


Resource Management: *How Property Rights and Markets Replace Conflict with Cooperation*

Full Length Text — Part: 6 Chapter: 13
Micro Only Text — Part: 5 Chapter: 10

To Accompany "Economics: Private and Public Choice 11th ed."
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Private Ownership

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Property Rights: The Key to Environmental Quality

- Private ownership provides:
 - incentives to share and conserve, and,
 - legal rights against others who might harm the resource.
- The current market value of property reflects its expected future costs and benefits; thus, good stewardship has an immediate payoff.

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Owners Can Sell or Trade Valuable Access Rights


- An owner can exclude others, but only by refusing all offers to buy access.
- The owner gains by sharing, when others pay to use the resource.
- When a resource is valuable, its owner gains financially by protecting it.

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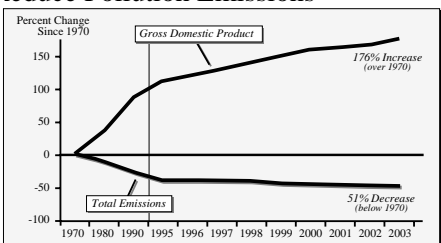


Economic Growth and Environmental Quality

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Markets and Economic Prosperity Reduce Pollution Emissions




Year	Gross Domestic Product (%)	Total Emissions (%)
1970	0	0
1980	~50	~ -20
1990	~100	~ -40
1995	~110	~ -45
2000	~140	~ -50
2003	176	51

Source: Environmental Protection Agency, *Clean Air Status Report: Three Decades of Progress* (Washington, D.C., 9/22/2004). This report can also be found at <http://www.epa.gov/admin/wh/health/acidrain02.pdf>.


- As is shown here, economic progress and a clean environment are not mutually exclusive.
- Pollution in the United States in the last quarter-century fell, even though GDP grew dramatically.

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Common Law and Private Property Rights


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A Long-History of Common Law Helps Owners Protect Property


- With common law, legal precedents give private property owners strong rights against polluters.
- Cases setting the precedents date back to the 1800s and earlier.
- In 1952, English fishing rights owners sued, forcing polluters to stop.
- Legislation controlling the pollution came many years later.
- Common law is important in the U.S. and other English-speaking nations.

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Actions Now Affect Future Benefits

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Actions Now Affect Future Benefits – and Today's Resource Price

- Any action, whether negative or positive, that affects future resource usefulness, will be reflected in today's resource price.
- A deterioration in the quality of a resource such as would result from land erosion will reduce future productivity. This will lead to an immediate reduction in the market price of the resource.
- Investments, such as installing irrigation systems, will increase future productivity. This will lead to an immediate increase in the market price of the resource.

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Markets, Economizing, and Resource Conservation

- Resource-saving technology investments pay, for property owners.
- Property values today reflect future gains from any investments.

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Property Rights, Environmental Quality, and Life Expectancy

- Property rights promote prosperity.
- Higher incomes allow for greater personal and public health expenditures.
- Sewage treatment and clean drinking water promote greater public health.
- One result of property rights:
People live longer and healthier lives.

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Resource Markets Smooth Economic Change

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Resource Markets Smooth Economic Changes

- Changing tastes or prices make new, innovative resource uses profitable.
- Entrepreneurs who see potential profits in change, makes change happen.
- Owners decide when resources will be reallocated to new uses.
- If resource prices differ across markets, resource uses will differ.
- Resource purchases compensate former owners, often eliminating their opposition to change.
- Economies without resource markets find innovation and change difficult.

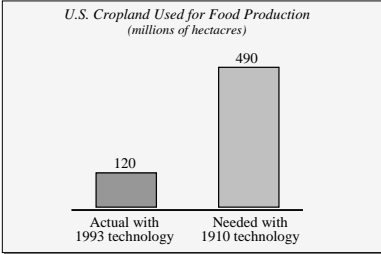
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Technology Has Lowered the Need for Cropland in the United States

U.S. Cropland Used for Food Production (millions of hectares)




Technology	Millions of Hectares
Actual with 1993 technology	120
Needed with 1910 technology	490

- Private property rights motivated U.S. farmers to adopt many technological advances in the 20th century.
- As a result, far less land is needed for agriculture, leaving more for wildlife habitat, recreation, and other uses.

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Strong Property Rights are Productive, But Costly

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Strong Property Rights are Productive, But Costly

- Protection by owners requires vigilance and sometimes court costs.
- Protection from many polluters at once, for example, is sometimes not practical.
- Government regulation, instead of property rights, can be used to protect people and resources.
- Regulation, too, is imperfect but in some cases may improve resource protection.

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Questions for Thought:

1. Can you think of a reason why the profit-maximizing owner of a cattle ranch might be willing to give up some cattle grazing, in order to help the local elk population?
2. If new technology allows the production of enough food to feed the world's people on fewer acres of land, is there any benefit for wildlife? Explain.
3. “The planet cannot support more rich nations than already exist. The environment suffers when people increase their ability to consume goods and services.” – Evaluate this statement.

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Questions for Thought:

4. "The Audubon Society is not being true to its mission when it fights politically against oil development in Alaska, but allows oil development on its own preserves."
-- Is this statement true or false? Explain.
5. "When government owns a forest, changing policies to allow more recreation and less timber harvest is easier than if a private timber company owned the forest."
-- Is this statement true or false? Explain.

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**End
Special Topic 13**

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