grazing lands, fisheries, and water. Most recently, we find agreements such as the Montreal Protocol reached to limit emissions of various chemicals that deplete stratospheric ozone. Nevertheless, certain common-property problems bedevil contemporary society: free access to the world's fisheries and rain forests, for example, has put these resources under tremendous pressure.

Implicit in this last point is an important message: sometimes part of the sky is falling (or being thinned out by harmful substances). *The Economist* erred, we believe, in not acknowledging that doom-sayers have mobilized political forces for needed environmental protection. The principal reason that concentrations of air pollutants have fallen in virtually every metropolitan area over the last twenty-five years was the enactment of federal air pollution controls in 1970. These controls were prompted in large part by the dire warnings of environmentalists (and some economists) who foresaw the likely effects of unchecked industrial growth. Similar warnings and subsequent measures have reversed the deterioration of many streams, rivers, lakes, and estuaries, and have awakened us to the folly of the careless disposal of hazardous wastes.

The role that Chicken Little plays pre-

sents us with a troubling dilemma, however. On the one hand, unjustified cries of alarm can lead to unneeded, costly measures, as *The Economist* points out. What's more, such cries can lead to public weariness and indifference. If the sky is forever said to be falling, real—not just imagined—problems may go unrecognized. On the other hand, our political system seems to require a crisis mode to set forces in motion. We might do well to think more about how our institutions for policymaking can be made to respond to less startling, but more realistic, claims.

At any rate, it seems clear that plenty of challenging environmental problems need to be addressed. No matter how we read *The Economist*, surely no grounds exist for concluding that we can simply forget about existing environmental threats. The challenge is to focus our attention on real (not imagined) problems, giving them their proper priority, and through careful analysis to find effective ways to resolve them.

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