

MARKETING POLLUTION CONTROL

Irina Marekha

Sumy State University, Sumy, Ukraine

The problem of pollution control is an illuminating example of how governments in a market economy can harness the marketplace mechanisms of supply and demand to address a critical issue confronting the entire society.

When faced with pollution of the air, water or land, government has several alternatives to consider which balance the need for a cleaner environment against the economic costs of the cleanup.

As a first case, suppose a certain pollutant is found to be extremely toxic and impossible to eliminate by adopting new production processes or safeguards.

Under those conditions, it may be sensible for the government to issue direct regulations requiring its complete elimination or such sharp reductions in its discharge that is no longer poses a threat to human health or the environment. But such a course assumes the cost to the society of any emission is very high.

For less dangerous substances, while pollution levels should be cut, complete elimination may entail unreasonably high costs in terms of lost production, consumption and employment.

Under such circumstances, it might be more efficient to charge a tax on pollution rather than requiring a specified reduction at all production sites.

The reason is simply that the costs of cleanup will vary greatly at different production sites or companies.

By taxing polluters, the government causes firms that can reduce emissions at relatively low costs to do so, and thus not pay the pollution tax. Other firms will find it too expensive to reduce pollution (often those with older factories and equipment) and will rationally choose to continue to pollute and to pay the tax on what they release.

Another, more recent option is to reduce pollution through a system of pollution permits or credits that can be bought and sold. Under these programs, firms buy permits from the government, which allow the company to release specified amounts of pollutants into the environment. These permits can be traded with their price free to rise or fall, reflecting different environmental and economic conditions. Under this system, the government only has to determine the overall permissible pollution level for a certain area, then sell enough permits to release only that level of emissions. Any taxation scheme becomes unnecessary.

A company that wants to increase its pollution (and possibly its output) for a time can do so by buying permits from other firms. In effect, the company is paying these other firms to cut back on their pollution and production levels.

To protect environment it is necessary to implement flexible mechanisms of pollution prevention measures, which are reflected through a system of pollution permits and credits.