

Time to account for our environmental impacts

By Wayne Visser

In the first article in this series exploring issues related to an economic policy on the environment, I looked at some of the macro-economic issues to consider. Now, I make brief recommendations on economic instruments, trade and industry and community economics.

Economic instruments can be used to create the right incentives for sound environmental management. One way is to introduce eco-taxes. The principle behind such taxes is to discourage the "bads" in society, such as resource exploitation and pollution, and to encourage the "goods" such as renewable energy and organic farming. For example, consideration might be given to the introduction of carbon taxes to curb greenhouse emissions, and other similar pollution taxes.

Although some dislike the idea of giving companies pollution rights, another possible economic instrument is the introduction of tradeable pollution permits, which allow cleaner companies to benefit from the sale of their pollution rights to more polluting firms. The government could also give tax concessions to companies which demonstrate superior environmental performance, or promote environmentally sustainable products, technologies or processes (e.g. material recycling, energy reduction).

The area of trade and industry is also crucial for an economic policy on the environment. The government should institute an inquiry into the social and environmental consequences of trade and financial liberalisation, in particular the implications of the World Trade Organisation and the policy recommendations of the IMF and World Bank. The government should ensure that "free trade" does not result in a lowering of environmental standards, or reduction in environmental management capacity.

The government should ensure that all national and international business investment with potential associated environmental impacts should be subject to strict environmental management requirements. In particular, multi-national companies should be required to be required to maintain the environmental management standards of their parent companies.

The financial practice of discounting future values in investment projects and decisions should be examined in terms of its negative impact on the sustainable management of natural resources. Alternative methods should be sought and promoted. Socially and environmentally screened investment funds, or so called ethical or green funds, should

be encouraged and supported. These enable finances to be channelled into companies or projects with positive social and environmental objectives and programmes.

Companies should be encouraged to estimate and publicly disclose environmental information, especially of an economic nature. In particular, companies should be encouraged to develop full cost environmental accounting systems. Independent environmental auditing of such information should be required. Companies should be required to estimate environmental costs and benefits of investment projects, and ongoing business operations. This should form part of the requirements of Environmental Impact Assessments and Environmental Management Systems.

At the community level, economic activities with low environmental impacts should be promoted and supported. For example, traditional subsistence agriculture and permaculture. Community participation and consultation related to business projects and operations with positive or negative environmental impacts should also be ensured.

Community financial institutions should be promoted and supported, especially social banks which channel funds directly into socially and environmentally beneficial projects and organisations. The government should create economic incentives for promoting environmental management at a local authority and community level. This may include subsidising recycling activities, sustainable transport, and energy or water saving programs.

A system of community environmental quality indicators should be promoted as part of the governments' commitment to the implementation of Local Agenda 21. These should include economic environmental measures which can be monitored over time. Finally, government spending should be directed towards poverty alleviation and social upliftment which will reduce environmental degradation as an indirect effect.

Source:

First published as an article in *Money Values*, 25 December 1997.