

In Review

Challenging the Greens

Reviewed by Richard L. Gordon

THE SKEPTICAL ENVIRONMENTALIST: Measuring the Real State of the World

By Bjørn Lomborg

515 pp., Cambridge, U.K., and New York, N.Y.:
The Cambridge University Press, 2001.

By stressing his conversion from a Greenpeace supporter, Danish statistician Bjørn Lomborg and his new book *The Skeptical Environmentalist* have garnered much media attention. The book is a broad, often breathless, but valuable survey of the state of the environment and human effects on it. The author concludes that, contrary to environmental polemics, global warming and many other environmental “threats” are overblown. Not surprisingly, the Green establishment has vehemently, but irrationally, attacked that conclusion.

Lomborg’s arguments are, of course, familiar to readers of *Regulation* and the many other Cato publications that have challenged environmentalists’ claims. Indeed, the author opens the book by explaining that his change of heart arose from trying and failing to refute the late Julian Simon’s (Cato-sponsored) work. As Lomborg writes,

In the fall of 1997, I held a study group with 10 of my sharpest students, where we tried to examine Simon thoroughly. Honestly, we expected to show that most of Simon’s talk was simple, American right-wing propaganda. And yes, not everything that he said was correct, but — con-

trary to our expectations — it turned out that a surprisingly large amount of his points stood up to scrutiny and conflicted with what we believed ourselves to know. The air in the developed world is becoming less, not more, polluted; people in the developing countries are not starving more, but less, and so on.

Lomborg’s skepticism of the Green movement is, of course, not unique. As neither he nor Simon adequately recognizes, criticism of environmentalism is widespread. Every issue under the environmental umbrella is the subject of much challenge, and numerous other broad surveys exist. In particular, Simon’s vision about natural resources, which Lomborg adopts, is, as Simon failed to note, the standard view of economists specializing in the field.

The chief virtues of Lomborg’s book are that it provides a very good overview of the promotion of alarmism, and an extensive, largely well done survey of all the issues. As already indicated, his treatments accurately convey the objections to almost all the fears that he seeks to defuse.

THE CENTRAL CHAPTERS

The actual text of *The Skeptical Environmentalist* is a mere 338 heavily illustrated pages, of which 73 are introduction, section overviews, or conclusion. That leaves only 265 pages that Lomborg devotes to some 22 topics covered under four general headings — human

(economic) welfare, natural resource availability, pollution, and tomorrow’s problems. The space dedicated to each of those topics is short, with only the sections dedicated to global warming and chemicals exceeding 19 pages; hence, the book’s breathlessness. That format works surprisingly well; the only obvious miss is the three-page treatment of indoor air pollution, in which the author shows far less skepticism of Green claims than the critical literature suggests would be appropriate.

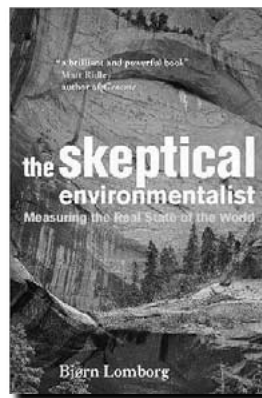
Global warming The global warming chapter has quality to match its length. In it, the author conveys that, even though he accepts that warming is real, it is unclear that its correction is a good investment, and anti-warming efforts like the Kyoto Protocol would impose

large costs for limited benefit. Lomborg recognizes the dubious economics behind implausible claims that global warming would be cured at a profit if all the attractive, neglected options for reducing energy use were implemented. He also indicates that such claims invariably arise from advocacy organizations without experience in

making energy decisions.

He even senses the classic problem with environmental advocacy: Many advocates have a deep-seated distrust of material progress. Greens justify each initiative by its overall contribution to slowing economic growth — a pattern that applies to global warming.

The same high-quality analysis appears throughout the book. While brief, Lomborg’s discussions of natural resource availability capture the issues well. His treatments of other traditional environmental issues are also solid,



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aside from the previously mentioned minimal skepticism of claims about indoor air pollution.

THE LITANY

As is typical of works that are skeptical of environmentalist claims, Lomborg provides an overview of the prevailing pessimism over the environment and the common acceptance of the standard slate of environmentalists' dark claims, which he refers to as "the Litany." Noting the frequent and radical overstatements of such Greens as Worldwatch Institute president Lester Brown, Paul R. Ehrlich, and others, Lomborg writes,

We have been told for a long time the story of the Litany. Lester Brown and an entire army of environmental organizations, pundits, and politicians have warned us of the impending debacle. This message has had an enormous social and political impact. Former vice president Al Gore's *Earth in the Balance* is an excellent example of the mood. The opening paragraph of its conclusion states plainly: "Modern industrial civilization, as presently organized, is colliding violently with our planet's ecological system."

Lomborg's review of the contrast between reality and environmental advocacy is nicely done, even though his argument for why predictions of environmental doom continue to gain media attention — because disaster is news — is a familiar point.

Priorities His final chapter is particularly valuable because he draws on the standard proposition of economic analysis of environmental advocacy (and everything else): Tradeoffs are inevitable. Labeling a problem as "urgent" or a "violent collision" (to borrow from Gore) is a convenient, but always bad, sorting mechanism. Distinguishing a problem as "environmental" does not, as the Litany suggests, automatically require that it be given a high priority.

In the Litany, alarms are rung with disregard of their impact. As Lomborg suggests, environmental policies often

divert funds to actions that remove a small hazard when other needs such as the alleviation of hunger or provision of clean drinking water are neglected. He emphasizes the need to prioritize, and that is precisely the message that an economist like me wants to hear. As he does not add, the root of environmental and most other public policy problems is failure to recognize the economics.

Lomborg senses, but does not emphasize as effectively as Simon, Simon's strong point of recognizing that the establishment and readjustment of priorities naturally take place in a progressive market economy. As even Simon does not quite assert, the essence of the Litany is economic illiteracy. The Ehrlichs of the world persistently err by ignoring economic truths (consciously so in Ehrlich's case). Economies are perpetually introducing innovation and adapting to shocks. The Litany, in contrast, denies flexibility. That produces the persistent error that Simon decried.

OVERALL APPRAISAL

The publicity alone makes the book must reading for those seriously concerned with environmental debates. The casual reader also will benefit. To be sure, the work is too selective to constitute the ideal introduction to further reading, but no alternative is better. Lomborg does provide enough of a sample to lead readers to important supplementary material.

The Skeptical Environmentalist has great virtues for a reader who wants to read one item on the issues. The advantages include breadth, accuracy, newness, lucidity, and dispassion. On the last, Lomborg is restrained in treatment of the alarmists and is content to describe the outrages without displaying Simon-style indignation. (It will be interesting to see how he reacts to enduring calumny similar to that which Simon faced. *Scientific American*, in its January issue, gave 11 pages to tirades against the book by four irate "scientists.")

In reaction to the inadequacies of documentation by environmentalists, Lomborg presents 2,930 endnotes and a 71-page bibliography that contains (by his count) some 1,800 items. As should be expected with so broad a study, the

reading is selective but largely shrewd. He covers alarmist claims, the scientific literature, reports from national, government, and international agencies, and other skeptical writings.

Sources Lomborg's vitriolic critics have opportunistically attacked omissions in his research. However, such omissions are inevitable. Generally, the author manages to find and use overviews that lead him in the right direction. For example, in discussing the benefits of global warming, he draws on the various studies of the International Panel on Climate Control (IPCC) and on the economic impact discussions in a 1999 symposium issue of the *Energy Journal*. Stephen Schneider's *Scientific American* attack on Lomborg's global warming chapter dismisses it for undue dependence on secondary sources, but Schneider fails to mention that the dominant source is IPCC, which Schneider lauds as definitive. (I should note that Schneider attacks Lomborg on his lack of "scientific" expertise, but then makes extended illiterate comments about economics, such as endorsing the unexploited conservation opportunity fantasy.)

In the energy and metals realms (in which I specialize), Lomborg is similarly selective. He relies heavily on Simon and some broad surveys; for example, he limits his examination of M.A. Adelman (the leading proponent of the views Lomborg adopted on oil) to material taken from a short chapter in a Simon-edited survey of the issues. That minimum reliance demonstrates the author's consistency; not only does he omit material from some of the alarmists, but also material that would provide additional support for his arguments.

Mechanically, Lomborg's referencing is unnecessarily complex. His endnotes appear after all the text and provide only summary citations to the references (e.g., "IPCC 1992:78"). The widely used method of including such citations in the text would have eliminated the extra step of visiting the endnotes to identify each source. (That problem is aggravated by typos and peculiarities that hinder identification of the relevant bibliography entry.)

My only substantive objection with Lomborg's bibliography is that it is limited to the sources cited. A further, more critical, contribution would have been for him to include and cite works that provide readers with important additional information. He omits several important earlier presentations of skeptical general views on environmentalism, virtually all of the literature on energy and other mineral resources, and important surveys of specific issues

(indoor air pollution, chemicals, and global warming, for example).

Conclusion Those criticisms aside, Lomborg's book is an excellent contribution to the growing literature that is justifiably skeptical of the claims of the environmental movement. Both newcomers to those discussions and those well versed in the arguments will find *The Skeptical Environmentalist* worthwhile reading. **R**

Regulation at Home and Abroad

Reviewed by David J. Vogel

REGULATORY ENCOUNTERS: Multinational Corporations and American Adversarial Legalism

Edited by Robert A. Kagan and Lee Axelrad
438 pp., Berkeley, Calif.: University of California Press, 2000

What is distinctive about government regulation of business in America? Several comparative studies written during the 1980s demonstrated that, although the American public enjoys roughly comparable levels of consumer and environmental protection as its overseas counterparts, those benefits come at a higher price. The making and enforcement of regulation in America is highly legalistic and adversarial, while government regulation of business in Europe, Japan, and Canada tends to be more flexible and cooperative. Are those 1980s gen-

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eralizations still valid?

Regulatory Encounters, edited by Robert Kagan and Lee Axelrad, represents the most extensive effort in more than a decade to compare the actual impact of national or, in the case of the European Union, regional systems of law and regulation on business. The book examines nine firms and one industry that operate similar facilities in the United States and at least one other major industrial economy. The study consists of a series of extensive interviews that research teams, assembled by Kagan and Axelrad, conducted with corporate executives in each country to learn about their interaction with regulatory officials. Few of the executives had worked in more than one country; hence, the researchers had to place the information they gathered in a comparative context and Kagan and Axelrad then drew generalized conclusions from the research reports.

CASE STUDIES

The volume's 10 cases include material collected from the United States, Canada, Japan, the United Kingdom, the Netherlands, Germany, and the European Union. The majority of the studies examine various environmental policies including industrial waste management and effluent control, air pollution, and chemical notification laws. The four cases that address non-environmental regulations compare employee termination practices in the United States and Canada, credit card

debt collection in Germany and the United States, patent protection in the United States, Europe, and Japan, and drug approval procedures in the United States and the European Union.

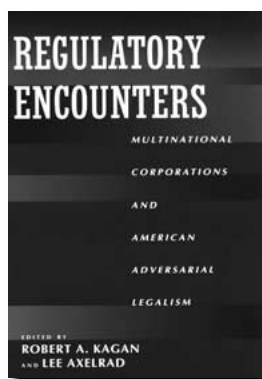
As the editors frankly admit, the multinational firms who agreed to talk to their research teams do not represent a scientific sample. Moreover, many important business sectors, including those associated with the "new economy," were not included. In addition, because all but one of the firms insisted on anonymity, the interviewers were not able to check what they heard from their corporate informants with regulatory officials themselves. Nevertheless, as Kagan writes in his introduction, "research must begin somewhere" and "some knowledge is a lot better than none."

The result is a fascinating "grass roots" portrait of contemporary government regulation in advanced industrial societies. The book more than compensates for the unsystematic nature of its data with the richness of its case studies and the sophistication of its analytical framework. This important research project will serve as a benchmark for future comparative studies of business-government relations in advanced industrial societies.

COMPARING REGIMES

Regulatory Encounters reveals that, notwithstanding contemporary rhetoric about globalization and the declining importance of governments, the nation-state (or, in the case of Europe, the European Union) continues to play a decisive role in determining both the substance of regulatory policies and the way they are implemented and enforced. Markets and firms may have become more global but "deeply ingrained national, legal, and political cultures" continue to define the regulatory environment of international firms.

There is some evidence of regulatory harmonization. For example, thanks to the U.S. Food and Drug Administration's



new drug approval procedures adopted during the late 1980s and early 1990s (see “How Have User Fees Affected the FDA?” p. 20), the “drug lag” between America and Europe has all but disappeared. However, in many other areas, measurable differences in standards persist.

In some cases, American standards are stricter. Ford’s automotive manufacturing facilities were required to adopt slightly more stringent pollution control standards in the United States than in Germany, while a multinational waste disposal firm had to use thicker liners for its sites in Pennsylvania and California than in the United Kingdom. U.S. debtors also enjoy more legal protection from consumer debt collection firms than their German counterparts. On the other hand, the European Union requires pre-market testing for all new chemicals while the United States only requires extensive toxicity testing for the 25 percent of submissions that the U.S. Environmental Protection Agency has identified as presenting substantial risks. The European Union also imposes tighter controls on the manufacture of genetically engineered biologics than does the United States.

Government-business cooperation In one case, researchers found relations between regulatory officials and business firms to be more cooperative in the United States than elsewhere. American executives expressed high regard for the professionalism and scientific expertise of EPA officials who administer the Toxic Substance Control Act (TCSA), and they regarded the TCSA regime to be less legalistic and more efficient than its counterparts in Japan and the European Union. That surprising finding appears attributable to Congress’s decision to target only high-risk chemicals in order to avoid regulatory delays that would retard the marketing of useful new chemicals about which much is already known. Also, as the editors note, TCSA concentrated all decision-making authority in one agency, thus expediting approval procedures.

A number of case studies suggest that the European Union has managed to replicate some of the characteristic

shortcomings of social regulation in the United States. Rather than streamlining regulatory policymaking in Brussels, the European Union’s growing regulatory competence has often made the European regulatory process more complex, fragmented, and legalistic. One chemical firm estimated the total compliance costs associated with notification for an identical family of chemicals to be \$8 million in Europe, \$680,000 in Japan, and \$102,000 in the United States. The company’s rule of thumb is that getting a chemical to market takes three to six months in the United States, one year in Europe, and two years in Japan. And while outside the scope of this book, the hurdles placed in the way of securing regulatory approval for the planting of genetically modified crops are substantially greater in Europe and Japan than the United States. Thus, for some critical industries, health, safety, and environmental regulation in Europe has become more burdensome than in the United States — a sharp reversal from the situation two decades ago.

The courts Nonetheless, the book still finds substantial support for what it terms the “adversarial legalism” hypothesis. Even in the case of TCSA, American regulators are far more likely to take formal legal action, including the imposition of substantial fines for technical violations, than their counterparts outside the United States. By contrast, regulators in Europe, Japan, and Canada rarely respond to regulatory violations with formal enforcement when the firm is acting in good faith. The chapter comparing the cleanup of hazardous waste sites in the United States, the United Kingdom, and the Netherlands, while the briefest in the book, vividly contrasts the broad discretion exercised by European regulatory officials with the highly prescriptive and legalistic approach of their American counterparts. The result was substantially greater costs and more delays for the firm in America, with no counterbalancing public benefits.

The description of the experiences of the pseudonymous “Waste Corporation” in seeking approval for a 215-ton

canyon landfill in California reads like a parody of the American legal and regulatory system. Because of the fragmented and decentralized nature of approval procedures, the firm was required to spend 11 years fulfilling the permit requirements and then an additional five years in litigation. It also had to make \$10 million in “side payments” to the county, much of which was unrelated to expenses associated with the waste management site. The firm’s legal costs in the United Kingdom and the Netherlands were less than 10 percent of those in California and the approval process was much more rapid.

Canada provides more substantive legal protections against arbitrary employment termination than does the United States. However, for the pseudonymous international drug company “PCO,” terminating an employee in the United States involves more work, more time, and higher costs. In the United States, “there is a more complex and detailed body of legal rules surrounding termination, more legal uncertainty, and a more threatening and more frequently activated litigation system,” according to the book. Indeed, every firm studied had engaged substantially larger legal and compliance staffs for their American operations than for those in Europe, Japan, and Canada.

AT ARM’S LENGTH

As Kagan notes in his thoughtful introductory and concluding essays, much of the inflexibility that continues to characterize government regulation is built into the nature of the American political and legal system. Americans tend to trust neither large firms nor government agencies, and feel best protected when the relationship between the two is at arm’s length, if not adversarial — even if that does not make regulation any more effective.

Kagan finds that state of affairs frustrating. But he also recognizes that it is difficult to make a politically compelling case for regulatory reform as long as international firms appear to accept the additional costs and uncertainties of doing business in America as a necessary price for access to its large and rich market. **R**