



UNIVERSITY OF ICELAND

# Green Capitalism

## Sustainable and Profitable Use of Resources

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# Two Kinds of Environmentalism

- **Wise Use Environmentalism:** Resources (including seemingly non-economic ones such as pleasure from watching wildlife) should be used in a sustainable and profitable way
- **Ecofundamentalism:** 'Nature' has intrinsic value, trumping human rights, the goal being preservation rather than conservation
- Essentially a secular and atavistic religion, with sacred cows and implausible arguments

# Pricing is Not Enough

- Pigou proposed pricing, government taxes or tolls, to 'correct' externalities, harmful effects for others of economic activities
- Knight and Coase answered that individuals could perhaps correct externalities in their transactions, if transaction costs were low
- For this, clearly defined property rights necessary
- Property rights: resources taken into custody, custodians appointed: protection needs protectors

# Who Pays for Preservation?

- Ecofundamentalists demand ban on certain economic activities (use of DDT, whaling, ivory trade, etc.)
- Wise use environmentalists: the conflict not between nature and man; it is between two groups of people one of which speaks in the name of nature
- Examples: Wolves in the Alps killing sheep; Icelandic sea eagle threatening eider duck that produces valuable eiderdown for coastal farmers
- Two uses, sometimes incompatible, of same resource: sheep to feed wolves or to feed and clothe man? Eider to feed eagles or to produce eiderdown?

# Silent Spring, DDT and Malaria



# Rain Forests, Biodiversity and Oxygen





# Overfishing: 'Tragedy of Commons'

- Overfishing (in an economic sense) is caused by unlimited access to limited resource
- Under open access effort increases up to the point where no more profit is to be had; not to the point where profit is maximised
- In 1980s, Iceland (and New Zealand) developed a way of dealing with the problem: Individual Transferable Quotas in fisheries
- A move from open to restricted access, definition of private use rights, enclosure of oceans

# Fisheries: Sustainable and Profitable





# The Whale: Ban or Use?

- In past, whales overexploited, but today, some whale stocks robust, e.g. the two stocks Icelanders harvest (minke and fin whales)
- Ecofundamentalists demand total ban on whaling, assigning special role to whales
- Whales in Icelandic waters eat 6 million tonnes of seafood, while Iceland harvests 1 million tonne
- Who should feed the whales to be preserved?
- A similar problem: Mackarel in Icelandic waters

# The Elephant: Ban or Use?



