

Rural Times

Property Rights and the Environment

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My wife and I have a home unit that opens onto a courtyard that in turn opens onto a road. Along the road it is usual to find dog dung, whereas in the courtyard dog dung is unseen. The cleaner environment is privately owned.

In the Northern Territory I came across two other examples of failed property rights. There I listened to a tour guide explain how the burning practiced by the Aborigines had eliminated the forests and how buffalo had, more recently, caused erosion and fouled the water-ways. Why was this allowed to happen? For that matter, why is the Sahel of Central Africa characterised by overgrazed vegetation and starvation of both man and beast? Could it be the absence of settled property rights?

Fred L Smith, an environmentalist from Washington, DC, tells an instructive little story of elephants and men. Elephants are big, beautiful and the African variety is endangered because ivory is precious. The price of ivory encourages poaching by people who, never far from starvation, can't resist acquiring a few square meals by this means. East African governments are not strong enough to prevent people shooting elephants.

The Convention on International Trade in Endangered Species decided that the world had to find ways of separating the ecology from the economy. Even if it increased the already pathetic poverty of some East Africans the ivory trade had to be stopped. As a publicity stunt we were shown piles of ivory being burned. Undoubtedly burning ivory reduces its supply. According to all conventional economics that fact should increase the price, the rewards for poaching, the amount of poaching and even improve the balance of payments of some East African states.

The elephant species' problem, however, is not the high price of ivory but the fact that the money is not going to people who have an interest in looking after elephants. Ten years ago Kenya had some 65,000 elephants; they now have 18,000. On the other hand, ten years ago Zimbabwe had about 30,000 elephants; now they have 49,000. The relevant difference between the two nations is that Zimbabwe recognises

a property right in elephants, Kenya does not. Indeed Kenya, in theory, bans the killing of them.

These are simple cases of which there are many. Let us take a more difficult example of ill-defined private property failing the environment. I own a farm on a hill. It is probable that some of the rain that falls on it turns up on other properties adding to their salt problems.

It is not certain whether I have the right by, say, reducing perennial vegetation to allow the water that falls on my land to later turn up on my neighbours' farms. So far as I am aware, the point has never been tested in the courts. I suspect, however, that so long as I employ only commonly-used farming practices I do have the right to cause my land to absorb water, irrespective of what it does when underground.

If that is the case, there need be no economic loss on that account. All that need happen is that the people who receive the water negotiate a fee that induces me to adopt whatever farming practice maximise our combined benefits.

Or if, alternatively, my neighbours have a property right not to receive the water that falls first on my land, that also need not, of itself, involve economic costs. All they need do is threaten to sue me for the damage my farming practices have done them and then I would offer them whatever fee/changes to my farming methods that would allow us to maximise our aggregate benefits. The practices adopted would be the same whoever owned the relevant property right.

The reason all this does not happen is first and ultimately that we don't know what happens to the water after it disappears underground and the costs of finding out are prohibitive. It is also not clear who has the relevant property right but I suspect that difficulty would be quickly overcome if the first could be.

This is a particularly difficult but by no means unique case. Obviously surface water is not as difficult for a system of exchangeable property rights to deal with satisfactorily. Timbers in private hands are either harvested on a sustainable basis, or used but not wasted in the process of converting the land to another use such as agriculture. It is very difficult to establish property in individual fish but quite easy to maintain a system of tradeable privately-owned fishing rights that are set in aggregate so as to preserve the stock.

The exchange of rights always improves the trade off between environmental goods such as clean air and scenic trees and non environmental goods such as food, cars and medicines. This is because social arrangements that preserve property rights allow individual producers to choose their own technologies while rewarding them for finding cheaper ways of preserving the environment. Private property should be the environment's first line of defence.

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