



# WHO CONSERVES OUR RESOURCES?

RUTH SHALLCROSS MAYNARD

"WHO SHOULD conserve our resources?" If a poll were taken, a large majority probably would answer: "Our federal and state governments." And if one were to ask why this view is so widely held, he would find among other "reasons" the following:

(1) that the free market is chaotic, gives profits to the few, and is unmindful of the great "waste" of our diminishing limited resources;

(2) that "people's rights" are above "private or special interests" and only the government can

properly serve the public interest;

(3) that government has access to more funds;

(4) that government has the power and facilities to obtain all the necessary data and to do the research needed for the best "scientific" decisions on resource conservation;

(5) that the price system does not operate in the interests of conservation because of the "unrestrained pursuit of self-interest";

(6) that the concentration of power in some corporations further threatens our dwindling resources and must be regulated by government.

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*Illustration: A. Devaney, Inc., New York*

### Refuting the "Reasons"

These "reasons," of course, do not indicate how a government agency would go about attempting a solution to the conservation problem — this is always just assumed — but consider them briefly:

(1a) The free market is anything but chaotic. Competing natural market forces reflect in prices the wishes of both buyers and sellers — millions of individuals, separately accountable and responsible for their own actions in their own field of economic activity. All persons seek their own advantage when allowed a choice, but in the free market a producer cannot profit unless he pleases consumers better than his competitor does. Since he must think of efficiency and lowered costs in order to survive, it is false to assume that he alone profits from the use of natural resources from which are made the products wanted by consumers. All gain who use the resulting products.

(2a) Can there be "people's rights" superior to the rights of individuals? All individuals have special and private interests and rights. Therefore, the "people" cannot have rights except individually; and the right to life carries with it the right to maintain it by private and special means.

(3a) The government has no funds that have not been taken from the people by force, whereas many a large private undertaking has come forth from voluntarily contributed funds. In fact, the entire industrial development in this country has been a continuous example of this voluntary way of creating the facilities for production by giving the consumer what he wants at the price he is willing to pay in competition.

(4a) Offhand it would seem that a government might have access to more data about scarce resources than would a private enterpriser. But government cannot bring forth the detailed information so vital to sound decision. The kind of detailed knowledge needed simply isn't "given to anyone in its totality," as Hayek has pointed out.<sup>1</sup> "Knowledge of the circumstances of which we must make use never exists in concentrated or integrated form," he states, "but solely as dispersed bits of incomplete and frequently contradictory knowledge which all the separate individuals possess." Yet, producers need such information before they can decide how to act. The chief communicator of

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<sup>1</sup> F. A. Hayek, "The Use of Knowledge in Society," *The American Economic Review*, Vol. XXXV, No. 4, September 1945.

this knowledge is free price movements. If the price of a given resource continues upward, this tells producers all they need to know about its increasing scarcity and signals them to conserve it, to use it sparingly and for the most valuable products. Advocates of government planning never seem to grasp how this works, for they are constantly tampering with market forces, distorting the delicate price signals that could otherwise guide them. Thus, government planners must rely on using *general* data obtained by crude polling methods which are unreliable for action in specific economic areas and are out of date before they can be collected, analyzed, and summarized. Moreover, such studies cannot tell the government controller as much as free price movements tell individuals acting in a particular market as buyers or sellers.

(5a) The role that prices play in the free economy is so little understood that many people believe government must set prices lest they reflect only the "selfish interests" of the producers. The price system not only tells producers and consumers when scarcity of a product exists (prices rise) or when it has become more plentiful (prices drop); it also supplies the incentive to act in the

interests of conservation by seeking a substitute for the high-priced scarce material. Competitive prices allocate scarce resources to those who will *pay* more (not those who *have* more, as is alleged) for the right to try to serve consumers efficiently and profitably.

(6a) If concentration of power in corporations is too great to be permitted, what about the ultimate concentration of power in a government institution beyond the regulation of market forces? Government is unaccountable in the sense that it is not obliged to please consumers in order to stay in business. If it does not show a profit, its losses can be covered by tax money. Big corporations can behave in monopolistic fashion only if they enjoy government privileges of some kind. Potential competition, substitution, and elasticity of demand force them to keep prices close to the competitive level.<sup>2</sup>

### **When Government Controls**

The foregoing arguments, however, do not touch upon the basic problem involved in the conservation of resources. Let us assume that Congress passes a conservation law setting up "The Federal Bureau of Conservation." Tax

<sup>2</sup> Hans Sennholz, "The Phantom Called Monopoly," THE FREEMAN, March 1960.

money must then be appropriated for this Bureau. The director, a political appointee, must find a building and hire a staff large enough to justify his salary. To investigate and collect data on what is being done is a time- and tax-consuming job.

Turning the conservation problems over to an agency with police power does not mean solution, however. It only means that the director has been given the authority to find a solution and to force it on those individuals who are in the market for natural resources. This does not assure the public that the director has any special grant of wisdom concerning the problems involved, or that he will even know what they are. This appointment would lead him to assume that individual enterprisers were not doing their jobs well. He would undoubtedly define his task as one of finding what individual enterprisers are doing wrong and stopping it. Such interference could only prevent private individuals from utilizing their creativity and energy in seeking a solution to both immediate and long-run conservation problems. Having stopped this flow of creative endeavor, he would need to find a "positive" solution—such as stockpiling by force certain quantities of those materials deemed most scarce.

### **Difficult Decisions**

But for whom would the director be stockpiling? Would he sacrifice the present generation to future ones? And, if so, which ones? The next generation, the one after that, those living a hundred years from now, or whom? And how could he possibly know what those generations would want or need? Moreover, he would have the problem of what quantities to stockpile and what grades (best or worst) to save. Would some items have alternative uses? Would he plan for possible added or new uses in the future? These questions never seem to be asked by the authors of books and articles on conservation, whose specialty is to condemn private enterprise.

Stockpiling only aggravates the very scarcity given as the reason for stockpiling. The more scarce a stockpiled item, the higher the price, and the more complaints to be heard from the users. Whereupon, the director probably would seek power to fix prices lower than market levels. This, of course, could only lead to increased demand and pressure on prices, leading to black markets or government rationing, or both. Allocation by rationing would present the problem of whom to favor and whom to slight. His authority to discriminate would sub-

ject the director to strong political pressures. If not by political favoritism, the director could select by personal preference, or first come, first favored. Any system is discriminatory. The system of government planning implies arbitrary discrimination by one man with police power who decides who shall get what. Without personal favoritism, the free market "discriminates" *against* those who would waste scarce materials — it lets their businesses fail — and "discriminates" *for* those who would most efficiently use the resource to serve consumers — their profit depends on their capacity to conserve the scarce resource.

The government system is based on arbitrary decisions of man over man, with strong probability of political influence; the free market system is influenced by nonpolitical and nonpersonal forces. There is no other alternative. The first system leads to static conditions which cannot meet the changing needs and desires of consumers, the "people" most involved and presumably those whom a conservation agency ought to protect. The business way encourages search for substitutes when price rises indicate growing scarcity. This not only aids conservation but also affords the consuming public more rea-

sonably priced alternatives in times of scarcity. When prices are fixed below market levels by the government director, this discourages conservation and gives a false signal as to the degree of scarcity all the way from the natural resource level to the final consumer.

### **Private Enterprisers Conserve What Is Worth Saving**

Until someone discovers that a resource has a specific use, it has no value for which it should be conserved. Alexander the Great had no use for the reservoir of oil beneath his domain. The underdeveloped countries do not lack resources. But they have not yet found the key (personal saving and competitive private enterprise) by which to utilize the resources to meet the people's needs. Private enterprisers are constantly trying to find new materials and new uses for known resources, always looking ahead to see which ones will be available and how efficiently they can be utilized. Pick up any trade journal and note the articles on how to cut costs, utilize waste materials, be more efficient. Because the government told them to? No. The hope of profits acts as a powerful compulsion to be efficient, to improve, to conserve. The following examples show how private enterprisers eliminate waste and uti-

lize natural resources to meet the needs of the consuming public.

Until natural gas was known to be useful as a fuel, petroleum producers burned it to get rid of it. Until ways were found of storing and transporting gas with safety, it had only local use. Competition forced the search for further uses and wider markets, and profits rewarded those who best served consumers. As ways were found to handle gas beyond local markets, consumers elsewhere gained a wider choice of fuel, and other fuels were thereby conserved.

### **Reliance on Hindsight**

Accusations of waste in private industry are always based on hindsight. Any statistics of inadequate use of natural resources are history. When a new method or new use is discovered, it is easy to point out past waste and misuse. The assumption is that industrialists are wasteful if they haven't seen in advance all possible uses for all materials.

The meat-packing industry over the last century has used all but the squeal of the pig. But this did not come all at once. Nor did or could it have come from government decrees. It came slowly through individual efforts to cut costs and increase profits in competition with others.

In the lumber and pulp-paper

industries, uses have been found for virtually all of a tree, including the bark, branches, and sawdust which were formerly "wasted." The "waste" lignin, after removal of the carbohydrates, has been the concern of many a pulp company as well as scientists at The Institute of Paper Chemistry, who have yet to find a use that will meet adequately the competitive market test of consumer choice.

With the increasing scarcity of pure water, the pulp and paper industry has used less and less of it per ton of product. When wood became scarce in Wisconsin, the "Trees-for-Tomorrow" program was instigated, encouraging farmers to grow trees as an added cash crop. As salt cake from Saskatchewan grew scarce, the Southern kraft-pulp mills learned how to reclaim it and cut the amount needed per ton of pulp by two-thirds or more. Could such a conservation measure have been forced by government decree? It is most doubtful.

In the agricultural field are many illustrations of continuous improvement: of tools (the history of the plow alone would make an impressive volume); of methods of utilizing land, fertilizers, insecticides, and seeds; of knowledge of genetics, hydroponics, and radioactive materials.

All of these have played a vital part in getting better farm products to the people with fewer man-hours and at less cost. These all conserve time.

Time also is a resource. Conserving time can save lives from starvation, give relief from back-breaking jobs, enable individuals to further achieve their respective purposes. Improved tools have won time for more leisure, for increasing recreational, cultural, educational, and religious activities.

### **Individual Improvement**

Improvement of the well-being of individuals, rather than conservation, is the chief goal in the utilization of resources. Absolute conservation could lead to the absurdity of not utilizing our resources at all, and thus conserving to no purpose—no freedom and no improvement of our lives. J. S. Mill has expressed it thus: "The only unfailing and permanent source of improvement is liberty, since by it there are as many possible independent centers of improvement as there are individuals." The energy of the police force of a government agency must by its very nature be negative. Enterprisers are positive, constantly trying to solve specific problems. It is impossible to force the release of the creative energy of millions of individuals

who, if free, are each highly motivated to release it in trying to improve their status. Thus, force only inhibits the real sources of improvement.

Because individuals have been free to find the best use of land resources, the American farmer today feeds himself and at least 25 others. In our early history food production was the principal occupation, and in some countries today as high as 90 per cent of the population still spends long hours of backbreaking work farming for a bare subsistence.

### **Who Is Responsible for Waste?**

The real waste in resources comes from government policies. It is seen especially in wartime, but more and more in peacetime programs. The government farm program has encouraged waste of land, seeds, fertilizers, labor, and capital by subsidizing the production of surpluses to be stored in bins that dot the countryside. The foreign aid program has wasted various resources, sending them to countries where little if any use has been or could be made of them. Waste occurs in such projects as the TVA that floods permanently many fertile acres which formerly provided millions of dollars worth of food products and which the Army Engineers have estimated would not be flooded by

the natural forces of the Tennessee River in 500 years.

Rising taxes also promote waste. The corporate income tax of 52 per cent of earnings, for example, encourages industrialists to engage in questionable and wasteful projects which appear justified only when purchased with a 48-cent dollar. This is not in the interests of conservation.

However, the errors individuals make and their waste of resources are small and inconsequential compared with those made by government agents in controlling a major supply of a scarce resource. Those in civil service positions are rarely dismissed or otherwise held accountable for their errors. A private individual stands to lose personally if he wastes resources in his field of economic activity, and has a built-in motivation for attempting to correct his mistakes as soon as they are reflected in rising costs or decreasing demand. A government agent, however, risks no personal loss when he misuses resources, he cannot recognize mistakes by rising costs when prices are fixed

arbitrarily, nor is he motivated to correct his mistakes even when recognized.

Natural resources are best utilized and conserved where they meet specific economic requirements in the most efficient way as determined by competition in the free market. Government control of natural resources reduces the freedom of choice of producers in using these materials and this affects adversely the freedom of choice of consumers who buy the final products made from them. There is no effective method of determining the economic requirements of the people when the free market is not allowed to reflect them, nor can force solve the problem of conservation. It is a false panacea that is centuries old, advocated by those who desire power over others whom they neither trust nor respect. Conservation will take place in the best sense where individuals are allowed to seek solutions to their own personal problems as they arise. Necessity is the mother not only of invention but of conservation as well.

#### IDEAS ON LIBERTY

*Ben Moreell*

WE CONSERVE NATURAL RESOURCES by using them in the most efficient and economic manner. . . . If a given project cannot pass the test of economics, that is a sure sign that it is not conservation but waste.

*Our Nation's Water Resources—Policies and Politics*



# THE MORAL ELEMENT

## in *Free Enterprise*

F. A. HAYEK

ECONOMIC ACTIVITY provides the material means for all our ends. At the same time, most of our individual efforts are directed to providing means for the ends of others in order that they, in turn, may provide us with the means for our ends. It is only because we are free in the choice of our means that we are also free in the choice of our ends.

Economic freedom is thus an indispensable condition of all other freedom, and free enterprise both a necessary condition and a consequence of personal freedom. In discussing *The Moral Element in Free Enterprise* I shall therefore not confine myself to the problems of economic life but consider the

general relations between freedom and morals.

By freedom in this connection I mean, in the great Anglo-Saxon tradition, independence of the arbitrary will of another. This is the classical conception of freedom under the law, a state of affairs in which a man may be coerced only where coercion is required by the general rules of law, equally applicable to all, and never by the discretionary decision of administrative authority.

The relationship between this freedom and moral values is mutual and complex. I shall therefore have to confine myself to bringing out the salient points in something like telegraphic style.

It is, on the one hand, an old discovery that morals and moral values will grow only in an environment of freedom, and that, in general, moral standards of people and classes are high only

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Dr. Hayek is Professor of Social and Moral Science at the University of Chicago and author of many books, including the 1944 classic, *The Road to Serfdom*, and *The Constitution of Liberty* (1960). This article is reprinted by permission from a symposium on *The Spiritual and Moral Significance of Free Enterprise* sponsored by the National Association of Manufacturers, December 6, 1961.