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Subject Area - Economics Environmental Pollution

Critically evaluate two approaches to solving the problems of environmental pollution.

In the 20th century rapid economic development has resulted in environmental problems. Hence, environmental pollution has been a cause for concern for the past few decades. The greenhouse effect caused by the release of carbon dioxide for example has become a main focus in the world. Newspaper headlines, academic material and protests by various environmental activists have forced each one to be aware of their responsibility towards to environment. There has been an increasing divergence in the views between ecologists and economists whereby the ecologists have a very pessimistic view of the environment in the future, where they believe that the resources are depleting at very fast rate; on the other hand the economists have an optimistic view. Supported by statistical evidence the economic point of view for the future suggests that poverty levels are reducing, the natural resources will last for another 150 years

The following paper will analyse the effects of pollution and the measures that have been taken to combat it. The signing of the UN climate change framework treaty indicates that environmental protection is being taken seriously and that people around the world have reached a conclusion about the need to control the exhaust of greenhouse gases, such as carbon dioxide, resulting in improvements in the environment and realizing sustainable development.

Amongst the various definitions provided for pollution, one of the defines pollution as,

the release of harmful environmental contaminants, or the substances so release.

The fact must be noted that the substances themselves are not harmful, but when they are converted into smog due to solar energy (sunlight) that they have a harmful effect on the environment and cause health hazards. Pollution is the result of (negative) human activity. There are two main kinds of pollution - local and global pollution. Earlier pollution at the local level was considered to be the only problem. Local pollution took the form of burning coal producing smoke and being hazardous for health. The approach to tackle pollution in the developed world was to develop awareness at the school level. However, when some forms of pollution has a global effect it is termed as global pollution. Also whether something is pollution or not depends on the context it is being used. For instance carbon dioxide emissions are referred to as pollution due to the damage they cause to the atmosphere resulting in climatic changes. Other examples of pollution sources include nuclear plants and oil tankers releasing toxic waste into the environment. Traditional forms of pollution include noise, air and water pollution.

Prior to analysing the approaches to solving the problem it is essential to understand the harmful effects of pollution. On various fronts it has been argued that environmental pollution results in serious health hazards like increased risk of cancer, skin damage, disrupting the ecological balance and upsetting the climatic equilibrium. Nowadays everything raging from droughts, floods, and earthquakes to the gradual shift in climatic changes, for instance, colder countries expecting abnormally high temperatures during summers, is being associated with pollution. Theorists have argued that there is little evidence to suggest whether the change in climate will be a good thing or a bad thing. It is the perception that people have or that has been created by media that everyone believes that climatic changes will not be conducive for economic growth.

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Tackling the problem of pollution has become a major concern for everyone. In economic theory; markets coordinate the choices of people with regard to natural resource use; however; environmental decisions are made outside the market and without knowledge of the fully priced goods and services. Gwartney et. al (2000) identify the absence of clearly defined and securely enforced property rights and the resulting lack of markets and decision-makers accountability as the core issues of pollution and other externality problems. They believe that governments need to ask themselves whether economic growth is harmful for the environment. Economic growth generally leads to environmental improvements because people with higher incomes are willing to pay more for environmental quality.

Gwartney et. al (2000) argue that the need to choose between economic growth and environmental quality may seem obvious when economic activities affect the quality of the air or water. Governments in the developed countries are under pressure from environmentalist to protect the rights of those able to prove that they have been harmed by pollution.

Studies conducted by Donald Cursey finds that US and in other industrial nations citizen's support for measures to improve environmental quality is highly sensitive to income changes. Thus in economic terms, willingness to pay for costly environmental measures is highly elastic with respect to income. Income growth helps to increase the demand for environmental quality, while technological advances help to lower the cost of reducing both resource use and pollution. Yet incomes above the poverty level and an understanding of the technology are not enough to protect the environment.

The problem posed by pollution can be explained by using the theory of market failure, which occurs when resources are not efficiently allocated. This theory highlights the problems faced by businesses (producers) who feel that the cost of disposing waste is too high and that profits will be higher if costs are kept to a minimum and disposing of waste through a least cost method is highly efficient. Thus according to the theory of market failures, the true cost to the society is much higher than the private cost of the producer.

SOLVING THE CRISIS

In the UK, the Environment Agency is responsible for the protection and improvement of the air, land and water. The report that they published suggested the overall incidents of serious pollution were 20% lower than in 2001. The key industries responsible for the pollution of water, land and air are agriculture, waste management, the water industry and the chemical industry. But repeat offenders included companies such as BP UK, Tesco, Tiles-R-Us, TotalFinaElf, Anglian Water, Thames Water, BT, Yoplait and Stationary Box. It is a shocking revelation to see the names of companies like Tesco and Tiles-R-Us in the list of pollution offenders. Thus when companies which deal with harmless products like food can also severe damage to the environment, water companies and farming activities would be causing so much more harm.

One way to combat the problem of stopping companies and businesses from polluting the environment has been to levy fines. According to the report published, the average fine per company was raised by over one third to 8,744. Fines of more than 20,000 rose by nearly 42% compared to 2001 but the Environment Agency believes that the size of the fines are not sufficient to persuade companies to change their behaviour. Amongst the various examples cited, one of them indicated how a company director dumped soil containing arsenic, mercury and cyanide, which has serious health implications as it can cause circulatory problems, skin damage and increased risk of cancer. The sentence given to the director was that he was jailed only for one year. Considering that his act could have resulted in many human lives

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suffering from severe health problems and the penalty of only one year of jail sentence does not seem to be fair.

It would not be correct to blame the companies and businesses for not complying with the regulations. Businesses tend to argue that the systems and support structure is not in place for them to dispose waste safely. In the absence of a proper infrastructure to do so, it would be wrong to put the blame only on one party. Another factor that discourages businesses from safely disposing waste is the cost factor involved. It has proved to be very expensive for businesses to dispose waste. This is especially the case in farming, where margins are tight.

Regulation

Government regulation is an alternative method of seeking to protect and preserve the quality of the environment. Regulation however does not always lead to ideal outcomes, and it can be enormously expensive. Regulation is not always based on market systems, so it is subject to all the problems associated with lack of information and lack of incentives that have plagued the socialist nations. For instance, in the case of global warming, emissions from carbon dioxide from efficient burning of all fuels cause no harm where they are emitted. No one's rights are being violated by the invasion of harmful pollutant, yet these emissions are building up in the atmosphere. Thus this may require that in the future regulations must take this into account.

Some scientists and environmental groups argue that the threat of global warming is serious and that despite high costs, the nations of the world must impose strong regulations quickly.

Many countries have initiated air pollution control programmes in recent years. In England control was started by the institution of smokeless zones and by controls based on the colour of the emitted smoke and great movement has undoubtedly resulted. In Ontario, a more radical approach was adopted, by establishing an inventory of polluting sources and prohibiting the setting up of new industrial concerns without an agreed system of emission control, and also by measuring the 'air pollution index'. Various criticisms have been offered in terms of how pollution control measures are designed and implemented. It has been argued that often the

Some theorists believe that reducing levels of environmental pollution is not only the responsibility for companies, but also a social responsibility of each and every resident; it can only be possible if the individuals also share the cost that is borne by producers, by paying higher prices for the services and goods. The rationale offered is that in return for higher prices, not only is the individual being offered better products but also a cleaner environment. It can be argued that even though it seems rational; to charge consumers higher prices for a safer environment, but it must be noted that companies get subsidies, tax benefits and many other forms of the government support which helps them to cope with the increased investment in technology to produce environment friendly products, however, individual consumers are not paid higher wages and salaries to buy environmentally friendly environment. The idea is to hold those people responsible who pollute the environment and make impose some form of financial penalty. Some do believe that the solution by focusing on making the price signal work more effectively, by taxing the producer and providing him with some form of financial incentive to invest in would result in would be an extension of property rights and are all possible methods to combat the problem of pollution.

Other possible methods that have been suggested are to issue tradable permits. The idea is that permits would allow producers to pollute up to a certain level. The permits will also help in progressively reducing the overall level of pollution.

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Property Rights

In the UK, efforts are being made to extend the property rights. The underlying idea of property rights is that if someone is found to be causing damage to someone else's property, legal action can be taken against the individual. In the environmental sense, Environment Agency has been set up who has ownership over the environment so to speak. In the US, Environmental Protection Agency (EPA) is one of the many organisations that have been set up to achieve the above mentioned purpose. Property rights give legal standing to those who are threatened by pollution. Owners of land and other resources in a market economy have the right to sue anyone.

Substantial contribution to environmental quality is made through the normal operation of property rights and a market system. However, it is sometimes difficult to define establish and protect property rights. In the case of local pollution the property rights approach can deal effectively with the problem, Most pollutants capable of causing serious damage are of this sort. However, if the effects of an emitted substance are both serious and widespread over a large population, or if the substance has many sources, then government regulation may be more efficient.

Policymakers and analysts considering environmental regulations should recognise that environmental quality is an economic good. Like food, clothing, and shelter, it is something that people are willing to pay for, though not in unlimited amounts. In addition policy makers should recognise that the link between environmental quality and economic prosperity is important. Environmental regulations can exert a powerful influence. Policymakers should not forget that enforceable property rights were for many years the main form of regulating environmental pollution and allowing farsighted individuals and groups to exercise their visions of preserved natural areas. Over all property rights continue to play a positive role in the preservation of a quality environment.

Evaluation

Property rights provide incentive to the owner to share resource access, which resource prices provide users with the incentive to conserve. In addition ownership ensures that the things under their possession are well taken care of. Furthermore, property rights provide long-term incentives for maximising the value of resource. Thus for example, if erosion reduces a land's future productivity, its value in present day terms would fall and would eventually result in the decline of the owner's wealth. Proponents in favour of property rights argue that property rights are defined, defendable and tradable. They are considered extremely important for the smooth operation of markets. Thus when property rights are present and protected, resource markets encourage availability and they also promote resource conservation. Arguments which are not in favour of government regulation are that there is no strong evidence to suggest whether changes in the earth's cloud would do to enhance the warming effects of carbon dioxide or to offset them. It is a general consensus of the scientists that the atmospheric models used to predict global warming does not accurately incorporate the effects of atmospheric water evaporation. Secondly, it has been questioned that for the past many decades added carbon dioxide has been associated with warming, but does this association mean that carbon dioxide caused warming. Further, it is also being questioned if warming does occur would the sea level rise or fall. It is a known fact that warmer air carries more moisture, and the added precipitation would build up snow and the thickness of the ice on the polar caps would increase.

It has been argued that pollution controls (regulation) has adverse economic effects as it diverts the resources from

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other growth activities. Some have argued that regulation can have very inefficient ways of exercising control. Thirdly pollution control can have a negative impact on investment. If the production of certain goods is made more expensive, it leads to a rise in the prices of these goods and thus reduces the amount of each demanded. Secondly as these controls are levied on new sources, managers are likely to keep old plant in use rather than replace it with new and more efficient facility. Protecting our environment does not have to put an end to economic progress. Free markets in permits to pollute, like free markets for other resources, can assure that pollution is controlled at the lowest cost possible.

In summary it can be said that whether, the choice is made to use property rights or regulations are used, they come with their set of advantages and disadvantages. Secondly, while the choice of property rights is creating a sense of ownership and the probabilities of individuals being more protective of something that they own is an interesting theory to start with. However, without regulations being imposed from the government it would not be very effective. Mechanisms would have to be set in place whereby the information is available to first of all assess the extent of damage and the costs involved. If the economists work on this based on the theoretical underpinning they would not have access to full information in terms of environmental damage while if the environmentalists tend to work on the extent of damage they wouldn't have complete information in terms of production costs etc. Thus what is required is a system where property rights are supported with regulation to tackle the problem of pollution. Fine levels need to be increased to make the cause of saving the environment more meaningful.

Conclusion

Pollution is a cause for concern for countries around the world. The purpose is to control depletion of natural resources and ensuring that society becomes aware of its responsibility towards the environment. Amongst many measures offered to combat the pollution crisis government regulation and establishing property rights are the two main approaches discussed. From the preceding paragraphs it can be seen that each of the two approaches have their own sets of merits and demerits. While some have argued that government regulation is the right way forward, however, it must be noted that this system is not without its drawback of having inadequate information. On the other hand, establishing property rights has given more power to the agencies like EPA and EA to impose fines and financial penalties on those who are responsible for causing pollution. While the system has been considered to be better than imposing regulation, however it has been argued that the fines imposed are not big enough to be seen as a 'penalty'. Moreover, when higher costs are transferred from businesses to consumers in the form of charging higher prices, the system is further questioned. Despite the arguments offered, it is a commendable effort by governments and environmentalists in mitigating the effects of environmental pollution. A step in the right direction is most important than not making any effort at all. Thus both the approaches must be followed together and new systems should be developed to ensure that the results are achieved sooner than later.

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