



Leakages (excerpt)

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Leakages Giveaway of Common prop.

Excerpt from Mason Gaffney, 2008, "The Hidden Revenue Potential of Land", *International J. of Social Issues*, Summer Issue

Pollution (effluent charges) "Tax Bads, not Goods"

On carbon taxes, Peter Barnes estimated the revenue potential at 3% of GDP, or \$228 billion a year in 2001ⁱ. That is for the gasified garbage from carbon alone. Since then, of course, the price of hydrocarbons has risen much faster than GDP, and affirmation of anthropogenic global warming has risen even faster. Barnes also points out that public revenues from other pollutants like sulfur and nitrogen would add greatly to the total. Sulfur mining from pure underground domes, by the Frasch process, also generates large rents at the sourceⁱⁱ.

Redefining Progress, a San Francisco and Oakland-based think tank, has estimated the generation of "illth" (i.e. pollution, or negative externalities) at half of GDP. That gives a macro perspective on the undreamed-of revenue possibilities. Robert Costanza et al., painting in even broader strokes, estimated the value in 1997 of 17 ecosystem services at \$33 trillion per year, exceeding the world's GDP.ⁱⁱⁱ That was a publicity play, but with documentation that reinforces the high estimates of revenue potentials.

Joint power authorities in the Ruhr Valley of Germany pioneered the use of "effluent charges" that cleaned up one of Europe's dirtiest rivers. Allen Kneese and Blair Bower of Resources for the Future, Inc., pioneered in bringing this news to Americans^{iv}. There was a flurry of interest and support in the Johnson Administration. Since then it has been a hard slog through hostile Chicago economists, discussed below.

Many in the Green Movement see the double boon in Pigovian taxes: they curtail overuse and pollution of common airs and waters, while also raising revenue^v. Many academicians, sadly, bicker over whether this is possible, although it seems like a no-brainer.

Taxing air and water polluters by levying "effluent charges" won the favor of many economists influential in the 1960s. The reasoning, from Cambridge economist Arthur Cecil Pigou, was pure Georgism: make polluters pay an

economical price for fouling publicly owned air and water. Allen Kneese touted Germany's Ruhr Valley as a model and success story^{vi}.

Before the movement could make headway, J.H. Dales and Ronald Coase published their rationalizations for an alternative system of giving tradable permits to polluters. Coase took Chicago economists by storm. Professor Armen Alchian of U.C.L.A., a Chicago economist in spirit, denounced Pigovian taxes as interfering with free markets. Coase and the Chicagoans affected not to care who gets the pollution rights. In Chicago-school economics, distribution of wealth is an archaic 19th Century concern, obsoleted by Neo-Classical Economics. All that matters now is optimal allocation. Trading permits, they allege, will accomplish that.

But of course the polluters do care. With their great wealth and political power, and their support of and therefore by a dozen venal think-tanks, they have made it seem only reasonable that permits to continue polluting should be given away to those with track records. So The Administration has created an aristocracy of ancient and honorable polluters.

With the current obsession over global warming, many are now touting a "carbon tax". Peter Barnes is an articulate champion^{vii}. His estimates of the revenue potential are staggering (3% of GDP). The same forces that subverted Pigou's idea, however, are rallying against Barnes. Europe already has abandoned its polluter-pays principles in favor of gifting the ancient polluters, "giving away the sky", as Barnes puts it.

ⁱ Barnes, 2001, p. 150

ⁱⁱ Montgomery, Robert H., 1940, *The Brimstone Game*, New York: The Vanguard Press

ⁱⁱⁱ Costanza, Robert, et al., 1997, "The Value of the World's Ecosystem Services and Natural Capital", *Nature*, May 12

^{iv} Kneese, Allen, and Blair Bower, 196x, ; Page, Talbott, 197x,

^v Costanza, et al.

^{vi} Kneese, Allen, and Blair Bower, 19xx.

^{vii} Barnes, Peter, 2001. *Who Owns the Sky?* Washington, Covelo, London: Island Press, and several sequels