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The Skeptical Environmentalist visits The Fraser Institute

by Darcy Wintonyk

On January 24, 2005, controversial statistician Bjørn Lomborg spoke at a luncheon organized by The Fraser Institute. During his talk, Lomborg reasserted his anti-Kyoto position, saying that global problems have been “overhyped” by environmentalists.

The controversy surrounding Lomborg began in 2001 with the publication of his first book, *The*

Skeptical Environmentalist. In it, Lomborg puts forward the bold assertion that environmental harm is not getting any worse. Using data from the world’s most credible environmental agencies, the former environmentalist concluded that many global environmental threats had been overestimated.

Praised by some, Lomborg’s book further polarized political views

about environmental policy. He was also harshly criticized by the scientific community—the Skeptical Environmentalist was accused of everything from misrepresenting science, to being superficial, selective, sneaky, and just plain wrong.

continued on page 3

Welcome!

Welcome! This spring edition of the CSR is filled with articles written by students like you. Are you interested in having your writing published and distributed to thousands of students across Canada? Send me your articles for consideration.

In this issue, you will find articles on the “new deal” for cities, economic growth and environmental quality, and economic freedom for Latin America.

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—Vanessa Schneider, Editor

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Editor Vanessa Schneider

Contributing Editors

Kenneth Green

Fred McMahon

Production Kristin McCahon

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1770 Burrard Street, 4th Floor

Vancouver, B.C., V6J 3G7

Tel.: (604) 688-0221, ext. 571 or

(416) 363-6575, ext. 571

Fax: (604) 688-8539 or

(416) 601-7322

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About the authors

Jeremy Brown is the manager of the CANSTATS project and a Policy Analyst in the Centre for Studies in Risk, Regulation, and Environment at The Fraser Institute. He received his M.Sc. in Natural Resource and Environmental Economics from the University of Guelph and a M.A. in Economics from the University of Arizona.



Kenneth Green is Chief Scientist and Director of the Risk and Environment Centre at The Fraser Institute. Ken's research has been published broadly in both Canada and the US by think tanks, newspapers, and book and magazine publishers. Ken received a Doctorate in Environmental Science and Engineering from the University of California at Los Angeles (UCLA).

Ezra Levant is founder and publisher of the *Western Standard* magazine. He is also an author and commentator. He was a Fraser Institute student intern in 1995.



Milagros Palacios is a student intern in the Fiscal Studies Department at the Fraser Institute. She holds a B.Sc. in Industrial Engineering from the Pontifical Catholic University of Peru and Master's degree in Economics from the University of Concepcion, Chile. She plans to pursue a Ph.D. in Economics, with a focus on Environmental Economics.



Carl Shulman is an undergraduate student at Harvard University, concentrating on Philosophy, where he is the editor of the Harvard Review of Philosophy. He spent last summer in Washington, D.C. where he received a fellowship at the Centre For Individual Rights, a libertarian public interest law firm. This summer he will be working as a student intern in the Fraser Institute's Toronto office, working with Claudia Hepburn on education policy.

Darcy Wintonyk is a Masters of Journalism student at the University of British Columbia. She comes to Vancouver from Ottawa, where she received a degree in Communication. She writes locally for the *Thunderbird Media Review* and *Xtra West*.

Now Lomborg is back in the spotlight, this time promoting his newest publication, *The Copenhagen Consensus*. The consensus assembled what Lomborg calls the “Real Madrid of Economists”—eight world-class economists who were asked to identify and prioritize the ten biggest global challenges.

Building on the economic concept introduced in *The Skeptical Environmentalist*—namely, that a dollar can only be spent once—*The Copenhagen Consensus* asserts that certain trade-offs must be made in international policy to make any real progress. Using a basic cost-benefit analysis, Lomborg’s team of economists rationalized the best ways to spend \$50 billion to improve the world’s problems.

Lomborg says attempting to ratify slow, costly, multi-lateral initiatives like the Kyoto Protocol is ineffective. Instead, he suggests the global community should first tackle problems where the most good can be accomplished in the shortest time.

According to this logic, the consensus found that the best “bang for your policy buck” is to spend \$21 billion helping prevent AIDS. The team found that the benefits far outweigh the costs—preventing 28 million cases of the disease by the year 2010.

Using a scale of “bad” to “great” to rank the world’s problems monetarily, *The Copenhagen Consensus* ranks climate change as a waste of money. Lomborg explains, “It’s not useless; you just get a lot less back on investment.”

The Copenhagen Consensus is getting a chilly reception from the academic



Controversial author and environmentalist Bjørn Lomborg and CSR editor Vanessa Schneider at a Fraser Institute Round Table luncheon in Vancouver, January 24, 2005.

community. Its critics say it is overly simplistic and blind to the long term effects of the costs used in the eco-

The Copenhagen Consensus asserts that certain trade-offs must be made in international policy to make any real progress.

nomonic model. Others question how the economists can prioritize prob-

lems so fundamentally different as climate change and clean water.

However, to Lomborg, these comparisons make complete sense. His message to the luncheon crowd is that global problems need to be prioritized. These prioritizations are not limited to economic analysis—they happen every day, in every family, for every individual, and in government. “This is why people buy jeans instead of spending \$72 a year to save the life of someone in Africa,” he said.

Bjorn Lomborg portrays himself as an optimistic realist—instead of dwelling on problems that can’t be solved; he would rather do what is achievable. “If we can’t do everything, where should we start?” asks Lomborg. ☺

New Deal for Cities a Raw Deal for Citizens

by Carl Shulman

“Taxes are commonly a calamity for the people and a nightmare for the government. For the former they are always excessive; for the latter they are never enough, never too much.”
—Juan de Mariana (1535–1624)

At the time of this writing it seems likely that Paul Martin’s “New Deal for Cities and Communities” will be realized in its entirety: GST rebates for municipalities of \$7 billion over 10 years; \$5 billion in gas tax revenues transferred over five years; and \$5 billion disbursed through Infrastructure Funds (Infrastructure Canada, 2005). Unsurprisingly, Toronto’s “special ambassador on the cities agenda” has suggested that federal cash will help turn cities into “engines of growth” (Honderich, 2005). On closer inspection, this phrase hints of a perpetual motion machine. After all, the federal government has no money of its own to give to the cities, so what it gives to municipalities with one hand must be taken from their residents with the other. How do Canadians (as opposed to Canadian mayors) benefit from routing their tax dollars through a federal middleman on the way to those cities and communities?

Supporters of transfers to cities claim that higher government spending will improve economic growth. The TD Bank’s *Economic Report* argues that matching American economic performance will require more funding for city governments,

since “two-thirds of Canada’s population, employment, and real output are located in 27 Census Metropolitan Areas” (TD Bank Financial Group, 2002). And in theory, municipal governments can create economic value by spending on public goods that would be under-produced by markets and private philanthropy, or by limiting monopolies. Of course, in reality, an enormous amount of municipal spending simply displaces private alternatives for delivery of services with lower quality and higher cost (both directly and through deadweight losses of taxation) as explained below.

... an enormous amount of municipal spending simply displaces private alternatives for delivery of services ...

Consider the allocation of tax revenue in Toronto’s \$6.4 billion budget, the largest in Canada: 9.6 percent is spent on fire protection, 8 percent on public transit, and 4 percent on solid waste disposal (Toronto City Council, 2003). Each of these services could be completely privatized.

Private companies can provide fire service on a subscription basis. A study of private and public fire departments in Arizona found that pri-

vate provision reduced per capita expenditures by 50 percent while improving response time and fire prevention (Guardiano et al, 1992).

Public transit is typically justified by referring to the adverse effects of automobiles, such as global warming and road congestion. But there is no need for a publicly-owned transit system to reduce these effects. Cities could force drivers to bear the full costs themselves of automobiles by levying taxes on parking or charging an entry toll modeled after London’s “congestion tax” (Gardiner, 2003). Private transit companies could then compete to meet demand while the city would acquire more revenue.

Garbage collection has been considered a natural monopoly because of economies of scale, necessitating government intervention to protect consumers. But the cost of entry for private garbage collection is extremely low, so that even where a local monopoly exists, any attempt to raise prices beyond competitive levels will allow a new entrant to rapidly capture market share (VanDoren, 1999).

So Canada’s largest city expends at least a fifth of its budget to reduce economic performance by hundreds of millions of dollars. That is a powerful argument against providing cash to Canadian mayors for which they are unaccountable, but despite the federal government’s talk of accountability, the New Deal would actively reward and encourage such waste.

Consider that gas tax revenues have been earmarked for public

transit and waste disposal (Infrastructure Canada, 2005). If a municipal government spends less than the amount of the transfer on the earmarked area, then it loses the federal dollars. Thus, functions that economics suggest should be eliminated entirely would be preserved solely in order to attract federal funds. The GST rebate, while not subsidizing any specific activity, subsidizes government spending in general, distorting the relative prices of private and government provision. For instance, a city may be a less efficient collector of garbage than a private service, but if its increased costs are less than the amount of the GST rebate on purchases from materials suppliers and contractors, then its citizens will benefit from government control. These incentives create a tragedy of the commons, as each community damages the economy as a whole in order to gain at the expense of others, ultimately leaving everyone worse off. Should we really be setting up a

municipal funding structure along the lines of the late, great cod fishery?

If increasing the role of transfers in municipal budgets from their already high 40 percent could be so economically damaging, why is this happening at all? (McMillan, 2002). For cities, the New Deal levies taxes nationally and prevents taxpayers from escaping oppressive rates. For the Liberals, the move buys off public employees' unions on the left and increases dependency on government for jobs and services, weakening the Conservatives on the right. And so we find a New Deal that seems designed to benefit governments at the expense of the "Cities and Communities" they claim to serve.

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Why Should Latin America Defend Classical Liberalism?

by *Milagros Palacios*

Liberalism is one of those terms that means different things to different people. Essentially, “classical liberalism” is a model based on property rights. It considers that prices are the only optimal tool for allocating resources efficiently; under this model, individuals and companies have the right to make their own decisions independently. For its detractors, liberalism refers to policies that they believe enrich multinational corporations at the expense of the environment and the weakest and poorest countries. This term is also linked with “western expansionism,” consumerism, and individualism. That said, I consider, and many may agree with me, that liberalism is the more viable way to promote development among countries and is the only social system in which individuals are free to pursue their rational self-interest. Furthermore, the economic freedom of liberalism allows for building, creating, innovating, and advancing society. But if we know the advantages of liberalism, why do Latin American countries (and many other countries around the world) not enjoy its benefits?

Unfortunately, for historical reasons, liberalism, democracy, and markets came late to many Latin American nations. Before that, there was a strong belief that sovereignty resides in the state, and only strong leaders can impose order. Indeed, most Latin American countries struggled with dictatorships during the

1970s. In the 1980s, a wave of democratization and preliminary market reforms swept through the region. But the fiscal collapse in Argentina, attempts at military coups in Ecuador, and dictatorial policies in Venezuela during the late 1990s seem to provide proof that liberalism

... liberalism is the more viable way to promote development among countries and is the only social system in which individuals are free to pursue their rational self-interest.

won't work in Latin America. Even though most Latin American countries have institutionalized democratic elections, opened internal markets to foreign trade, and privatized incompetent state enterprises, there are still some frameworks that curtail freedom. Because of them, it seems apparent that liberalism does not work in Latin America. To begin with, many of these countries still

have powerful, centralized national institutions that generate bottlenecks in bureaucracy. Second, complicated business laws, overprotected industries, and limited access to credit restrict competition. Third, governments impose subsidies and price controls that consume a considerable portion of the national budget. Fourth, property rights are inadequately protected, so poor people cannot sell their property, or use it as collateral for credit (Johnson, 2003). If Latin American countries do not implement reforms to eliminate these problems, democracy and markets will not be feasible.

Latin America would do well to be aware of how the developed countries have progressed culturally and economically. They are richer and more prosperous because their property rights are well defined; there is little or no government protectionism, and competition is less restricted. In essence, we must enable freedom to flourish in order to enjoy the full benefits of liberalism.

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Student Programs Alumni Interview

with Ezra Levant, Publisher, Western Standard

I started attending Fraser Institute Student Seminars, not just in my own city, but I'd even travel to go to others in nearby cities. I then attended the Student Leaders Colloquium, and then became an FI summer intern, where I wrote a book called *Youthquake*.

I was a Koch Foundation Summer Fellow in Washington, DC, and have attended various Institute for Humane Studies (HIS) and Liberty Fund events over the years.

I'm a lawyer by profession; right after articling I worked for several years on Parliament Hill for Preston Manning and later for Stockwell Day. I joined the *National Post's* editorial board for two years. After trying my own hand in politics, I wrote a book called *Fight Kyoto* and practiced law. Last January, with several other Fraser Institute alumni, I founded the *Western Standard* magazine, which publishes every two weeks in a classical liberal vein. Several of our writers are FI alum, too, including Peter Jaworski, who just won the prestigious Felix Morley prize for journalism for work done for our magazine.

CSR: *Why do you think it's important for students and youth to be informed about public policy?*

EL: Simple curiosity is one reason; skepticism about the official pabulum taught in schools and universities should be another.

CSR: *How do you think a deeper understanding of markets and the role they play in society has affected your professional life?*

EL: There are many vanilla ways to do law or media—being aware of the morality of the free market has steered me towards liberty-oriented law and a politically-flavoured magazine.

CSR: *Have you always believed in markets and freedom, or, like many students, were you more "socialist" when you were younger? If your views changed, how and why did they do so?*

EL: Never socialist, ever.

CSR: *If you could make one policy change with the snap of your fingers, what would it be?*

EL: I would de-fund the CBC and abolish the CRTC. Maybe that's two changes, but I'd get the government out of the media business. They use it as a propaganda arm, and it crowds out entrepreneurial media like the *Western Standard*.

CSR: *What is your favourite movie about freedom?*

EL: I like Mel Gibson's *Braveheart* and *The Patriot*, and I think the *Lord of the Rings* had undertones of freedom, and fighting for it.



Ezra as a Fraser Institute student intern in 1995.

CSR: *Where do you see your career going from here?*

EL: My plan is to continue to build the *Western Standard*, in print, online, radio, and perhaps one day TV.

CSR: *How do you think technology has influenced, and will continue to influence, public policy in Canada?*

EL: I think technology will liberate public policy from the old-line leftist purveyors of it. Now curious people with Google can hunt for alternative (e.g., classical liberal) news and views. ☺

Crichton's State of Fear...

by *Kenneth Green*

Many people can teach.¹ Many people can tell great stories. But few people can teach by way of telling a great story. Dr. Michael Crichton, physician-turned-novelist-turned-screenplay-writer is one of those few.

State of Fear (HarperCollins Publishers, 2004, 603 pages) is actually three books in one—a fast-paced thriller, like *Andromeda Strain* and *Jurassic Park*; an explication that's too rarely seen in fiction of scientific arguments, complete with 18 pages of references; and, finally, a five-page policy brief of the author's conclusions drawn from the science he learned while writing his novel.

Let's take a look at the three books within *State of Fear* one at a time.

Science fiction

First and foremost, *State of Fear* is, like most other Crichton thrillers, more about people than it is about technology. While some sort of technology run amok is often at the heart of a Crichton thriller, it's rarely (if ever) the technology *per se* that causes or cures whatever disaster Crichton concocts. Rather, it's the evil or hubris of the people behind the technology that leads to destruction or salvation. People who misunderstand this point have occasionally branded Crichton a Luddite, someone who fears technology (particularly after his portrayal of the dangers of nanotechnology in *Prey*).

But his faith in science and technology is evident in its implacable progression, and especially in the positive role it plays in the lives of his various characters. Far from a Luddite, Crichton is more of a cynic, believing that whatever technology is used, someone is likely to abuse it—an idea that's hard to dispute given the sweep of human history.

The basic plotline of *State of Fear* is pretty straightforward: a globe-spanning cabal of radical environmentalists is trying to spur the adoption of greenhouse gas emission controls by creating "natural disasters" that they can link to manmade climate change. The bad guys have stolen or purchased all the coolest toys of the terror trade, from rocket systems that can create superstorms, to explosives and giant "cavitators" that can trigger landslides, to lightning-bolt projectors, and, yes, to poisonous octopi used to kill people they don't like in a particularly unpleasant manner. This nefarious gang is challenged by the too-cool-for-school Dr. Richard John Kenner who is both the lead agent for a super-secret anti-terrorist group and also happens to be a brilliant professor of Geoenvironmental Engineering at MIT.

Kenner and his assistant, Sanjong Thapa, follow the basic sidekick archetypes: one suave and debonair, the other reliable, adaptable, and combat-ready. Not surprisingly, they

regularly kick butt. Other good guy characters in *State of Fear* include George Morton, a philanthropic environmentalist who comes to realize that his donations have been redirected toward violent mayhem, and Peter Evans, the somewhat naive lawyer-cum-stalking horse used to smoke out the baddies. Heading up the bad-guy side is Nicholas Drake, the Machiavellian head of NERF (National Environmental Resource Fund), showing once again that you can't have a global cabal of bad guys without a proper acronym. Drake is aided by an actor, Ted Bradley, who combines the most annoying elements of Martin Sheen's presidential portrayal in *The West Wing* with environmentalist/actor Ed Begley Jr.'s performance playing, well, Ed Begley Jr. One of the few downsides of the fictional element of *State of Fear* is that the bad guys aren't exactly the brightest bulbs in the chandelier; they have more wallet and weaponry than wit. Still, if you want to see who wins, who loses, and who gets eaten by cannibals, you'll have to read the book.

Science fictions

The second book interwoven with *State of Fear* is the one that has generated the most controversy, sparking both trenchant attacks and staunch support for Crichton. Using numerous charts and graphs, Crichton

1 This review was previously published on January 19, 2005 by Tech Central Station.

(through the slightly pedantic lectures of Dr. Kenner and company) reveals the limitations in the so-called science of climate change, which has up to now convinced many people that human beings are going to destroy the world by using their SUVs to take their kids to hockey practice.

Among the lessons taught by Kenner and company: temperature records from around the world aren't particularly reliable; that global average temperature has changed independent of the level of greenhouse gases throughout history; regional temperature trends vary widely, from stability, to pronounced cooling, to pronounced heating. Crichton's characters also explain that most of the world's ice is not melting, as Antarctica, with some 90 percent of the world's ice, is getting colder—only 2 percent of Antarctic area has melting ice, the rest is getting icier.

Crichton also hits other climate- and eco-myths, explaining that the world's sea level is not rising faster than normal, the world isn't experiencing more storms or other extreme weather phenomena; DDT doesn't cause cancer, and that native people weren't noble savages living in harmony with nature.

Critics have singled out the mini-lectures within *State of Fear* for particular scorn, and it's true, some can get between the reader and the

primary plot line. But with all due respect to my own more-than-capable teachers, I'd have given a lot to have had professors who could so clearly, efficiently—and entertainingly—convey as much complex information as Michael Crichton does in *State of Fear*.

Science facts

Finally, Crichton's third book within *State of Fear* is something that I've never seen from a fiction writer before: a policy study explicated through the science revealed within the tale, and an Author's Message, explaining what Crichton thinks we should do based on what we know about climate change. Among Crichton's many logical conclusions three stand out:

We know astonishingly little about every aspect of the environment, from its past history, to its present state, to how to conserve and protect it. In every debate, all sides overstate the extent of existing knowledge and its degree of certainty. Nobody knows how much warming will occur in the next

century. The computer models vary by 400 percent, *de facto* proof that nobody knows; and

Before making expensive policy decisions on the basis of climate models, I think it is reasonable to require that those models predict future temperatures accurately for a period of ten years. Twenty would be better.

Great storytelling has been a vehicle for education throughout the history of humanity, and, in our times of increasing scientific illiteracy, *State of Fear* may be a particularly appropriate way to expose common people to the scientific problems that plague the arguments supporting greenhouse gas regulations. *State of Fear* is an excellent novel that concisely and clearly presents the arguments long asserted by those who are skeptical of claims that we know the climate is changing, that we know what causes the climate to change, and that we know enough to take control over the global climate through the manipulation of greenhouse gases. ☺

Students participate in a game about trade at a seminar for high school students in Vancouver, April 20, 2005.



Things Folks Know that Just ain't So

by *Jeremy Brown*

What they know...

Economic growth is destructive to the environment.

Why it ain't so...

In 1971 Simon Kuznets was awarded the Nobel prize in economics for what is now known as the Kuznets Curve. The original Kuznets curve was an inverted U-shaped curve describing the relationship between income inequality and per capita income growth. Basically, Kuznets hypothesized that at lower levels of per capita income, income distribution is skewed towards higher income levels, thus increasing income inequality, but as per capita incomes rise, the distribution becomes less skewed, reducing income inequality.

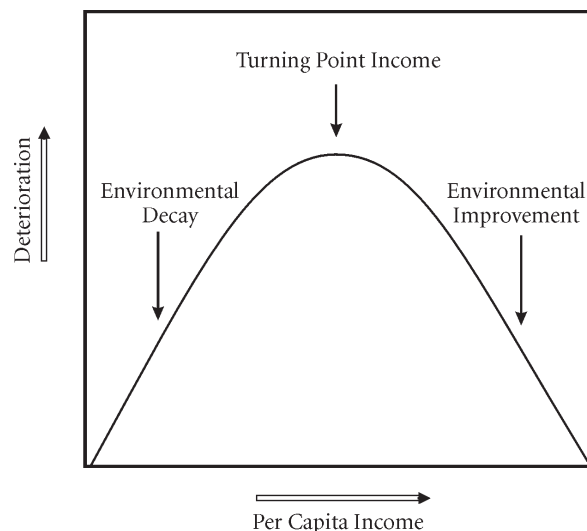
In 1991, Grossman and Krueger published a seminal article using the concept of the Kuznets Curve to describe the relationship between environmental quality and per capita income growth. The results in the first Grossman and Krueger article caught many people by surprise. Grossman and Krueger found that, at low levels of per capita income, concentrations of sulfur dioxide and total suspended particulate matter increase as incomes increase. But, once per capita incomes reach a particular threshold, concentrations of these pollutants actually decrease as incomes continue to rise. The relationship between environmental deterioration and per capita income followed the same inverted-U shaped

relationship as Kuznets income inequality and per capita income. Thus, Grossman and Krueger coined the Environmental Kuznets Curve (EKC), as seen in figure 1.

There are several hypotheses as to why the transition from environmental deterioration to environmental improvement occurs as per capita incomes grow. In 1999, Munasinghe described the EKC relationship as follows. At low levels of per capita income most economic activity is subsistence level farming. In these areas one expects to find a relatively unpolluted environment, at least with respect to pollutants associated with industrial processes. As the economy grows and industrialization begins, people begin to move out of subsis-

tence living, using more natural resources to acquire more secure sources of basic needs such as food, shelter, and clothing. This results in increases in emissions of industrial pollutants. But, as economic growth continues and incomes grow beyond that required for basic needs, people make marginal choices about how to spend additional income. Once basic needs are met, people start choosing longer life expectancies, cleaner water, proper sanitation, and improved air quality. As the economy grows even further, investments may be made in cleaner technologies and a shift to information- and service-based activities. These changes combine with an increased ability and willingness to enact environ-

Figure 1: A Typical Environmental Kuznets Curve



Source: Yandle *et al.*, 2004.

Table 1: EKC Turning Points

Pollutant	EKC Turning Point (2003 US\$)	Pollutant	EKC Turning Point (2003 US\$)
Sulfur dioxide (air)	\$6,200-16,100	Fecal coliform	\$13,500
Gross particulate (air)	\$8,450-16,900	Lead	\$17,700
Fine particulate (air)	\$12,000-29,600	Total coliform	\$5,000
Nitrogen oxides (air)	\$16,900-28,900	Arsenic	\$8,300
Carbon monoxide (air)	\$16,300-25,300	Cadmium	\$8,400
Carbon dioxide (air)	\$37,000-57,000	Dissolved oxygen	\$4,500
Biological oxygen demand	\$12,800	Nitrates	\$3,400
Chemical oxygen demand	\$13,300	Sulfur dioxide	\$6,900

Source: Compiled from Yandle *et al.*, 2004.

mental protection and improve environmental quality.

Grossman and Krueger used their EKC hypothesis to argue that a NAFTA-based trade expansion would protect the environment. To address the hypothesis, they developed a cross-country panel of comparable measures of air pollution in various urban areas and explored the relationship between economic growth and air quality. They found EKC patterns for the ambient levels of both sulfur dioxide and smoke in the air. The turning point came when

per capita GDP was in the range of \$6,700 to \$8,450 in 2003 US dollars.

Table 1 shows a range of estimated turning points derived from a review article by Yandle *et al.* (2004). The table includes EKC turning points for both air and water pollutants from various researchers. Estimates vary based on the countries analyzed and the data characteristics, such as if the pollutants are measured solely in urban areas or a combination of urban and rural areas.

Even though Canada's per capita GDP has increased by 78 percent

over the past three decades, sulphur dioxide concentrations have decreased 72 percent, particulate concentrations have decreased 51 percent, and lead concentrations have decreased 94 percent. Most of these reductions stem from an ability to pay for cleaner technologies. For example, despite the fact that there has been a 30 percent increase in total vehicle registrations since 1974, ambient levels of carbon monoxide have fallen by 83 percent (Brown *et al.*, 2004).

The existence of the EKC relationship between indicators of environmental quality and increasing per capita income does imply that some environmental degradation is inevitable as economies begin to grow. Fortunately, the same relationship shows that at a particular level of per capita income, further economic growth will reverse the trend of degradation and will actually lead to environmental improvements.

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