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Capitalism, Right Libertarianism and the problem of “externalities?”

Gary Elkin

ca. 1998

Right libertarians have great difficulty in dealing with the problem of “externalities”: that is, harmful environmental effects (e.g. pollution, global warming, ozone depletion, destruction of wildlife habitat) not counted as “costs of production” in standard methods of accounting. Such costs must be born by everyone in the society who is affected by them, and not only by the capitalists who produce them; hence it is possible for capitalist to ignore such effects when planning future production. But this means that such effects *will* be ignored, since competition forces firms to cut as many costs as possible and concentrate on short-term profits.

Right libertarians typically address the problem of externalities by calling for public education which will raise people’s awareness of ecological problems to the point where there will be enough demand for environment-friendly technologies and products that they will be profitable.

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This argument, however, ignores two crucially important facts: (1) that environment-friendly technologies and products *by themselves* are not enough to avert ecological disaster so long as capitalism retains its need for high growth rates (which it will retain because this need is inherent in the system); and (2) that in a right-libertarian world in which private property is protected by a “night-watchman State” or private security forces, a wealthy capitalist elite will still control education, as it does now — and this because education is an essential indoctrination tool of the capitalist elite, needed to promote capitalist values and train a large population of future wage-slaves in proper habits of obedience to authority. For this reason, capitalists cannot afford to lose control of the educational system, no matter how much it costs them to maintain competitive schools. And this means that such schools will not teach students what is really necessary to avoid ecological disaster: namely, the dismantling of capitalism itself.

Another ecological problem that right libertarians cannot deal with satisfactorily is that capitalist firms *must* be committed to short-term profitability rather than long-term environmental responsibility in order to survive economically in the competitive market .

Here’s an example: Suppose there are 3 automobile companies, X, Y, and Z, which are competitive (not conspiring to fix prices) and which exist in a right-libertarian society where there is no democratic community control over the economy. Then suppose that company X invests in the project of developing a non-polluting car within ten years. At the same time its competitors, Y and Z, will be putting their resources into increasing profits and market share in the coming days and months and over the next year. During that period, company X will be out of luck, for it will not be able to attract enough capital from investors to carry out its plans, since investment will flock to the companies that are most immediately profitable.

The right libertarian may respond by arguing that business leaders are as able to see long-term negative environmental effects as the rest of us. But this is to misunderstand the nature of the objection. It is not that business leaders *as individuals* are any less able to see what’s happening to the environment. It is that if they want to keep their jobs they have to do what the system requires, which is to concentrate on what is most profitable in the short term. Thus if the president of company X has a mystical experience of oneness with nature and starts diverting profits into pollution control while the presidents of Y and Z continue with business as usual, the stockholders of company X will get a new president who is willing to focus on short-term profits like Y and Z.

In general, then, if one company tries to devote resources to develop products or processes that will save the environment, they will simply be undercut by other companies which are not doing so, and hence they won’t be competitive in the market. In other words, capitalism has a built-in bias toward short-term gain, and this bias — along with a built-in need for rapid growth — means the planet will continue its free-fall toward ecological disaster so long as capitalism remains in place.