

Rachel's Environment & Health News

#672 - Taxes for Sustainability

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Sustainability means satisfying human needs fairly and without destroying the ecosystems that support life. The conflict between modern economies and the natural environment lies at the heart of "sustainable use of the planet." (The conflict between modern economies and "fairness" is also a huge problem, which we will take up at a later date. Also, see Conference Announcement, below, in this issue.)

How can modern economies be modified so they sustain ecosystems instead of destroying them?

Tax policies can definitely help. The basic idea is to tax the things that we don't want (such as pollution and waste), and remove taxes from the things we do want (for example, work, income and savings). Many economists have been promoting taxes on pollution for years.[1]

The idea isn't to increase taxes -- in most cases, the idea is to "shift" from one kind of tax to another kind without increasing the total tax burden. Naturally, shifting taxes onto pollution will raise the tax burden on polluters, who are often wealthy and powerful people. Thus tax shifting may cause a political fight but so does almost everything that benefits large numbers of people these days.

A new report, just published this week by Sustainable America (SA), describes 10 kinds of "environment friendly" taxes that can replace traditional taxes.[2] The new taxes provide income for government but much more importantly they provide incentives for individuals and businesses to behave in ways that protect the environment, thus harnessing "market forces" on behalf of environmental protection.

Sustainable America's 10 taxes can alleviate a broad array of environmental hazards: global warming; discharges of industrial poisons into air and water; agricultural toxicants (fertilizers and pesticides); smog created by motor vehicles; suburban sprawl and urban blight; contaminated land (so-called "brownfields"); municipal garbage; excessive use of water; destruction of forests; and depletion of fisheries. Environment-friendly taxes can help solve many important problems. Taxes don't replace other environmental policies (such as bans, precautionary actions, and regulations), they supplement them.

The SA "environment-friendly taxes" report is much more than just a traditional report -- it is an "organizer's kit" aimed at citizens who want to mount campaigns to shift over to these new taxes. The Kit gives you just about everything you would need to conduct a campaign. For each of the 10 kinds of taxes, the Kit describes:

- * What is the problem that needs to be solved?
- * What should be taxed to help solve it?
- * Who should pay the tax?
- * How should the resulting revenues be used?
- * How will this tax change peoples' behavior?
- * How will individuals and communities be affected?
- * Who is using these policies today?
- * Where can you get more information?

Here is a brief discussion of some of these "taxes for sustainability":

LAND VALUE TAX TO DISCOURAGE SPRAWL

Urban sprawl destroys natural areas, paves over farm land, eats up scarce open space, increases commuter traffic and air pollution, isolates the poor in city centers, decreases the urban tax base,

reduces the jobs available to city residents, increases the number of vacant or abandoned lots and buildings in cities, destroys the traditional sense of community found in urban neighborhoods, and increases the tax burden on suburban residents. To revitalize our cities, and reduce automobile pollution, we need to curb sprawl.[3]

The movement of people out of cities and into suburbs is being promoted by many public policies. For example, governments subsidize automobile travel (by paying for highways, traffic control, law enforcement, parking, effects on public health, and more). The Federal Housing Administration's (FHA) rules have favored lending for single-family dwellings (suburban) but not for multi-family units (city). FHA rules have also made it cheaper to buy a new home (suburbs) than to renovate an older one (city). Federal tax deductions for home mortgage interest subsidize homeowners (suburbs) over renters (city). As suburban development drives up the price of farmland in the suburbs, inheritance taxes may force the children of farmers to sell the farm just to pay the taxes. To revitalize cities and prevent destructive sprawl, each of these subsidies to the suburbs should be reduced or terminated.

But that is not all. SA suggests that the property tax could be shifted in an interesting way to reduce the incentives for sprawl. If the property tax were taken off of urban buildings and focused on the land beneath the buildings, this would penalize land speculation and would reward people who built on their land. Land speculators hold land undeveloped, hoping to earn a higher price in the future. This promotes "leap frog" development out of the city and into the surrounding countryside. The proposed shift from traditional property tax to "land value tax" would penalize land speculation and encourage urban development. Removing (or reducing) the tax on buildings makes them cheaper to construct and operate, and more affordable to buy or rent. Urban construction creates urban jobs.

As things stand now, as urban buildings decay, owners often don't make repairs because their property tax will rise. Thus the typical property tax creates an incentive toward suburban sprawl and urban decay. Shifting the property tax from buildings onto land reverses these incentives.

Taxing land more than buildings will reduce taxes for homeowners. Land speculators, on the other hand, will see their taxes rise. And there are other benefits. According to the Henry George Institute in Columbia, Maryland, the city of Harrisburg, Pennsylvania has shifted from a traditional property tax to a "land value tax" system. There used to be 4200 abandoned structures in Harrisburg, and now there are 500 because now no one is penalized for repairing an old building. (See www.smart.net/~hgeorge/).

There can be one major drawback to this property tax shift: it could create an incentive to build on open spaces and ecologically sensitive areas, so these areas will need to be vigorously protected by zoning and by the establishment of strict urban growth boundaries, such as have been enacted in cities like Portland, Oregon. But of course such areas need protection under the present property tax system, too.

Taxes on Pollution and Waste

The other 9 kinds of taxes advocated by Sustainable America will be more familiar to many people -- a tax on carbon in fuels; a tax on motor vehicle emissions; a tax on industrial pollution discharges into air and water; a tax on municipal solid waste; a tax on fertilizers and pesticides; a tax on cut timber; a tax on wasteful uses of water (irrigation, and hydroelectric power); and a tax on harvested fish.

In each case, the main aim and effect is to discourage an activity that poisons the earth or that diminishes the earth's capacity to provide an ongoing stream of benefits to us and to future generations.

The SA ORGANIZER KIT has been very thoughtfully done. When there are reasons to believe that a particular tax will have regressive

effects (penalizing the poor, for example), the KIT says so and suggests remedies. If a tax has not been tried in many locales, so that the outcomes are not well understood, the KIT says so.

This ORGANIZER KIT makes a substantial contribution toward translating "sustainability" into public policies that people can advocate in their communities and at the state level. There's a lot to chew on here. Good chewing, too.

The most important trend in the late 20th century has been the campaign by transnational corporations to create "globalized free markets," which is to say the unrestricted flow of materials and money across international borders. American corporations have spearheaded this world-wide campaign over the last 30 years.

Here is a short list of the observable effects of "globalized free market" policies: (1) Nation-states are losing the right to enforce environmental regulations and other traditional norms of civilized societies (progressive taxation, and the impartial rule of law, for example); (2) Wages for working people are under constant downward pressure toward a subsistence level; (3) Native agriculture for local consumption is replaced by mechanized industrial farming aimed at export markets; peasants are forced off the land and into urban favelas, barrios and slums; (4) Indigenous traditions, beliefs and ways of knowing are dishonored and are forcibly replaced by "advanced" forms of McCulture; (5) Inequalities in income and wealth are growing larger in every country that participates in "structural readjustments" or other requirements of the globalized free market; (6) Traditional conservative political beliefs have essentially disappeared, replaced by the ethic that now energizes self-proclaimed "conservatives" in the U.S. (and overseas): grasping self-interest and consumer choice are DE FACTO the only real virtues; (7) The traditional role of government -- to provide security for its citizens -- is fundamentally undermined as social safety nets are repealed around the world; (8) As a result of the foregoing, families and communities are stressed and often disintegrating, lawlessness is rising; as a remedy, the U.S. is experimenting with mass imprisonment (with more than a million citizens imprisoned at present); (9) Democratic forms are forcibly disappearing because they are incompatible with the campaign for globalized free markets, which is one of the largest attempts at social engineering ever conceived; (10) In numerous countries, including the U.S., right-wing extremists, hate-mongers and fundamentalists are on the rise; (11) Wars over diminishing resources, ethnicity and religion are sweeping the globe. Thus the corporate cult of the "globalized free market" is attempting to re-engineer the world, regardless of the consequences for human societies, right before our eyes. (For documentation, see, for example, John Gray, FALSE DAWN [New York: The New Press, 1998; ISBN 1-56584-521-8]; Gray is a professor at the London School of Economics).

Happily, the effort to create a globalized free market is almost certainly doomed to fail. People everywhere are organizing to return common sense to public policies, to put corporations back in their place, and to reclaim a semblance of democratic control over key institutions.

An important conference called "Coordinating Challenges to Corporate Globalization" has been organized by the Preamble Center [Washington, D.C.] for November 12-14 in Chicago. The cost is \$75.00. For more information, E-mail the conference staff at wep@preamble.org, or telephone Matt Siegel, project manager, at (202) 265-3263.

--Peter Montague(National Writers Union, UAW Local 1981/AFL-CIO)

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[1] For example, see Allen Kneese and Charles Schultze, POLLUTION, PRICES, AND PUBLIC POLICY (Washington, D.C.: Brookings Institution, 1974). ISBN 0815749937.

[2] Elaine Gross, ENVIRONMENT-FRIENDLY TAXES ORGANIZER KIT (New York: Sustainable America, 1999). Sustainable America, 42 Broadway, Suite 1740, New York, N.Y. 10004-1617. Tel. (212) 269-9550. Fax: (212) 269-9557. E-mail: sustamer@sanetwork.org. Web: www.sanetwork.org. In the interest of full disclosure, I should mention that my name is listed on the title page as one of the authors of the ORGANIZER KIT.--P.M.

[3] See <http://www.sierraclub.org/sprawl/report98/> and <http://www.sierraclub.org/sprawl/report99/>.

Descriptor terms: taxes; taxation; public policies; sustainability; sprawl; land use; pollution taxes; economics;