

THE PROGRESS REPORT

Environmental Justice

By Fred E. Foldvary

Must we sacrifice economic prosperity and growth for the sake of saving the natural environment?

That is a key question for policy dealing with environmental destruction and the consequences of lost species, global climate changes, and potential environmental catastrophe. An international summit is taking place starting Monday, December 1, 1997, in Kyoto, Japan, where the fate of the world may be decided.

Economists remind us that there is no free lunch. There are always trade-offs. We can't have a healthy environment without some costs. No pain, no gain.

This is true, but misleading. If we outlaw theft, there is pain for the thieves, and a trade-off between the well-being of thieves and that of their victims. But since the thief is an outlaw, we don't feel his pain, and are happy to make the trade-off. And if we can make the thief compensate his victims, enforcing the law against theft does not have to cost the rest of society anything.

Polluters and other environment destroyers are thieves, stealing our common natural endowment and heritage. Making them compensate us for the damage they cause is not a trade-off problem but a matter of environmental and economic justice. So saving the environment will cost someone, but that someone should be those who pollute, kill off wildlife, and change the global climate.

Environmental justice does not have to reduce prosperity and growth. The reason is that governments are already damaging the economy with barriers and taxes. If the barriers are lifted and taxes are shifted from good things such as enterprise to bad things such as pollution and wasting land, there is no extra cost to the economy, and we get an environmental benefit. It is not exactly an economic free lunch, since the polluters who were getting rich by forcing their filth on society now have to pay compensation or pay to reduce their pollution. But morally, it is a free lunch for civil society, since criminals should indeed pay restitution.

If governments impose pollution taxes on top of other taxes, then this policy will hurt the world's economies. If environmental standards are enforced by command-and-control regulations, there will indeed be a big economic price to pay. But if instead the policy is a tax shift from taxes on income, sales, and goods, to payments for land rent and pollution, then the result will be more prosperity and growth and also a healthy natural environment.

The basic rule for environmental justice is to make the consumer pay the full social costs of the goods she or he consumes. When polluters pay a charge proportional to the pollution damage, that cost is passed on to the consumer. Environmental and economic justice also

requires full market charges to consumers for resources such as water, timber, minerals, and oil, with the rents, the values due to nature, shared as common community if not global resources.

If you'd like to read a good book on environmental economics, I recommend ***Green Markets***, by Theodore Panayotou. Let us request and demand that our policy makers follow sound economics by making users and abusers of natural resources pay the social costs, instead of burdening consumers, workers, enterprises with taxes and costly regulations. A win-win solution is possible by shifting burdens to environmental users instead of imposing ever new burdens on the public.