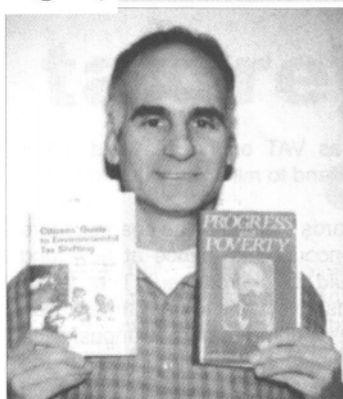




ECOLOGY

GEOTOPIA: eco-tax strategies to a sustainable society



Gary Flo stresses that eco-taxes are forms of land tax

IF WE assess recent progress of the Georgist ideal as a narrowly defined "single land tax", then there might be reason to be glum. If on the other hand, we more broadly define "land tax" as a user fee or "economic Rent" for use of god-given common assets, then there is reason for great optimism. We also may have more allies than we realise. There has been progress on reforming mining fees, oil royalties, grazing fees on public land, spectrum leasing, etc, but the greatest progress is being made in the area of "eco-taxation" or environmental taxes. In neo-classical economics they are often called "Pigouvian" taxes.

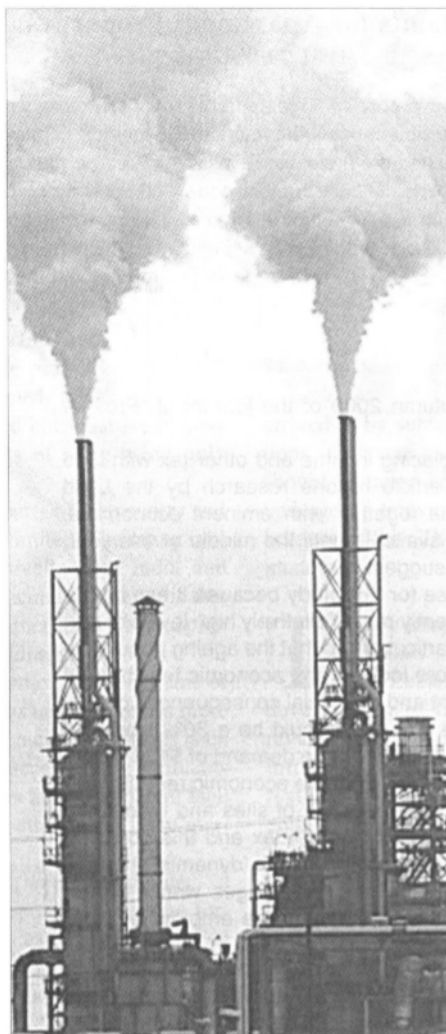
To understand eco-taxes as a form of land tax it is first necessary to distinguish between the natural world as a "source" (of land or resources) and as a "sink" for waste. In an industrial society, it turns out that the earth's absorptive function as a "sink" is more limiting than the "source" function, due to the 2nd law of thermodynamics, but let's not get into that right now.

Paying a user fee for use of the earth as a sink for waste basically defines an eco-tax. By placing a cost on what was previously free, these activities are discouraged. Eco-taxes are being adopted worldwide on many waste products of industrial society. They are already in effect in many countries including Australia, Austria, China, Finland, France, Netherlands, Poland, US, UK, Belgium, Ireland, Turkey, Sweden, Spain, Portugal, Japan, Singapore, and others. Items subject to tax are solid and hazardous waste, fresh water use, fertiliser or pesticide sales, water pollution, air pollution, ozone-depleting chemicals, CO₂, motor fuel, and others.

Similar to a land tax, eco-taxes are a rental charge for use of the earth, but as a sink for waste instead of as a source. There are many ways to assess the value of ecosystem services provided by nature. For example, they can use "contingent valuation" by asking people affected about their willingness to pay (to prevent), or willingness to accept (if compensated) for the pollution. The costs of public health damage could be calculated, but collecting can be difficult.

For example, during the early years of industrial corporations in England, firms were called "Limiteds". "Satanic Mills" burned coal to power their plants. The trees became covered in soot and 99% of the "peppered moths"

common around Manchester mutated to black. This is a common example of natural selection cited in biology (*Human Natures*, Ehrlich, p. 27). The public had no recourse and the industrial machine kept churning. Without the corporate veil, perhaps there would be no need for eco-tax? People would sue you for damages, and jury awards would determine the "rent" for polluting. Libertarians might like this approach, except there are few problems. The disparity in economic power has made many polluters very difficult to sue. Even more important, not all pollution causes immediate damage, think of CO₂ or CFCs. Another approach might be to figure the cost of disposing or recycling waste if nature didn't do it for free.



ECO-TAX may not be the exact equivalent of land Rent, which is the return to land, because air (always), and water (sometimes) are public, not private goods. There is no way to privately monopolise air and make people pay, like you can with land. The value of air as a sink for waste has to be imputed. So, in that they are different. If air were privately owned, it would work exactly the same way as land. You would have to pay for the use of it (even to breathe), and the market would determine the price. If that were the case many people would probably suffocate for lack of ability to pay: airless instead of homeless!

What land and "the environment" have in common is that they are both aspects of nature, that belong to everyone equally. If you subtract value by using land, or polluting air, you should pay for the privilege. But in neither case are you paying for being productive or adding value, only for subtracting value, and using a resource that other people need. Other people are left worse off by your use of the resource. In the case of land tax the owner has to pay it. Without land tax the owner keeps this unearned revenue. In the case of eco-tax the cost is passed on to consumers. This has led to calls for eco-rebates or "eco-bonus".

Eco-taxes have many advantages as a supplement or replacement for regulation. For one thing they are simpler, and they generate revenue rather than costing money. Promoters use the phrase "Tax Bads, not Goods". They advocate removing taxes on productive activities such as wages, income, profits, and sales, while shifting the burden onto "bads" such as pollution, energy, and land use. It's called the "tax shift" or "environmental tax shift." Broadly conceiving "land tax" as a user fee for earth as a source of land and minerals or sink for waste, this is identical to the Georgist "single tax".

Many eco-taxers also advocate land taxes such as NW Environmental Watch, Friends of the Earth, the Green Party, Worldwatch, and one of the founders of the UK New Economics Foundation, James Robertson. It wouldn't hurt to gain a few allies along the way to Geotopia. Eco-taxation and its proponents are among them.

♣ THE AUTHOR is vice-president of the Institute for Geonomics and he is a founding member of the California Green Party.