



Pope Francis' analysis of the state of the world in his encyclical *Laudato si* is unduly pessimistic.

It is correct to say that pollution leads to premature deaths. But the underlying picture is one of huge increases in life expectancy and health because of economic development that is taking place.

Within the document there are also various ad hoc attacks on the market economy. The Pope argues that water should not be privatised because it is a scarce resource. In fact, the purpose of markets is to allocate scarce resources.

Whilst it is important that all have access to clean water – and improvements in this regard are a crucial element of the economic development of the last 30 years – to argue that it should not be provided by markets is no more sensible than arguing that food should not be provided by markets.

Indeed, in many African and Asian countries, water shortages are seriously exacerbated by relatively

wealthy industrial and farming interests benefiting from water subsidies and growing totally inappropriate water-thirsty crops.

Nowhere in the document did the Pope mention fossil fuel energy subsidies – in other words, the policy of paying people to emit greenhouses gases.

As *The Economist* put it: "It would be hard to find a worse [mistake] than energy subsidies. Recent research has shown that they enrich middlemen, depress economic output and help the rich, who use lots of energy, more than they do the poor."

Also, there is no recognition that the models of development that are criticised by the Pope have led to rapidly falling rates of poverty and deaths from natural disasters whilst access to education and healthcare has improved.

Furthermore, nowhere is it acknowledged that the natural resource intensity of production falls dramatically as countries develop. The carbon intensity of production falls; we stop using whales

for oil; we stop plundering forests and instead nurture them; and so on.

Economists see environmental problems as problems of property rights not being enforced or defined.

For example, business ABC cuts down a rain forest in Brazil and destroys the livelihoods of indigenous tribes and causes flooding in a neighbouring country.

In developed countries, these problems are generally solved. Sometimes they are solved using regulation and sometimes using traditional common law property rights. Good governance, the rule of law and the effective definition of property rights are essential pre-requisites for addressing many environmental problems.

Given that poorly defined

PHILIP BOOTH EXAMINES THE POPE'S VIEWS ON THE ENVIRONMENT

and enforced property rights lie at the heart of so many environmental problems, especially in poor countries, this whole area is a big omission from this encyclical.

It is far more fundamental than many of the political-economic issues discussed by Pope Francis which really were a diversion from the excellent moral-theological analysis•

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Full version at: www.iea.org.uk/blog/property-rights-and-the-environment-a-response-to-pope-francis%E2%80%99-encyclical



“Strikes have the added benefit that they give people a nice opportunity to signal their ideology to others”, a friend of mine tweeted yesterday.

At least as far as my timelines on Twitter and Facebook were concerned, that was exactly right.

At the heart of our disagreement over strikes lies the fact that different political camps hold fundamentally different assumptions about the question of what determines the living standards of ordinary people.

Why is a manual labourer in 2015 so much better off than a manual labourer in 1915, and why is a manual labourer in the UK so much better off

Technological and organisational innovation raises total factor productivity, which works in the same direction.

Improvements in transport, logistics and communication technology lead to ‘thicker’ markets, as they enable wider, more sophisticated patterns of specialisation and exchange.

We get better at matching the right kind of labour with the right kind of capital. The economy grows, we all grow richer.

For large parts of the left, these are at best sideshows. They believe that progress in the lives of ordinary people is the result of power struggles. It does not just happen

first mass-produced car, about digitalisation, about the emergence of discounters and no-frills airlines.

Left-wingers would talk about the history of factory acts and other pieces of ‘progressive’ legislation, the emergence of trade unions and the creation of the welfare state.

For the left, tube strikes touch the right buttons. They earn far more than soldiers, firefighters, nurses, teachers and policemen, you say?

Well, that’s an argument for raising the wages of soldiers, firefighters, nurses, teachers and policemen, not for cutting the wages of tube drivers. Never mind that, in a country where the average full-time salary is £32,250, we cannot all earn over £50,000, no matter how strong the union movement.

But such details are as unimportant as the specifics of what a strike is about. Strikes divide us, because we tell ourselves different stories about how the world works, and role of strikes differs vastly from story to story.

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‘naturally’, it has to be actively fought for, wrestled from the hands of a reluctant elite, and then constantly defended.

When it comes to telling stories, supporters of the market economy would talk about the first railways, the first telegraph, the first transatlantic flight and the



Real apprenticeships provide skills which workers can take to other employers and obtain a wage higher than they would have earned otherwise.

Historically, they were paid for by binding young employees (with legal sanctions for breaking the agreement) to work for a fixed period with very low pay, and often with an upfront payment from the family or sponsor of the youngsters.

In modern conditions, with few restrictions on employee movement, minimum wage legislation (albeit with a lower rate for some apprentices), and when the costs of many types of training are beyond family resources, a shortage of apprentices can arise.

The obvious government intervention, if this is a problem, is to provide income-contingent loans, as we do for undergraduates, and allow young people to look for apprenticeships which suit them.

Governments like ours do not think about apprenticeships as

rational career investments by individuals, but rather as the key to higher productivity for what they often describe as “UK plc”.

Anecdotal arguments about shortages of highly-skilled workers are quoted,

LEN SHACKLETON APPRAISES THE APPRENTICESHIPS LEVY

but the argument that 3m apprentices by 2020 will produce big productivity gains has no secure basis.

Recent governments have spent a lot of money subsidising apprenticeships: in England, £1.6bn in 2014-15. They have done it in an odd way, too: a government-funded organisation, the Skills Funding Agency, has contracted with “providers” (such as further education colleges) to sign up a certain number of employers.

Employers have been fairly passive in this set-up, with much paperwork and assessment of apprentices

being dealt with by providers. Formal training programmes relate to standards laid down by the Skills Funding Agency and other external bodies.

The incentive for providers has been to generate large numbers of low-level apprenticeships, which are short, cheap and easy to complete as payments are made for successful completion.

In 2013-14, only 2 per cent of apprentice starts were at the higher level, the equivalent of most German apprenticeships. Two-thirds of the 440,000 starts were at the lowest (misleadingly termed “intermediate”) level.

Rather than new apprentice jobs being provided, some employers were simply rebadging existing staff, as in the notorious case where over 20,000 existing Morrisons supermarket workers, 88 per cent of whom were over the age of 25, were enrolled as “apprentices”.

This isn’t only a wasteful policy. There will be other negative consequences. In practice, “the apprenticeships levy acts as a crude payroll tax.

Such taxes are eventually passed on in reduced wages and/or reduced employment, probably – paradoxically – for the lower-skilled. This is, then, a tax on shelf-stackers.

This article also appeared in CityAM.

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KRISTIAN NIEMIETZ ANALYSES THE STRIKING DIFFERENCE BETWEEN LEFT AND RIGHT

than a manual labourer in the Philippines? People who broadly believe in free markets would answer the question more or less as follows.

With the right set of institutions in place, an economy’s capital stock grows over time, which raises the productivity of labour, and thus its remuneration.