

Free Market Environmentalism in France: A Difficult Challenge

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Based on my family background and genuine French education, I should still worship central government and "public service" like the great majority of the French. I should still be a high ranking civil servant of the national government—where mavericks are not welcome.

After training in law and economics at the University of Montpellier, I joined the Institut d'Etudes Politiques (alias Sciences Po) in Paris. There, the ultimate and obvious goal was to become a top civil servant by majoring in the Public Service Department. Most professors were high-ranked officials and some of them judges in the Supreme Administrative Court (Conseil d'Etat).

The teaching was outstanding and students' entrance limited. The view that only government could set the goals for and organize the means to lead the French people towards happiness was a quasi-sacred cow. The idea that goods and services such as education, electricity, telephone, insurance, banking, and even housing and car manufacturing could have been better produced by private business was hardly discussed. It was a matter of faith. However, if Bastiat was not mentioned, Tocqueville was revered and Raymond Aron discussed.

Just after graduating in June 1959, I attended a one month session at the Salzburg Seminar in American Studies in Austria. Here I discovered an intellectual world beyond the French one. The Salzburg Seminar was (and still is) a wonderful institution in its physical setting (in an 18th century Schloss) and its intellectual content. I discovered theories of self-government, federal constitutionalism, competing democratic systems, citizen participation, private funding of education, and the like.

I was awarded a one year scholarship by Queen's University in Ontario (Canada) in September 1959, which was to be a real cultural shock. Studying business administration introduced me to authors such as William Whyte and Peter Drucker. I happened also to read George Orwell. Quite a change from Paris!

Coming back to France was both a great pleasure and a disappointment. Everything looked petty and mean. To make things worse, I had to enter the army for two years. I just hated it and I decided that a fair market transaction was to adjust my effort, contribution and zeal to the amount of my pay (some 50 cents a day plus some lousy army cigarettes).

In September 1962, I was appointed as an assistant professor at the Université de Montréal to teach public administration. It was the time of the so-called Quebec "Révolution Tranquille" (Quiet Revolution) and French Canadians thought for a while that the French administrative setting could help them to new and positive institutions. This belief seemed to me naïve and misleading. After two years, I was persuaded that teaching the beauty of public bureaucracy was not my cup of tea.

Back in France, I joined a consulting firm in Marseilles where I did some research for the Commissariat au Plan, a kind of central economic planning agency which was supposed to control and promote economic growth and set up regional planning.

In March 1968, I joined the "Société du Canal de Provence et d'Aménagement de la Région Provençale," a government-owned company in charge of setting up a large water irrigation scheme in the Provence area. Here I experienced the ambiguity of public intervention and, based on what I later

discovered to be, public choice theory.

I was in charge of surveying farm operations surrounding the booming city of Aix-en-Provence. The idea was to adjust water supply infrastructure for future farming production. One wonderful spring morning, we were in the process of filling out the questionnaire with a farmer who happened to be a city counsellor of the village. He bluntly explained that as soon as the water pipes were in operation, the minimum size zoning lot would be revised from two acres to half an acre.

I discovered that public funding (mainly from the French Ministry of Agriculture and European Commission) helped to transform the best agricultural land into urban land. I reported the fact to the executive staff of the company and proposed to submit a water delivery contract with an easement prohibiting development or, in case of development, compensating the cost of the public investment in agricultural water supply.

Of course this was fair and accepted by the farming community...but the board of the company was controlled by powerful local politicians who had long understood that giving away water for free got them votes and that zoning was a monopoly game. This was the pure perverse side effect of a public policy, i.e. using public money earmarked for agricultural enhancement to destroy the best and limited agricultural land. The company executives paid lip service to my easement scheme and of course nothing was changed. Creeping electoral corruption continued and still does, more than thirty years later! The Ministry of Environment and the Ministry of Agriculture jointly agreed that the problem did not exist since local land use plans were supposed to cope with it.

In 1969, on behalf of Ann Louise Strong from the University of Pennsylvania, the Ford Foundation's Bill Pendleton generously offered me a fellowship to spend one year at Penn at the Institute of Environmental Studies. So, in September 1970, I set off to Philadelphia with my wife, Ursula, and our three children. It was a wonderful intellectual setting. Ian MacHarg's teaching and studio were a brand new way to look at the man-nature relationship. His famous *Design With Nature* was just published. Ann Louise Strong demonstrated that compensable regulation was one of the best ways to solve the taking issue. Of course, the role of government, especially the federal government, was to be strengthened and extended and free market environmentalism (FME) was not even mentioned, though it was here that I heard of Hardin's *Tragedy of the Commons* for the first time. I still remember the first anniversary of "Earth Day 1970" where students wore the "Stop at Two" badges. Since we already had three children, I asked viciously if and how I should get rid of the third baby! At the time nobody was familiar with Julian Simon's ideas. Ironically, she is now a landscape architect and FME-oriented!

I returned to France with mixed feelings but persuaded that environmental planning could supersede and improve pure technocratic and political planning and that environmental zoning without some kind of fair compensation system was unstable, inequitable and inefficient. I felt that environmental planning needed a complete reshuffling but still using traditional tools of government intervention.

The concept of FME came as a revelation to me when meeting RJ Smith at a Lincoln Institute of Land Policy conference at Harvard in July 1983. RJ, in a plenary session, briefly explained that land could be best managed by property rights and market instruments. Ann Louise Strong, as chair of the panel, dryly answered that this was outdated and inappropriate thinking. I felt sorry for RJ and invited him to discuss the issue at a nearby pub. It was a fascinating evening.

RJ's deductions rang true to what I had experienced first-hand working in the environmental field in the real world. It was clear that "command and control" and central government regulation could not cope with the present and future environmental challenges. Conversely, property rights and market instruments were necessary in order to combine economic welfare, environmental quality, and of course, liberty.

Later, RJ sent me his recently published article "Privatizing the Environment" (Policy Review, 1982). I was then introduced progressively to the FME literature and scholars. For the first time, I had a selection of the current American FME literature and decided to spread the message in France.

Quite a challenge!

However, the French political setting was changing. The socialists and the communists, in charge of the government since 1981, were to be severely defeated in the 1986 general election. Classical liberal ideas gained momentum with notably the young congressman Alain Madelin. Free market economists organized a Mediterranean Cruise in November 1985 where academics, politicians, officials, and businessmen discussed the new course of action for the incoming government.

I had written an essay, 'Libéralisme et Environnement,' which was published in 1986 in *Futuribles*, a journal founded by Bertrand de Jouvenel in the fifties. The idea that property rights and market instruments were often better tools than government was like a dirty word. In order to make sure that these new concepts were no more than pure non-conformist thinking, Hugues de Jouvenel, editor, asked three other socialist-oriented specialists to comment and critique my essay. As a matter of fact this article was the first paper published in French in a major journal that discussed FME.

Writing articles was a necessary but small step. Guy Millère and I edited and published a book entitled "Ecologie et liberté, une autre approche de l'environnement" in 1992 in order to give, in French, the basic material on FME.

At this point, I think it is appropriate to explain FME (also called New Resource Economics) since it is quite strange to most people who think that ecology and economics are at odds.

Conventional environmental policy making presupposes that only government action can improve environmental quality; accordingly problems arise from "market failures" that produce "externalities" that require correcting by government regulations. Though economic central planning may be intellectually and historically discredited in most developed countries (but hardly in France!), the "disastrous road to serfdom can be paved by green bricks" (Fred Smith). In his seminal article "The Tragedy of the Commons" (1968), Garrett Hardin demonstrated that any resource in open access (such as the medieval commons) is to be destroyed and that the solutions were strict government regulation or private property rights. Property rights are not only a prerequisite for individual liberty and prosperity but also the key requirement for conservation even when dealing with public goods such as oceans and air. In addition, full private property rights are a necessary condition for market exchange provided they are clearly defined, defendable, and divestible. This is costly and needs a specific and elaborated institutional setting.

Of course, private property rights do not always work for areas of high social and environmental value and government has to act whether by acquisition or regulation. But fair compensation is to be paid to landowners especially to avoid regulatory taking. In addition, private initiative is more efficient than bureaucracy by setting up land trust and buying land under easement instead of full fee.

Progressively, FME economists and lawyers discovered that most environmental resources could be privately owned and protected if incentives were appropriate. New specific tools such as transferable quotas could cope with public good such as fish and air pollution. This theoretical approach was confirmed by the collapse of the Soviet Empire when it was discovered that environmental decay was the by product of the destruction of private property rights, absence of a free-market, and bureaucratic planning. Even President Clinton has acknowledged the importance of developing a "market-based environmental-protection strategy" noting that "Adam Smith's invisible hand can have a green thumb." World conservation is linked to the implementation of property rights which is the condition of economic growth (Hernando De Soto) as the Environmental Kuznets Curve demonstrates the link of

affluence with environmental quality.

In 1992, Alain Madelin, the only true classical liberal politician in France, and his assistant Henri Lepage, asked me to help them set up the International Center for Research on Environmental Issues (ICREI) which was to be an FME think tank. For four years our main activity was to organize a two-hour colloquium every two months in the Assemblée Nationale premises with top environmentalists both French and foreign. However, in 1996, ICREI was no longer able to find adequate funding since, as usual, the Conservatives were no longer interested in promoting ideas. The succeeding conservative Ministers of the Environment were more interested in me-toism and in socialist and progressive thinking than in introducing reforms.

Even conservative politicians are reluctant to embrace FME and I must recall a sad experience. In 1993, the Minister of the Environment wanted to understand why the Poitou-Charentes Regional Park (in the western part of France) did poorly in protecting its large and sensitive wetlands. As usual, a group of experts were appointed and I happened to be one of them. After a few months, I concluded that the best strategy was to stop funding farmers' efforts to transform wetlands into corn fields. As a matter of fact, European, National and Regional funds financed drainage, irrigation, and crop prices. No wonder farmers rationally choose to drain wetlands and overuse aquifers to the detriment of wildlife and the water supply of cities. I was immediately fired by the President of the Regional Government, Jean-Pierre Raffarin. I had jeopardized his powerful farmer's constituency. The irony was that Raffarin was a leading congressman of the Conservative Party and of the classical liberal stripe! He was appointed Prime Minister in 2002-2005 under Président Jacques Chirac who stated in 2005 that "Classical liberalism is worse than communism!" Once again I witnessed that Government was funding environmental destruction according to public choice theory. Market failure or Government failure?

In 1996, in conjunction with Jean Pierre Centi, professor of economics at the University of Aix-en-Provence and a member of the so-called "Nouveaux Economistes" group, we decided to set up a 3-day international conference on "Property Rights and Environment." Michel Massenet, a highly respected top official (Conseiller d'Etat) chaired the meeting. Funding was difficult, but with the help of land-owners organizations (both at the French and European level) and, paradoxically, some government money, we succeeded beyond expectation, to the point that we decided to set up a conference every two years dealing with each environmental resource, e.g., water (1998), marine resources (2000), coastal zones (2002), wastes (2004), land resources (2006), and air pollution and climate change (2008).

Thanks to the work of many people, today FME is debated in France. In the early eighties it was just a kind of pornography. This is no small accomplishment in a country where communist, socialist and Christian intelligentsia alike consider market instruments and property rights as a necessary evil at best and government the finest instrument to insure "liberté, égalité, fraternité."

The fact that independent think tanks are extremely difficult to set up in France is a major obstacle to introducing new ideas. Conservative political parties are generally not interested in ideas, except when they are not in power. Big business, largely controlled by ex-top bureaucrats, takes advantage of state interventions. Bureaucrats are more interested in turning out regulations than using new tools they do not control. Eventually, and this is a trivial conclusion, "Ideas rule the world" (Keynes) but spreading them needs conviction and constant action.

The next step is to address the public at large through media. As John Stossel put it, "Bastiat is just too tough for most people in the world to absorb it and my goal is to try to explain this stuff in simple language" (2001).

This essay is a revised and updated version of Falque's original essay for Walter Block's Autobiography Archive at LewRockwell.com.