18 It's Immoral to Buy the Right to Pollute (with replies)*

Michael J. Sandel

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At the conference on global warming in Kyoto, Japan, the United States found itself at toggerheads with developing nations on two important issues: The United States wanted those countries to commit themselves to restraints on emissions, and it wanted any agreement to include a trading scheme that would let countries buy and sell the right to pollute.

The Administration was right on the first point, but wrong on the second. Creating an international market in emission credits would make it easier for us to meet our obligations under the treaty but undermine the ethic we should be trying to foster on the environment.

Indeed, China and India threatened to torpedo the talks over the issue. They were afraid that such trading would enable rich countries to buy their way out of commitments to reduce greenhouse gases. In the end, the developing nations agreed to allow some emissions trading among developed countries, with details to be negotiated next year.

The Clinton Administration has made emission trading a centerpiece of its environmental policy. Creating an international market for emissions, it argues, is a more efficient way to reduce pollution than imposing fixed levels for each country.

Trading in greenhouse gases could also make compliance cheaper and less painful for the United States, which could pay to reduce some other country's carbon dioxide emissions rather than reduce its own. For example, the United States might find it cheaper (and more politically palatable) to pay to update an old coal-burning factory in a developing country than to tax gas-guzzling sports utility vehicles at home.

Since the aim is to limit the global level of these gases, one might ask, what difference does it make which places on the planet send less carbon to the sky?

It may make no difference from the standpoint of the heavens, but it does make a political difference. Despite the efficiency of international emissions trading, such a system is objectionable for three reasons.

"It's Immoral to Buy the Right to Pollute," editorial by Michael J. Sandel, from *New York Times*, December 15, 1997, p. A29.

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First, it creates loopholes that could enable wealthy countries to evade their obligations. Under the Kyoto formula, for example, the United States could take advantage of the fact that Russia has already reduced its emissions 30 percent since 1990, not through energy efficiencies but through economic decline. The United States could buy excess credits from Russia, and count them toward meeting our obligations under the treaty.

Second, turning pollution into a commodity to be bought and sold removes the moral stigma that is properly associated with it, if a company or a country is fined for spewing excessive pollutants into the air, the community conveys its judgment that the polluter has done something wrong. A fee, on the other hand, makes pollution just another cost of doing business, like wages, benefits and rent.

The distinction between a fine and a fee for despoiling the environment is not one we should give up too easily. Suppose there were a $100 fine for throwing a beer can into the Grand Canyon, and a wealthy hiker decided to pay $100 for the convenience. Would there be nothing wrong in his treating the fine as if it were simply an expensive dumping charge?

Or consider the fine for parking in a place reserved for the disabled. If a busy contractor needs to park near his building site and is willing to pay the fine, is there nothing wrong with his treating that space as an expensive parking lot?

In effacing the distinction between a fine and a fee, emission trading is like a recent proposal to open carpool lanes on Los Angeles freeways to drivers without passengers who are willing to pay a fee. Such drivers are now fined for slipping into carpool lanes; under the market proposal, they would enjoy a quicker commute without opprobrium.

A third objection to emission trading among countries is that it may undermine the sense of shared responsibility that increased global cooperation requires.

Consider an illustration drawn from an autumn ritual: raking fallen leaves into great piles and lighting bonfires. Imagine a neighborhood where each family agrees to have only one small bonfire a year. But they also agree that families can buy and sell their bonfire permits as they choose.

The family in the mansion on the hill buys permits from its neighbors—paying them, in effect, to lug their leaves to the town compost heap. The market works, and pollution is reduced, but without the spirit of shared sacrifice that might have been produced had no market intervened.

Those who have sold their permits and those who have bought them, come to regard the bonfires less as an offense against clean air than as a luxury, a status symbol that can be bought and sold. And the resentment against the family in the mansion makes future, more demanding forms of cooperation more difficult to achieve.

Of course, many countries that attended the Kyoto conference have already made cooperation elusive. They have not yet agreed to restrict their emissions at all. Their refusal undermines the prospect of a global environmental ethic as surely as does our pollution trading scheme.

But the United States would have more suasion if these developing countries could not rightly complain that trading in emissions allows wealthy nations to buy their way out of global obligation.

Replies to Michael J. Sandel

From Steven Shavell, Professor of Law and Economics at Harvard Law School

Michael J. Sandel ("It's Immoral to Buy the Right to Pollute," Op-Ed, Dec. 15) discounts the great benefits of trade in pollution rights and advances flawed arguments against it.

Suppose a rich country like the United States would have to spend $50 billion annually to reduce its carbon dioxide emissions by some amount, whereas China could reduce its emissions by this same amount more cheaply, at a cost of $5 billion (say, by installing simple smoke scrubbers in its coal-burning factories).

If trade in emissions credits were allowed, both China and the United States would be better off.

The United States could pay China $30 billion for the right to emit carbon dioxide. This would make China $25 billion better off: it would receive $30 billion and spend only $5 billion to prevent the emissions. The United States would pay $30 billion rather than spend $50 billion to abate the emissions.

And trade would probably lead ultimately to less pollution. When countries know that they can make profits or that ceilings on pollution are easier to meet, they will be more likely to agree to reduce the total amount of permitted pollution over time.

From Robert N. Stavins, Albert Pratt Professor of Business and Government at the John F. Kennedy School of Government, Harvard University, and University Fellow at Resources for the Future

The ink is barely dry on the Kyoto protocol, but Michael J. Sandel argues that the agreement's emissions trading provisions, supported by the Clinton Administration, will foster "immoral" behavior (Op-Ed, Dec. 15).

Was it immoral when the United States used a tradable permit system among refineries to phase leaded gasoline out of the market in the 1980's more rapidly than anyone had anticipated and at a savings of $250 million a year?

Replies to editorial, by Steven Shavell, Robert N. Stavins, Sanford Gaines, and Eric Maskin, from *New*

Is it now immoral that we are reducing acid rain by half through a tradable permit system among electrical utilities, reducing emissions (sulfur dioxide) faster than anyone had predicted and saving up to $1 billion a year for electricity consumers? Is that why the Environmental Defense Fund and others have worked so tirelessly and effectively to implement these emissions-trading programs?

From Sanford E. Gaines, Professor of Law at the University of Houston

Michael J. Sandel (Op-Ed, Dec. 15) invokes the moral argument against emissions trading in the context of reducing greenhouse gas emissions. Maintaining a moral stigma on pollution makes sense for hazardous substances where polluters have choices, for reducing the pollution. But global warming is not such a situation. Does Mr. Sandel really believe he is behaving immorally when he cooks his dinner, switches on a light or turns on a computer to write an Op-Ed article? These activities result in emissions of carbon dioxide. Or is it his utility that should be stigmatized, perhaps for not using nuclear power?

To reduce greenhouse gas emissions, producers and consumers alike need to adopt new technologies. That's a perfect situation to use the power of the market. Mr. Sandel should reserve his moral outrage for those who don't even want the chance to buy the right to pollute because they refuse to accept that the planet can no longer afford cheap energy.

From Eric S. Maskin, Louis Berkman Professor of Economics at Harvard University

Michael J. Sandel (Op-Ed, Dec. 15) neglects an important distinction in his argument against tradable emissions credits. The examples he gives of immoral acts—throwing beer cans into the Grand Canyon or parking in spots reserved for the disabled—are discrete choices: one can do them or not do them, and society can therefore reasonably ban them outright.

But virtually any manufacturing activity entails the creation of some pollution. So the question is not will we pollute, but rather how much. Further, if there is to be pollution, shouldn't we try to trade it off against its economic consequences? Such a trade-off is facilitated by tradable rights.