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# Neoliberal Think Tanks and Free Market Environmentalism

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# NEOLIBERAL THINK TANKS AND FREEMARKET ENVIRONMENTALISM

Sharon Beder<sup>1</sup>

Corporate-funded think tanks have played a central role in promoting free market environmentalism onto the policy agenda throughout the English speaking world. These think tanks have consistently opposed government regulation and advocated the virtues of a 'free' market unconstrained by a burden of red tape. The role of think tanks in the establishment of this 'neoliberal' agenda in the US and the UK in recent decades has been well documented.<sup>2</sup> However their central role in a range of specific policy areas, such as environmental policy, has been neglected.

Conservative think tanks are generally set up as private, tax-exempt, research and advocacy institutes, and are largely funded by foundations and corporations. They have sought to insert neoliberal ideology into environmental policy. They advocate the use of the market to allocate scarce environmental resources such as wilderness and clean air and promote the replacement of legislation with voluntary industry agreements, reinforced or newly created property rights and economic instruments.

Presidents from Carter through to Clinton have made wide use of think tank personnel to fill high level government positions [Abelson:1995 108-09; Smith:1991 206-07]. Think tanks also employ ex-government officials giving them access to politicians and others in government. The interchange of personnel between think tanks and government officials observed in the US is now a feature of the Australian scene.

In Britain a few conservative think tanks have been extremely influential. These think tanks, particularly the Institute of Economic Affairs (IEA) and the Centre for Policy Studies (CPS), played a major role in setting the policy agenda of the Thatcher government, providing it with most of its policy initiatives, including trade union 'reforms,' privatisation of public authorities such as water and electricity, and welfare cuts.<sup>3</sup> The influence of think tanks continues with the Blair government.

To be effective, think tanks insert themselves into the networks of people who are influential in particular areas of policy. They organise conferences, seminars and workshops, publish books, briefing papers, journals and media releases for policy-makers, journalists and people able to sway the policy makers. They liaise with bureaucrats, consultants, interest groups, lobbyists and others. They seek to provide advice directly to government officials and to government agencies and committees, through consultancies or through testimony at hearings. Ultimately think tank employees become policy-makers themselves, having established their credentials as a vital part of the relevant policy/issue network.

In their efforts to influence and become part of the policy-making process think tanks have more in common with interest groups or pressure groups than academic institutions. Nevertheless employees of think tanks are treated by the media as independent experts and, as such, are often preferred to representatives from universities or interest groups as a source of expert opinion.

### **Some Key Think Tanks**

Think tanks put a great deal of effort and expense into ensuring the work of their 'scholars' is marketed and disseminated effectively. The Heritage Foundation in the US has often been credited with changing the face of think tanks with its aggressive marketing tactics. The greater proportion of its budget goes on marketing and fund raising, including 35-40 per cent of its budget on public relations. Many other think tanks have emulated Heritages' marketing techniques.<sup>4</sup>

The Heritage Foundation has a budget of over \$25 million per year of which almost 90% comes from more than 6000 private donors. These donors include corporations such as automobile manufacturers, coal, oil, chemical, tobacco companies, foundations (about 25% of the foundation's total income).<sup>5</sup>

Heritage promotes deregulation of industry, an unrestrained free market and privatisation, including the sell off of public lands. In line with this ideology it advocates free market solutions to environmental problems or free market environmentalism [Anon:1992 49-53; Shanahan:1993]. It seeks to cast doubt on environmental problems such as global warming and to lobby against legislation or international agreements to prevent such problems.

The Institute of Economic Affairs, (IEA) in the UK which has promoted laissez-faire libertarianism or 'economic liberalism' for decades. It formed an Environmental Unit and launched *Global Warming: Apocalypse or Hot Air* in 1994. It promoted property rights as a way of protecting the environment and sought to apply free market solutions to all aspects of society including environmental problems and to reduce the role of government and regulation [Desai:1994 29]. For example, one of its publications stated: "There is a strong case for letting market forces work in energy... A policy for energy is not only unnecessary but undesirable. It hampers market adjustment and induces producers to spend time influencing government rather than improving efficiency." [Weaver:1989 573]

In Australia a prominent conservative/neoliberal think tank, and the oldest, is the Institute of Public Affairs (IPA). Almost one third of IPA's \$1.5 million annual budget comes from mining and manufacturing companies. The IPA produces articles challenging the greenhouse consensus, attacking mandatory recycling, and promoting the use of pesticides. [Burton:1995 279], [IPA Report:1991 1-3].

Additionally a number of smaller specialist think tanks have been set up, particularly in the US, to promote free market environmentalism, including the

Competitive Enterprise Institute, (CEI) the Political Economy Research Centre and the Science and Environmental Policy Project (SEPP).

These particular examples are merely illustrative of the much larger push that has been evident in the last decades. What they have in common is the desire to downplay the urgency of environmental problems, to reduce environmental regulations, and to apply neoliberal policies to environmental problems, as has occurred in other areas of policy. These ideologically motivated think tanks have sought to discredit environmental legislation, giving it the pejorative label 'command and control', highlighting its deficiencies and ineffectiveness (ineffectiveness that corporations and corporate-funded think tanks have done their best to ensure). In their place they have advocated market-based mechanisms including price-based and rights-based measures.

### **Free Market Environmentalism**

Think tanks have popularised and promoted the work of environmental economists who promote economic instruments and many of the leading scholars in this area are associated with think tanks. Such scholars include one of the foremost proponents of tradeable pollution rights, Robert Hahn, a resident scholar of the American Enterprise Institute, Terry Anderson, who has written for several think tanks in Australia and the US, Robert Stavins and Bradley Whitehead, authors of a Progressive Policy Institute study as well as Alan Moran, from the Tasman Institute.<sup>6</sup>

Think tanks produce numerous books and papers promoting free-market environmentalism. Their books have included *Free Market Environmentalism* published by the Pacific Research Institute for Public Policy in 1991; *Reconciling Economics and the Environment* published by the Australian Institute for Public Policy in 1991; and *Markets, Resources and the Environment* published by the Tasman Institute in 1991.

The market solutions being advocated by neoliberal think tanks provide corporations and private firms with an alternative to restrictive legislation and the rhetoric to make the argument against that legislation in terms that are not obviously self-interested. While legislation is aimed at directly changing the behaviour of polluters by outlawing or limiting certain practices, market-based policies let the polluters decide whether to pollute or not.

Some neoliberal think tank economists also argue that there is little incentive to protect environmental resources that are not privately owned. The solution put forward is to create property rights over parts of the environment that are currently free. Rights-based economic instruments such as tradeable pollution rights, for example, "create rights to use environmental resources, or to pollute the environment, up to a pre-determined limit" and allow these rights to be traded. [Cth Govt. of Australia:1990 14] Rights-based measures are also a way of providing a pricing mechanism for allocation of scarce environmental resources.

The influence of neoliberal think tanks on environmental policy has been pervasive. Yet their efforts to replace legislative solutions with free market programs have been accepted largely without scrutiny of the ideological agenda behind them. Many environmentalists have been persuaded by the rhetoric of free market environmentalism. For example the US Environmental Defense Fund has been at the forefront of the push for tradeable pollution rights and the Natural Resources Defense Council has also supported them.

The ideological and political shaping of these instruments has been hidden behind a mask of neutrality. Stavins and Whitehead exemplify this in arguing that “Market-based environmental policies that focus on the means of achieving policy goals are largely neutral with respect to the selected goals and provide cost-effective methods for reaching those goals.” [Stavins & Whitehead:1992 8] Far from being a neutral tool, the promotion of market-based instruments is viewed by many of its advocates as a way of resurrecting the role of the market. They serve a political purpose in that they reinforce the role of the ‘free market’ at a time when environmentalism most threatens it.

By accepting market instruments as a solution to environmental problems, environmentalists have accepted the conservative definition of the problem—that environmental degradation is caused by a failure to ‘value’ the environment and a lack of properly defined property rights and therefore environmental degradation results from a failure of the market to attach a price to environmental goods and services [Beder:1996]. By allowing this redefinition of the environmental problem, environmentalists and others not only forestall criticism of the market system but in fact implicitly agree that an extension of markets is the only way to solve the problem.

The root of the environmental problem, however, is the priority given to economic considerations over environmental considerations. Economic instruments, privatisation and environmental ‘valuation’ ensure that priority is still given to economic goals and they enable firms to make decisions that affect others on the basis of their own economic interests. Even if those economic interests have been slightly modified to give a small economic value to environmental impacts, the basic paradigm remains unchanged: whenever big profits can be made the environment will be destroyed.

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#### NOTES

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<sup>2</sup> For example, [Cockett:1994], [Desai:1994], [James:1992], [Ricci:1993], [Smith:1991], [Weaver:1989].

<sup>3</sup> See [James:1993 322,497,501],[Desai:1994 32,34], [Anon:1989 53]

<sup>4</sup> See [Smith:1991 286], [Ricci:1993 2,161], [Swomley:1996 pp.34-5]

<sup>5</sup> See [Gellner:1995 503], [Georges:1995], [Deal:1993 59], [Smith:1991 49], [Swomley:1996 49]

<sup>6</sup> See [Ruben:1995 21-6], [Rosner: 1992 2A], [Eckersley: 1995 xi-xii]

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