Tapping Our Better Nature to Solve Global Woes

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The well-worn story of the tragedy of the commons warns that when activity causes harm that does not fall on those who cause it, logical people will seek to maximize their personal benefit regardless of costs to others. Shifting costs back to those who generate harm is a form of “market-based mechanism.” The opposite is also true. Just as markets can penalize those who cause harm, so too can markets reward those who produce benefits.

Environmental law’s most well-known market-based mechanisms are emissions credits — domestic and international systems for exchanging the “right” to discharge a quantity of a pollutant. However, variations of this model can certainly be found or contemplated elsewhere.

Proponents argue that such incentives effectively reduce emissions by motivating creativity to generate efficient methods of pollution reduction. They argue that this is more palatable than command-and-control regimes, that positive incentives are preferable to punitive taxes and fines, and that this strategy allows those who can reduce pollution more cheaply to do so, since costs of pollution reduction vary among different industries and facilities.

Yet, practical and philosophical criticism of market-based incentives is also rampant. Because most systems allocate credits based on existing discharges, do market-based systems give perverse incentives to delay environmentally beneficial conduct in order to be allocated more credits? Do market-based incentives help areas that are economically developed rather than those that have little industry to use as a basis for the initial credit allocation? Will the ability to buy credits enable industries to stockpile allotments and use them to concentrate pollution in hot spots afflicting distressed communities? Do credits create a morally questionable right to pollute that commodifies harmful activity?

This summer, Pope Francis weighed in on the morality of market-based incentives in his Encyclical Laudato Si’. In doing so, he added a new perspective to the debate. The Encyclical is a wide-ranging critique of ecological woes. More broadly, it is a sober perspective on social, economic, moral, and political factors that Pope Francis fears contribute both to environmental and social concerns. He laments that the same throw-away culture that creates the waste and consumption that harms creation also “throws away” vulnerable, suffering people, causing grave social and humanitarian woes.

Laudato Si’ is replete with urgent, desperate pleas for effective solutions to environmental problems. In light of this urgency, one might think that Pope Francis would include market-based incentives in his menu of proposals if there is any evidence that they have potential. Yet, the Encyclical emphatically rejects them.

Pope Francis writes that credits “can lead to a new form of speculation which would not help reduce the emission of polluting gases worldwide,” creating merely a superficial solution masquerading as environmental commitment that fails to demand “radical change.” The Pope fears that such incentives will be used to permit continued, “excessive consumption” by some. He warns that “environmental protection cannot be assured solely on the basis of financial calculations.” The environment cannot be adequately safeguarded or motivated by market forces. We need to reject a magical conception of the market which would suggest that problems can be solved simply by an increase in the profits. Is it realistic to hope that those who are obsessed with maximizing profits will stop to reflect on the environmental damage which they may leave behind for future generations?”

This pessimism could be based on pragmatic fear that market-based incentives will fail. Pope Francis says bluntly that this “will not help.” Yet, he presents no empirical evidence that well-designed, carefully regulated, and honestly monitored regimes are doomed.

Instead, his skepticism flows from moral reservation. Laudato Si’ is ripe with warnings about what over-emphasis on profit can do to humanity and the ways in which desire for personal comfort and economic gain leads people, entities, and nations to pursue self-interest and neglect others who live today and will live in generations to come. He laments the ways in which self-centeredness undermines fundamental relationships with God, with others, and with creation — a gift from God to be “our common home.”

Thus, Pope Francis’s reservation about market-based incentives may stem from his reluctance to tap profit motives as a solution. He may fear deploying precisely the weakness he believes causes environmental degradation to be part of the solution. Certainly, the Pope says, “Business is a noble profession” and he praises creativity and ambition. Yet, Laudato Si’s critique of self-interest warns that, whatever benefits market-based incentives have, there must be clear-eyed recognition that they rely on the same self-interest that the Pope believes caused environmental woes.

If market-based incentives are to be rejected because they tap into what Pope Francis fears is humanity at its worst, what is left? Could it be that behind his pessimism about market-based incentives lies deep-seated optimism that, at its best, humanity is capable of radical selflessness? While Francis questions whether “it is reasonable to hope” that market-based incentives will work, he may be asking a morally more profound question: Is it “reasonable to hope” that at its best, without self-centered incentives, humanity is capable of radical, selfless good?

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