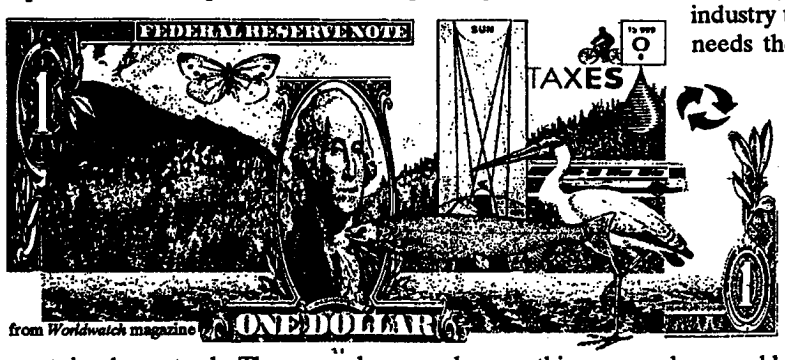
COSTING THE ILLTH: A Market for the Environment

Perhaps people with busy schedules can be excused for missing an article on page 45 of the Saturday *New York Times*, but on February 8th, that page held a very interesting article, headlined *U.N. Group Offers Plan to Control Pollution Through a Quota System.*

Now just wait a moment, you might ask, why would Georgists be interested in such a thing? What do **quotas** for **pollution control** have to do with making land common property? The article is subtitled "A proposal to put a price on carbon dioxide and other global pollutants." Here, we're getting warm - which is a good thing, because the earth's atmosphere is, too - uncomfortably so.

In the 60s and 70s, the first flowerings of the modern environmental movement were essentially local in focus. Efforts were undertaken to improve air quality in specific cities, to protect the integrity of specific water tables, or to responsibly deal with the disposal of waste (recycling, of course, whenever possible). The only anti-pollution laws to be enacted on a national scale were those over which the local community could have no control, such as auto-emission controls.



from *Worldwatch* magazine

Protecting the environment is always an uphill battle, because air and water have always been free goods. Legislation to protect them merely confers a small benefit upon each individual air-breather and water-drinker. In other words, such laws impose costs on polluters without conferring (economic) benefits upon anyone. Thus, those who advocate environmental regulations are portrayed as Enemies of the American Way. More importantly, the only countries likely to enact them are those which are affluent enough to absorb the resulting disincentives to production.

In the 90s, however, with the advent of global warming and widespread desertification, pollution has become a global issue. Air and water are no longer free: they have attained market costs, which are (or will soon be) as real as the costs of wages, maintenance, or health insurance. When something has a price, it will be traded. It is widely known that the easiest way to make something happen on a large scale is to make it profitable.

So, the United Nations Conference on Trade and Development has released a plan that would set national quotas on emissions. Writes Marlise Simons in the *New York Times*, "It would for the first time put a worldwide price on one or more of the pollutants blamed for global warming." Nations that produce less, per capita, of the pollutant in question (the program would probably start with carbon dioxide, since it is quite easy to measure) would be able to sell credits to richer and dirtier nations. This would amount to an environmentally benign form of foreign aid, and place a market value on reducing emissions.

The UN commission acknowledges that such an agreement would be difficult to negotiate. As long as wealthy, heavy-polluting nations can meet their own environmental standards by farming their industries out to hungry, marginalized foreign workers, they will do so. Indeed, third-world nations should have no problem with **this** aspect of global free trade. There may, however, be something in it for everyone. Rich industrial countries already have relatively stringent environmental regulations. Further pollution reduction may be quite expensive for them; pollution credits would be a better bargain. The revenues poor countries gain from pollution credits would be a welcome substitute for the revenues they would have gotten from doing industrial dirty work. Thus, the **net amount of harmful emissions** would be reduced.

Of course, to achieve its potential, the policy depends on strict - and strictly enforced - pollution-control laws in the western industrial nations. These regulations are the primary way in which **pollution is made expensive.** The United States economy can afford this: for example, automakers were perfectly able to meet California's stringent emissions requirements. The alternative was to lose a huge market.

Developing nations, however, who are struggling to industrialize, raise living standards, and meet interest payments to western banks, cannot afford the "luxury" of imposing the additional cost of cleanliness on industry. They want the jobs. Multinational corporations are faced with a choice between high-priced labor and costly pollution regulations at home, or getting away - sometimes literally - with murder in the third world. Union Carbide paid a large settlement on one of the worst industrial disasters in history in Bhopal, India - but from a cost-effectiveness point of view, the company did quite well. What might Union Carbide have been forced to pay for killing, say, four thousand Pennsylvanians?

Many people recoil from the notion of trading in "pollution credits" because they feel that such a system would somehow legitimize polluters - would confer upon them, for thirty pieces of silver, the right to pollute. That may be so, but only if we realize that **polluters would pollute anyway.** If we make it too expensive for industry to befoul **our** back yard (the United States), we create an incentive for industry to relocate to a place that needs the jobs. Let the Mexicans pass their own laws if **they** want clean air.

Developing countries have the opportunity to avoid the environmental mistakes of the industrial revolution. Emerging technologies in conservation, recycling, sustainable farming and forestry, and renewable energy could be the basis for the industrial infrastructure that developing nations are desperately trying to build. But if developing nations cannot raise the start-up costs of innovative, clean technologies, they will industrialize without them - in other words, they will do the dirty work for western companies. In that case, our environmental regulations will amount to nothing more than a global NIMBY policy.

From a Georgist point of view, the policy of trading in pollution credits offers a special bonus: it amounts, after all, to the charging of **rent** for economic **land.** Everyone has the right to healthful air and unpoisoned water. Up until now, the costs of pollution have been borne by every member of society: in health-care costs, in taxes that clean up toxic wastes and taxes that subsidize autos and highways. Up until now, the ability to pollute the air and water **and not pay for it** has been a windfall for landowners and a tax on consumers. The right to pollute and not pay has **enhanced the rent** of industrial land. The policy of international trading in pollution credits will have the effect of charging polluters some of the cost of polluting.

-Lindy Davies