

Green Topics

Investing in a Clean Environment*

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In February 1996 the OECD's Environment Policy Committee will commemorate its 25th anniversary with a fifth meeting at Ministerial level. Environment ministers will be taking stock of the progress made by OECD countries in protecting and managing the environment in that quarter-century, and sharing views on likely challenges and co-operative responses.

Ministers can point to many important accomplishments. Scientific understanding and technological tools for establishing and monitoring risks to human health and the environment have improved dramatically since the early 1970s. All OECD countries now have in place comprehensive environmental legislation, supported by specialized institutions for policy design, implementation and enforcement. The results of these efforts are increasingly evident in the form of cleaner air and water, and improved protection of natural areas, notwithstanding the many complex problems that remain.

In spite of this progress, and an apparent bedrock of public support for environmental goals, the environment ministers will be assembling at a time when further investment in environmental management is being questioned in some quarters. The reason is that the costs of environmental protection are perceived as being too burdensome for governments struggling with large budget deficits, and for industries confronting intensified international competition in a globalising world economy.

This reaction has stimulated government policy-makers to search for alternatives to traditional 'command-and-control' approaches to environmental management, now judged to be too expensive and inefficient, has prompted calls for the application of strict cost-benefit analysis to new proposals for environmental policy, and has caused some observers to begin to ask: 'How clean is clean enough?'

Thus, after 25 years of substantial investment of human and capital resources by OECD countries, it seems fair—particularly at this time of budgetary stringency—to pose the question: 'Is a clean environment affordable?'

The Convention which established the OECD in 1961 mandated the Organization to promote the highest sustainable economic growth. And this requires that as much attention must be paid to the quality of growth as to its quantity. Clearly, a decent quality of life for citizens around the world involves clean water, clean air and green space for recreation and contemplation, as well as economic well-being and respect for human rights. The American philosopher-writer Thoreau made this point when he asked: 'Of what use is a house if there is not a decent planet to put it on?'

Further, during the past decade, scientific evidence has emerged that the intensity and scope of human activity has reached the point where, if protective measures are not

taken, the basic life-support systems of the earth can be placed at risk. The destruction of the ozone layer and deforestation of the tropics are two worrying examples.

In view of the scope and magnitude of environmental problems yet unsolved, the continuing growth of human populations and economic activity and the tremendous stakes involved for society if environmental 'limits' were to be exceeded, a clean environment clearly must remain high on the political agenda of the international community as a whole, and of the OECD countries in particular, as they must continue to show the way. But can it be afforded without distorting and damaging national economies, adding to unemployment, and otherwise undercutting the very economic growth required to provide the resources on which environmental protection depends?

The OECD countries have been spending between 0.5 and 2% of GDP over the past 25 years on environmental protection. OECD studies of the impact of such expenditures reveal little evidence that environmental investments have been detrimental to economic growth. And, since virtually all OECD countries introduced environmental programmes at about the same time in the 1970s, there has been time to establish that significant distortions in competitiveness have not emerged.

The environmental costs to industry, in terms of both capital and operating costs, have also been low, relative to total investments. On average, spending by industry on pollution control has been less than 3% for large branches of industry, although this figure has risen to 20% or more for some of the more polluting industries, such as chemicals and mining.

These costs must also be seen in relation to the benefits received, both by society and by industry. Encouragingly, corporate leaders are acknowledging with increasing frequency that it is possible for industrial operations to be both clean and profitable, demonstrating that, 'environmental protection makes good economic sense'. With industry now making impressive strides in cutting costs through the conservation of energy and raw materials in the input of manufacturing processes, a double dividend is accruing through the resulting reduction of waste products and pollution emissions.

Concerns have been raised that environmental policies are contributing to the loss of jobs as they drive up business costs and, at their extreme, for firms to move offshore to

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countries with less rigorous environmental standards. But recent OECD studies on employment-environment relationships fail to find empirical evidence that environment is a 'job-killer'. On the contrary, the rapid growth of an 'environment industry' in OECD countries in the last decade suggests that strong environmental policies have had, overall, a beneficial (although small) impact on employment. A variety of other factors, including access to transport and raw materials, the availability of a skilled workforce and the features of national legal systems, tend to overwhelm environmental costs in determining industrial mobility.

Relationships between environmental policy and economic issues are complex and evolving, and will require continuing surveillance in a world in which economic, technological and societal conditions are changing so rapidly. The past is certainly no guarantee of the future, neither in the environment nor elsewhere.

What does seem clear is that OECD governments will be under heavy pressure to reduce public expenditures for the foreseeable future. Further, international competition for markets will force industrial firms to find cost savings wherever they can. Yet there are some environmental

threats, particularly climate change and the deteriorating quality of urban air, that could require investments in environmental protection well beyond the volumes seen in the past.

To assist governments in responding to current environmental challenges, and in anticipating and meeting new ones, the OECD is concentrating its environmental efforts on ensuring that the interactions between environmental and economic policy are taken fully into account in dealing with these challenges. The OECD Environment Programme was created in the early 1970s precisely to find answers to three basic and abiding questions: How much does it cost to protect the environment? Who should bear the costs? And how can environmental goals be attained at least cost?

In the complex, interdependent world of the mid-1990s, understanding the economics of environmental management has taken on increased importance and urgency for OECD countries and for the entire community of nations. At this 5th meeting, the OECD ministers of the environment will have the opportunity to provide further directions for the pursuit of environmentally sustainable development, and to help ensure that the OECD is positioned to contribute effectively and efficiently. ♦

Double Standards for Handling Disasters?

In February 1994 portion of a wall of the Merriespruit tailings dam collapsed, flooding the adjoining township with slimes, causing loss of life and damage to property.

In December 1995 flooded rivers in the Pietermaritzburg area swept away shacks erected within the 50-year flood line, also causing loss of life and damage to property.

In both instances the trigger for the disasters was heavy rain. Yet the former is regarded as an Act of Man and the latter as an Act of God.

Surely both reflect a dereliction of duty on the part of professional planners and their principals; whether civil, mining, and metallurgical on the one hand or town and regional planners and municipal, regional or provincial officers on the other.

In the one case, there was a commission of enquiry to determine what happened followed by court action to attribute blame and extract retribution. In the other the absence of reports in the media leads one to conclude that no action is being taken.

Why the double standards? What are the legal issues? Can the Pietermaritzburg Town Council be found liable?

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