

WHAT'S WRONG WITH MCCLOSKEY ON THE EARTH CHARTER

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I would like to open this note by thanking Deirdre McCloskey for enlivening the often bland discourse of academic economics by serving us polemics in the Other Things Equal section of this *Journal*. Her columns are frequently a source of highly spiced food for thought. I was unable to read her commentary on the Earth Charter [McCloskey, 2002] with my normal gusto, however, because it is loaded with errors of fact, logic and omission.

For example, Professor McCloskey categorically rejects the Earth Charter claim that the global “gap between rich and poor is widening.” What evidence does she offer for her rejection of this claim? The examples of South Korea, Thailand, the Czech Republic and India during the past decade constitute her rather skimpy evidentiary base. But doesn't the literature on international convergence demonstrate that one's perception of widening or narrowing income gaps depends crucially on one's sample of nations and the historical period studied? Pritchett [1997] reports, for example, that the income gap between today's affluent and poor nations has grown dramatically during the past century and a half.

McCloskey argues that “decades of rule by...socialists” account for poor macro-economic performance in some developing nations. Is her claim really so obvious? Angus Maddison [1991, 80-1] suggests that colonial rule prior to political independence could help to explain the poor economic performance of some developing nations. Perhaps parliamentary socialism in India after 1947 was a reaction, in part, to the earlier imposition of a plantation economy by British colonial rulers. Isn't that a more fruitful hypothesis than blaming London professors for planting bad ideas in the brains of Indian students?

The Earth Charter asserts that “[a]n unprecedented rise in human population has overburdened ecological and social systems.” This thesis is certainly debatable, but McCloskey's observation that both population and also per capita income have grown dramatically during the *past* two centuries misses the point. The scientific and policy issue raised by the Earth Charter is whether population and income growth are sustainable in the *future* if those demographic and economic trends depend upon:

- Rapid depletion of fossil fuel reserves
- Accumulation of greenhouse gases in the atmosphere
- Accumulation of toxic chemicals and radioactive materials on our land and in our waterways

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- Loss of biodiversity and other ecosystem services because of accelerating land use change, and
- Mining of soil and groundwater inventories to operate commercial agriculture.

McCloskey makes the dubious claim that the needs of future generations can be guaranteed by “private property with a good capital market.” Does she seriously propose that we could convert common property resources like the atmosphere and the oceans into parcels of private property? Even if all assets could be privatized, would financial markets as they really exist (stock market bubbles, mutual fund managers and corporate executives with a three-month time horizon, etc.) encourage proper stewardship of those assets? Norgaard and Howarth [1991] have argued quite persuasively that markets cannot guarantee an equitable distribution of assets among generations. Dasgupta, Mäler, and Barrett [1999, 72] have shown that “if consumption and production activities give rise to environmental pollution..., the social rate of return on investment could be zero even when the private rate is positive....” Can we rely upon a private capital market, then, to allocate resources among generations in a socially beneficial way in the presence of pervasive pollution effects?

Perhaps the greatest hole in Professor McCloskey’s critique of the Earth Charter is her failure to mention its strong emphasis on strengthening democracy and encouraging broad participation in decision making. Does this silence signal her strong preference for private property rights and bilateral exchange in markets instead of political discourse, elections and majority rule? If so, others might disagree with her. Many citizens in Brazil, Poland and South Africa have become disenchanted with the “market capitalism” that McCloskey endorses so uncritically. Perhaps they will choose the ballot box, and not the debit card, to register their preferences and aspirations.

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