

## **Blackboard Economics: On the Root of *Public Interest* Evil**

Terry L. Anderson  
John and Jean DeNault Senior Fellow  
Hoover Institution, Stanford, CA

Anyone who has taken an economics course has been dazzled by the graphs that professors like to draw on the blackboard (or whiteboard in more modern times). There is no more dazzling example of these graphs than an article published in the *American Economic Review* (March 1957) by Francis Bator titled “Simple Analytics of Social Welfare Maximization” (though it did not seem “simple” to me when I was a graduate student). In it he provides a “rigorous” graphical rendition of how neo-classical principles could lead to maximizing social welfare and justifies his analytics saying, “It appears, curiously enough, that there is nowhere in the literature a complete and concise nonmathematical treatment of the problem of welfare maximization in its ‘new welfare economics’ aspects. It is the purpose of this exposition to fill this gap for the simplest statistical and stationary situation.” Bator describes the analysis as “a rigorous diagrammatic determination of the ‘best’ configuration of inputs, outputs, and commodity distribution for a two- input, two-output, two-person situation, where furthermore all functions are of smooth curvature and where neoclassical generalized diminishing returns obtain in all but one dimension-returns to scale are assumed constant” (p. 22).

The article begins with the “efficiency locus” of isoquants (seem simple?), transits to a “production possibility frontier,” then to a “grand utility possibility frontier,” which assumes knowledge of individual preferences, then to a “welfare function,” for which “ultimate ethical valuations are involved,” and finally to “ $\Omega$ ,” the “constrained bliss point.” What could be more

enticing than understanding how to take society to its bliss point, and what could lead more to public interest evil?

The “root” of public interest evil, however, goes back much farther than Bator to A.C. Pigou’s *The Economics of Welfare* in 1920. Therein he leads economics down the pernicious road of externalities by distinguishing between “two varieties of marginal net product” which he named

respectively *social* and *private*. The marginal social net product is the total net product of physical things or objective services due to the marginal increment of resources in any given use or place, no matter to whom any part of this product may accrue. It might happen, for example, , , , that costs are thrown upon people not directly concerned, through, say, uncompensated damage done to surrounding woods by sparks from railway engines. All such effects must be included - some of them will be positive, others negative elements - in reckoning up the social net product of the marginal increment of any volume of resources turned into any use or place. (134)

The upshot of his argument is that individuals acting on the private costs and private benefits they face will over-produce products with negative externalities and under produce those with positive externalities.

Pigou’s colorful language makes his argument all the more enticing. He states the divergence between social costs and private costs is “owing to the technical difficulty of enforcing compensation for incidental disservices” and that the divergence between social and

private benefits is “because incidental services are performed to third parties from whom it is technically difficult to exact payment” (p. ). If only these technical difficulties could be overcome, Pigou tells us that we could add to the “national dividend.”

The final example of the wonders of “blackboard economics” follows from Pigou’s remedy for incidental disservices and services, namely taxes and subsidies (and to those we could add governmental ownership of resources for which the government would take account of social costs and benefits). On the blackboard, the analytics of taxes and subsidies are simple. Taxes shift inward the private cost (supply) curve, thus reducing the equilibrium amount of private production, and subsidies outward shift the private benefit (demand) curve upward, thus increasing the equilibrium amount of private production.

Nobel Laureate Ronald Coase deserves credit for coining the term “blackboard economics.” As he put, blackboard economics is “economics which you can put on the blackboard, in which you study an imaginary system. It’s is not empirically based at all. It's not concerned with what really happens. It's what you imagine could happen and what you imagined didn't happen. . . . That's called blackboard economics. It's something you can put on the blackboard but that doesn't exist.”<sup>1</sup>

Coase’s description of blackboard economics, should be enough to derail any effort to apply Bator, Pigou, or virtually every other economist’s reasoning for applying these social welfare ideas to public policy. Indeed, even Pigou explained why we might be skeptical of using welfare economics to guide public policy. As he put it, “is not sufficient to contrast imperfect adjustment of unfettered private enterprise with the best adjustment that economists in their

---

<sup>1</sup> Transcripts of *EconTalk* Podcast with Russ Roberts (host), May 21, 2012, at <https://www.econtalk.org/coase-on-externalities-the-firm-and-the-state-of-economics/-audio-highlights>.

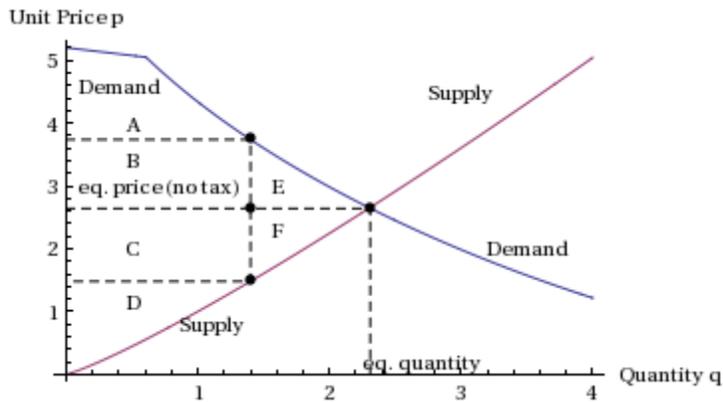
studies can imagine. We cannot expect that any public authority will attain, or will even wholeheartedly seek, that ideal” (p ).

### **Neoclassical Economics’ Contribution to Public Interest Evil**

Neoclassical economics also gets its share of blame for public interest evil. Return to the blackboard with simple demand and supply curves and an equilibrium where they meet. At the equilibrium point all gains from trade are exhausted with the distribution of those gains distributed between the producers (producer surplus) and consumers (consumer surplus). If all markets cleared at this equilibrium, the “national dividend” would be maximized.

Pigou’s concern that these demand and supply curves do not account for all of the social costs and benefits, means that the ideal equilibrium will not be reached and therefore that markets will be inefficient. Moreover, the evil of market power on either the output side—a monopoly restriction on the amount produced in order to maximize profits at the expense of the consumer—or on the input side—a monopsonist restriction on the amount of inputs supplied in order to maximize returns to the input owner—reduces the amount produced and redistributes the consumer surplus to the monopolist or the producer surplus to the monopsonist.

For these reasons, the blackboard economist points out that there is a loss shown by the “welfare triangle” or the “deadweight loss,” the little or big wedge between the amount supplied and demanded and the equilibrium amount (E + F) *Voilà*, the market has failed!



Some blackboard economists now will point out that this deadweight loss can be recovered by collective action—meaning political action in the public interest. If only government can eliminate the monopoly or monopsony and encourage competition, the deadweight loss can be recovered and welfare maximized. Or if it is matter of unaccounted for social costs or social benefits, the “externality” can be corrected by taxes for subsidies.

Even Pigou cautioned that such a solution may not occur in the world of politics. Such blackboard economics depends on, in his words, “the intellectual competence of the persons who constitute it, the efficacy of the organisation through which their decisions are executed, their personal integrity in the face of bribery and blackmail, their freedom from domination by the privileged class, [and] their ability to resist the pressure of powerful interests or of uninstructed opinion” (p. ). Unfortunately, “Every public official is a potential opportunity for some form of self-interest arrayed against the common interest” (p. ).

Fortunately, there are other economists who are less sanguine about the potential for public policy to recover any deadweight losses and less pessimistic about the existence of them in the first place. Perhaps, one of the most important economists to resist the temptation to using

blackboard economics is Israel Kirzner, a modern leader of the Austrian School of Economics, whose work emphasizes the importance of the entrepreneur. In 2006, he won the Global Award for Entrepreneurship “for developing economic theory emphasizing the importance of the entrepreneur for economic growth and the function of the capitalist process.”<sup>2</sup> Kirzner points out a fundamental flaw in neoclassical blackboard economics: “By assuming this state of equilibrium, the neoclassical view renders invisible a number of key elements, including the competitive (in the rivalrous sense) nature of the market process and the role of the entrepreneur.”<sup>3</sup>

To Professor Kirzner, the entrepreneur works in two ways. She can be the discoverer or the creator.<sup>4</sup> As the discoverer, the entrepreneur sees new markets for her output or input. As the creator, the entrepreneur sees “market failures an opportunity to create. In the case of a monopoly, the entrepreneur creates products that compete with the monopolist, create new gains from trade, and eat away at the deadweight loss. In the case of the monopolist, the entrepreneur finds a substitute for the input and eats away at the rents going to the owner of the input in restricted supply. *Voila*, now the market failure disappears.

More interesting for the purpose here—namely debunking Pigou’s focus on social costs and benefits—is the role of the entrepreneur as a creator of property rights. Consider Pigou’s “technical difficulty of enforcing compensation for incidental disservices.” This implies that there is a property owner who is having trouble enforcing his property against its use by another.

---

<sup>2</sup> [https://web.archive.org/web/20160521101821/http://www.e-award.org/web/2006\\_Israel\\_M\\_Kirzner.aspx](https://web.archive.org/web/20160521101821/http://www.e-award.org/web/2006_Israel_M_Kirzner.aspx).

<sup>3</sup> Kirzner, 1973, p.

<sup>4</sup> See [https://pure.au.dk/ws/files/107445022/Post\\_print\\_SteffenKorsgaard\\_2016\\_A\\_Tale\\_of\\_Two\\_Kirznern.pdf](https://pure.au.dk/ws/files/107445022/Post_print_SteffenKorsgaard_2016_A_Tale_of_Two_Kirznern.pdf).

Consider a grazing pasture on which a person is grazing his cows and finds someone crossing the property line (note the suggestion with this term that there is a well-defined property line) to hunt deer. A shot from the hunter, even if it is not aimed at the cows, is loud enough to cause the herd to stampede. The astute owner would soon confront the hunter and point out that she has caused the stampede and must cease and desist or perhaps even pay damages caused by the stampede. If the hunter refuses, the owner can either enforce his own property rights using moral suasion or personal physical force, or can “call the sheriff” (a term I learned from my friend, Bobby McCormick, one of the best economists I know). In this example there is not much room for the entrepreneur as creator of property rights.

Another example of entrepreneurial creativity comes from America’s “wild West,” where a cattle grazer in 1860 on the vast plains of Montana finds himself confronted with another grazer in search of grass. If there is plenty of grass, i.e. no incidental disservice, the two can peacefully coexist. Now suppose that another grazer appears, and another, and another, and so on. Depending on the amount of grass, they may peacefully coexist, but if the flow of cattle onto the Montana range continues, the first to arrive will begin to see incidental disservices in the form of overgrazing.

What is the cowboy entrepreneur to do when incidental disservices set in? Unlike the pasture owner confronting the hunter, the cowboy has only two options. He can ask the new grazer to leave claiming some ownership of the land and grass or he can use personal force. He can’t call the sheriff because there is no sheriff to call.

The rest of this story in the “wild West,” however, is not so wild because the cowboy entrepreneurs created associations—cattlemen associations—that established “customary grazing

rights,” established boundaries of those rights, and enforced them against newcomers who were not members of the association.<sup>5</sup> *Voila*, again because there is no incidental disservices, no welfare loss.

Fast forward a few years from the arrival of the first cattle, and another entrepreneur creates a way of reducing the cost of the “technical difficulty” by inventing barbed wire. Now instead of cattlemen associations claiming their territories and defending them with armed cowboys, they fenced the range defining their territories and defending them against intruders at a lower cost than hiring armed cowboys. *Viola*, less “deadweight loss.”

Returning to the blackboard economist, an astute student now raises her hand and asks what role there is for public policy? Not wanting to jettison his beautiful theory, the blackboard economist is likely to defend his position by saying that the government is still ultimately required to defend the property rights. Perhaps the government can lower the costs of enforcement by hiring a sheriff, but this returns the story to Pigou’s concern that “Every public official [including the sheriff] is a potential opportunity for some form of self-interest arrayed against the common interest.”

### **The Mother of All Evils**

Let us now turn to the most pernicious evil of our times—climate change. I state at the outset that I am not a “climate denier.” I believe that the data suggest global temperatures are rising and that there *may* be some changes in the frequency of climate events such as forest fires or hurricanes, though the jury is still out on the probability of such claims. For me the clearest

---

<sup>5</sup> See Terry L. Anderson and Peter J. Hill, *The Not so Wild, Wild West: Property Rights on the Frontier* (Stanford University Press, 2004).

evidence that there is climate change in the human action described below and further documented in my edited book, *Adapt and be Adept: Market Responses to Climate Change* (Hoover Institution Press, 2021).

Until recently, virtually all discussions of climate change have ignored human adaptability—entrepreneurship—and, instead, have focused on reducing the degree of global warming or mitigating its effects, both of which rely mainly on government action in the public interest. The policy that receives most support from economists are called “market-like” mechanisms that incentivize individuals and corporations to reduce emissions. The two best known are carbon taxes and cap-and-trade.

Even conservative economists, such as the late George Shultz, former Secretary of Treasury and of State, and the late Gary Becker, Nobel laureate,<sup>6</sup> called for carbon taxes on the grounds that they will promote an efficient solution to climate change. They argued that energy producers and consumers create “externalities,” meaning they impose costs on others for which they are not liable. Shultz and Becker conclude that those who generate GHG “should bear the full costs of the use of the energy they provide,” including the costs “imposed on society by the pollution they emit. . . .” Such a tax “would encourage producers and consumers to shift toward energy sources that emit less carbon.”

Indeed, price changes resulting from a carbon tax will influence producer and consumer behaviour, but they are not the result of a market. Rather, they are the result of blackboard graphs making the case for carbon taxes. But drawing them is one thing; implementing them is another. Unlike some resources, such as a fishery where there is a biological basis for a “total allowable

---

<sup>6</sup> <https://www.wsj.com/articles/SB10001424127887323611604578396401965799658>

catch,” there is no “optimal” amount of carbon to be emitted. Even if there were, there is no way to determine how a tax would affect emitters, i.e. there is no way to know how emissions would respond to a tax.

Cap-and-trade policies are another example of efficient blackboard economics favoured by economists. Under cap-and-trade, the government places a cap on carbon emissions, allocates shares in the cap to carbon emitters, and allows the shares to be traded. This creates a market in the cap, the price of which is determined by willing buyers and willing sellers. As with a carbon tax, the price of the cap will affect producer and consumer behaviour, but the quantity and its allocation are set through a political process, not through market forces. For this reason, where cap-and-trade has been tried as with the EU’s Emission Trading System, it has failed because politicians cannot resist tinkering with the level and distribution of caps. As a result, allowance prices have plummeted and the trading system is a sham (see Anderson and Libecap, *Environmental Markets: A Property Rights Approach*, 182-88).

### **Market Adaptation to Climate Change**

Given that blackboard economic policies run afoul when confronted with the reality of politics, is there any hope that markets will allow us to adapt to climate change? The answer is an emphatic YES. Human history has been one of adaptation ingenuity and adapting to climate change is no exception IF price signals are there to motivate entrepreneurs. The prices in this case are related to assets, finance, and risk markets.

To understand how this form of adaptation works its way through markets—especially land, capital, and other fixed asset values—assume that climate changes are **not** caused by

anthropogenic GHG emissions, but rather are the result of some force of nature beyond the control of human beings. Hence, climate change is not a result of private costs being less than social costs because it is not human action that is causing the changes. There is no “welfare economics” to guide what the optimal blackboard tax should be.

Under this assumption, however, asset markets will respond without anyone to blame, and asset owners will adjust—adapt—how those assets are used. Beachfront properties subject to rising sea levels would be less valuable, inducing people to build differently or move to other locations. Agricultural land with more precipitation would be more valuable, inducing producers to use different crops or to move production to different locations.

Changing the assumed cause of climate change to anthropogenic GHG emissions does not change the role of asset markets and human action. This conclusion follows the reasoning of Nobel laureate Ronald Coase (1960), who in his seminal article on “The Problem of Social Cost,” explained that competition for resources generates reciprocal costs. By that he meant that the person who wants quiet in her apartment imposes costs on the tenant who wants to play loud music in his apartments, and the person who wants to play loud music in his apartment imposes costs on the person wanting quiet. In the context of the atmosphere, the producers of goods that require carbon want to use the atmosphere as the receptacle of CO<sub>2</sub>, and the beachfront homeowners want to use the atmosphere to regulate climate so as to prevent sea level rising.

From this reasoning Coase made two points. First, who is imposing costs on whom requires knowing who has what rights. Does the quiet lover have the right to quiet or the loud music lover have the right to play loud music? Does the CO<sub>2</sub> emitter have the right to emit or the beachfront homeowner have a right to a constant sea level? Second, Coase explained, that, once

the rights question is resolved, market bargaining can resolve the conflict or competition of the scarce resource—apartments or atmosphere—if transaction costs are low enough to provide gains from trade.

Turning to the first question as it relates to use of the atmosphere, the CO<sub>2</sub> emitter—car driver, electricity producer, or milk producer—can reasonably argue that he has a right to emit as suggested by the status quo over hundreds of years, and limiting CO<sub>2</sub> emissions imposes a cost on him. The beachfront homeowner, on the other hand, reasonably argues that she built her house believing that the sea level was stable and that higher temperatures melting polar ice are reducing the value of her house.

Coase was a “causal agnostic” regarding this question. Who gets to impose costs on whom depends on who has the right to emit or the right to have stable property values. He considered it the job of courts and legislatures to answer that question.

He was not agnostic about the potential for trade because transaction costs could be so high that bargaining would not be feasible. He made this point by supposing transaction costs were zero and illustrating that bargaining would result in the same outcome regardless of who had the initial rights. From this point others criticized Coase, claiming that his argument only holds if transaction costs are zero, though that totally misses Coase’s point that costs are reciprocal.

Welfare economics, i.e. blackboard economics, leads to the conclusion that markets fail if transaction costs are positive and hence that adjustments are necessary. Moreover, blackboard economists are not “causal agnostics,” but rather are normative in their conclusion as to which way the costs should flow—from the emitter of CO<sub>2</sub> to the homeowner or vice versa. I

emphasize that this is a normative question and side with Coase on the role of law in deciding the direction of causation.

Returning to use of the atmosphere, who adapts and how they adapt depends on how atmospheric rents are allocated and how they change; i.e. who captures the value of using the atmosphere as a GHG dump or who adapts in what ways to the consequences. Do owners of fossil fuel or generation facilities capture rents from using the atmosphere as a medium for disposal of carbon or do beach-front property owners capture the value of stable sea levels if GHG emitters are forced to reduce emissions and if the reduced emissions actually stop global warming. It is not surprising that people owning beachfront property would rather continue receiving their rents from the beach with waves lapping at their feet and that coal burning power plant owners would rather continue receiving rents from disposing of GHG into the atmosphere.

The answer to the question of who has what rights is still unclear, though the shouting is loud from both sides. To date, however, neither party has attained a political resolution to the question of who gets the rents, and without that resolution, the status quo seems to prevail with the GHG emitters capturing benefits of atmospheric carbon disposal and the owners of land and capital adversely affected by climate change suffering reductions in asset values.

Moreover, transaction costs are clearly not zero even if rights were decided. There are millions of GHG emitters and millions of asset owners spread across multiple political jurisdictions. Each side claims to have a right to be free of the others costs and without clarification of rights, bargaining is impossible even if transaction costs were low, and they are not. This sounds like the perfect scenario for a blackboard economic solution.

By putting aside the sticky, though important questions of who has what rights, and by focusing on market prices of land and capital given the status quo, we begin to see that markets are not failing. Instead, price changes are inducing market adaptation to climate change. Human beings are continually responding to changing environmental conditions (e.g., rising sea levels or storm surges) and resource prices that reflect those conditions (e.g., falling recreational property values in the face of wildfires). As a result, the prospects of catastrophic climate change are reduced by human action through market processes, entrepreneurial activities, and institutional evolution.

### **Entrepreneurs to the Rescue**

The extent to which human beings react to climate change depends critically on the quantity and quality of information they have about the consequences. As Nobel laureate Friedrich Hayek noted in his seminal 1945 article, “The Use of Knowledge in Society,” prices provide condensed information about the costs of production and the value of goods and services produced, appropriately discounted by uncertainty about technology and resource scarcity. How good that information is depends crucially on how complete markets are and how complete property rights are. If there are missing markets, meaning some inputs or outputs are not priced, the incentive to adapt is truncated, but the incentive to innovate (as the cattlemen did) is increased. Tied to missing markets is the authority and the wherewithal (wealth) to take action.

Again using the example of a beachfront home, the price of that home will include the cost of materials that went into construction, the quality of the construction, and the anticipated consequences of more frequent and intense hurricanes and storm surges, to mention a few.

Markets exist for construction materials and for real estate, but they will be missing for risks associated with climate change insofar as data on the climate effects are not robust and the consequences are uncertain and vary considerably across time and space. Moreover, government insurance subsidies and disaster relief payments distort risk premiums and housing prices in ways that discourage adaptation.

Given the uncertainty of climate's effect on property values—warmer temperatures, lower temperatures, more precipitation, less precipitation, more humidity, less humidity, and the list goes on—it is difficult to measure the climate effects with much precision. But where is that information likely to be generated if not by asset owners with time and place specific information?

In short, climate change is about dealing with new averages and greater variation in climate measures and about not distorting asset price signals through subsidies and taxes. As time and place specific information unfolds, asset owners, financial institutions, and risk arbitrators can incorporate that information into prices—e.g. housing prices, mortgages, and insurance rates—to incentivize people to adapt. Human history is a history of ingenuity and adaptation to climate change is no different. Already markets are showing the potential for adaptation.

Adaptation is McKenzie Funk's theme in his book titled, *Windfall: The Booming Business of Global Warming* (2014). Changes in the arctic sea ice causes—"the Melt"—changes in water supplies—"the Drought"—and changes in coastal flooding—"the Deluge"—are three categories into which Funk pigeonholes entrepreneurial responses to climate opportunities. He asserts that his book is an answer to the increasingly urgent question: "What *are* we doing about

climate change?” (Funk 2014, 11). He provides many examples of climate entrepreneurs who are not just talking about the weather; they are doing something about it.

Studies of real estate markets illustrate ongoing adaptation. A paper in the journal of *Environmental Research Letters*<sup>7</sup> by three Harvard University professors tested the hypothesis “that the rate of price appreciation of single-family properties in MDC [Miami-Dade County] is positively related to and correlated with incremental measures of higher elevation.” Using the value of 107,984 properties between 1971 and 2017, they found a positive relationship between price appreciation and elevation in 76 percent of the properties (82,068) in the sample. Again, it is important to emphasize that such changes in property values are more easily dealt with by people with the means to adapt.

A similar study<sup>8</sup> by economists at the University of Colorado and Penn State found that beachfront homes in Miami exposed to rising sea levels sell at a seven percent discount compared to properties with less exposure to coastal flooding, storm surge, and severe storms. Moreover, the discount has risen significantly over the past decade. Comparing rental rates to selling prices of coastal homes, they found that the discount in selling prices “does not exist in rental rates, indicating that this discount is due to expectations of future damage, not current property quality.”

Though not armed with large data sets and sophisticated regressions, Massachusetts realtors are coming to the same conclusions.<sup>9</sup> According to Jim McGue, a Quincy real estate

---

<sup>7</sup> <https://iopscience.iop.org/article/10.1088/1748-9326/aabb32>

<sup>8</sup> [https://leeds-faculty.colorado.edu/AsafBernstein/DisasterOnTheHorizon\\_PriceOfSLR\\_BGL.pdf](https://leeds-faculty.colorado.edu/AsafBernstein/DisasterOnTheHorizon_PriceOfSLR_BGL.pdf)

<sup>9</sup> <https://www.bostonglobe.com/business/2018/04/23/sunk-water-view-homes-near-ocean-risk-losing-value-even-hot-market/HskjAqt0acqHiBcbh4L0XL/story.html>

agent, the nor'easter that "happened here in March certainly underscores what a 100-year flood map is all about." Another broker, Maureen Celata from Revere, said a home that included a private beach sold for 9 percent less than its list price of nearly \$799,000 and took 55 days to sell, which she called an "eternity."

Wine producers in California, Bordeaux, and Tuscany beware. A study by Conservation International, published in the *Proceedings of the National Academy of Sciences*,<sup>10</sup> forecasts that wine production in California may drop by 70 percent and regions along the Mediterranean by as much as 85 percent over the next 50 years. The silver lining is that vintners will adapt by moving their grape production north, some predicting grape production will move even to places such as Montana, Wyoming, and Michigan, noted for their severe winters.<sup>11</sup>

In the future you may also see more signs on fruit saying, "Country of Origin—Canada," according to Canadian biologist John Pedlar who sees more people in southern Ontario "trying their hand at things like peaches a little farther north from where they have been trying." This is consistent with the U.S. Department of Agriculture's Plant Hardiness Zone Map, which shows tolerant zones moving north.<sup>12</sup>

## Conclusion

Blackboard economics is beguilingly enticing. The blackboard diagram, which is hardly simple to the student being dazzled by the professor, but once understood begins to appear

---

<sup>10</sup> <https://www.conservation.org/blog/climate-change-puts-the-squeeze-on-wine-production>

<sup>11</sup> <https://qz.com/quartz/1108814/the-improbable-new-wine-countries-that-climate-change-is-creating/>

<sup>12</sup> <https://www.npr.org/sections/thesalt/2012/01/25/145855948/gardening-map-of-warming-u-s-has-plant-zones-moving-north>

simple. And, what could be more appealing than a paradigm that can take society to its “bliss point”?

Enticing as it is, welfare economics is, in fact, the emperor with no clothes. It glosses over Coase’s important question of who has what rights, and in doing so, uses a slight of hand to make the case that the direction of causation—the externality—only goes one way. Then welfare economists suggest that they can know the slopes and intersections of the blackboard graphs if only they have the right data. Finally, the “simple analytics of welfare economics” totally ignores the politics of who has what rights, what costs are being imposed on whom, and who is likely to dominate in the political process that answers these questions.

There is no better example of the “evil” use of welfare economics than climate change. Regardless of the shouting by teenagers at climate conventions, rights to the use of the atmosphere remain unclear, all policies impose costs on someone to the benefit of someone else, and the process of allocating those costs and benefits seldom take account of those with little political voice, the lower socio-economic classes.

By exposing the pernicious nature of welfare economics and focusing on human action guided by prices, humans can continue to thrive, all the while improving their environment. Blackboard economics—the notion that there is some optimal allocation of resources and optimal distribution of goods that can be known if only “the special knowledge of the few” (welfare economists?) can be used “to guide the actions of the many” (Sowell, *A Conflict of Visions*)—is one of the most arrogant concepts that threaten liberty. Aggregating human action through markets and the prices they generate is the only hope for the bliss point of liberty.