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Risk, Rights, and Regulation

In her book about medieval Europe, *A Distant Mirror*, Barbara Tuchman describes a world so dangerous that one or two children died as infants for every three that were born. Death was so likely, she says, that parents invested little emotion in their children during the first five or six years; children were "left to survive or die without great concern."

In contrast, Americans live in a world that is extremely safe. The vast majority survive to a healthy adulthood; a child born today can expect to live 75 years. Today, death is tragic in part because it is so rare.

Yet the actions of Americans imply the opposite. Americans have allowed their government to intervene with the goal of protecting them against risks. The government now bans many chemicals, controls emissions of small quantities of chemicals from industrial plants, clamps down on pesticide residues on vegetables, and slows down the introduction of potentially valuable new drugs—all in the name of greater safety.

Most of the risks being addressed are small. These policies may actually be increasing our risk by reducing our self-reliance and frittering away resources that we need if we are to deal with our problems individually. Reliance on the government in this area erodes freedom just as it does in every other area.

Fortunately, a number of people who share a concern for liberty have been trying to figure out how to reverse direction and stop turning every fear or danger over to the government. A number of those thinkers are represented in this issue of *The Freeman*. The purpose of this issue is to help us understand why we have turned over so much risk coping to the government, what harm it has caused, and what, over the long term, we can do about it.

Technically, this issue is about "risk policy" and "risk assessment," as well as more generally about environmental problems. But I hope to show that "risk" is more than

a technical matter, and I hope that these articles will point the way toward steps we can take to deal with risks while enhancing freedom.

This issue also includes an essay about the life and work of the great economist Adam Smith. While this short biography does not deal overtly with risk to human life or to the environment, as most of the other articles do, Adam Smith was not silent on the subject. He well understood one of the recurring themes of this issue: When hazards occur, governments usually make them worse, not better.

Consider the following quotation (found on p. 493 of the Modern Library edition of *The Wealth of Nations*): "Whoever examines, with attention, the history of the dearths and famines which have afflicted any part of Europe . . . will find, I believe, that a dearth never has arisen from any combination among the inland dealers in corn, nor from any other cause but a real scarcity, occasioned sometimes, perhaps, and in some particular places, by the waste of war, but in by far the greatest number of cases, by the fault of the seasons; and that a famine has never arisen from any other cause but the violence of government, attempting by improper means, to remedy the inconveniencies of a dearth."

—JANE S. SHAW

(Jane S. Shaw, Senior Associate of PERC, a research center in Bozeman, Montana, is this month's guest editor.)

Free Market Environmentalism

Free market environmentalism is based on two premises, the first of which is that free markets provide the higher incomes that in turn increase the demand for environmental quality. Few would deny that the demand for environmental quality has increased dramatically in the past 25 years,

and there is growing consensus that the cause of that increased demand is rising incomes. New studies show that the relationship between per capita income and environmental quality follows a "J-curve" pattern. At very low levels of income, environmental quality may be high because no effluent is produced. As incomes rise above some minimum, pollutants increase and the environment deteriorates. But then at per capita incomes of approximately \$5,000 per year, environmental quality begins to become a luxury good. Above that income level, estimates by Don Coursey of Washington University in St. Louis show that for every 10 percent increase in income there is a 30 to 50 percent increase in the demand for environmental quality. We may all be environmentalists now, but the cause is not a born-again experience at Walden Pond; it is increasing wealth generated by free markets that has given us the wherewithal to afford environmental luxuries.

The second bulwark of free market environmentalism is that market for environmental amenities provide incentives for individuals to treat the environment as an asset rather than a liability. . . . Coercive environmentalists claim to know where we ought to go and use the powers of government to get us there. For them there is never enough wilderness, species should not go extinct, and pollution should not exist. That asserted, why not use command and control?

Free market environmentalists make no claims that they know what ought to be done. That will be determined by human action revealed in voluntary transactions where prices provide incentives for willing buyers and sellers to cooperate to achieve their mutual ends.

—TERRY L. ANDERSON and

DONALD R. LEAL

"Letters," *Regulation*, No. 2, 1994

Risks in the Modern World: What Prospects for Rationality?

by Fred L. Smith, Jr.

Risk refers to the likelihood that something will go wrong.¹ People naturally fear such mishaps, and risk aversion is a basic survival trait. Only non-survivors rush in where angels fear to tread!²

Even in our relatively safe world, there is much to fear: crime, disease, highway and other accidents. The surprising issue is not that people fear, but that people should come to fear the dynamic forces upon which America was built.

Americans are afraid of economic growth and technological advance, even though these forces largely account for our current well-being. The prominence of this attitude is a relatively new phenomenon; as recently as the 1950s, American culture still revered science and technology. Scientists and innovators were heroic figures, the Bell Science Hour was a popular television series, and youngsters read *Microbe Hunters* with enthusiasm. No longer. Today's popular culture uses the scientist more as a careless Dr. Frankenstein than a heroic Prometheus and views scientific achievements as more evidence of man's arrogance than man's genius. What accounts for the modern reaction?

Mr. Smith is president and founder of the Competitive Enterprise Institute in Washington, D.C. He is co-editor of Environmental Politics: Public Costs, Private Rewards (Praeger, 1992).

The Wildavsky Legacy

More than almost any analyst, the late Aaron Wildavsky examined why America had become so frightened and, through his books *Searching for Safety, Risk and Culture* (with Mary Douglas), and *The Rise of Radical Egalitarianism*, among other works,³ he largely structured the debate on reform of risk policy. Consider some of his basic concepts:

- **The safe and the dangerous are intertwined:** Wildavsky was fond of the Jogger's Dilemma. Joggers, he noted, all too often drop dead of heart attacks in mid-stride. The stress of exercise is too much for some bodily systems to handle. Nonetheless, joggers are less likely to die of heart disease than their sedentary colleagues and exercise provides significant long-term health benefits. Jogging may be a "risky" activity, but it tends to reduce the health risks that people face. Wildavsky used this analogy to illustrate that safety and danger are rarely separable, but rather inextricably mixed elements of life. The conclusion, in Wildavsky's view, was: We must not seek a "safe" course but rather a "safer" course. To make our lives safer, we must prudently accept the introduction of new risks.

- **We search for safety:** Wildavsky noted that safety is discovered—not designed. Increased safety results from a learning