Pay Your Way

by Xander Patterson

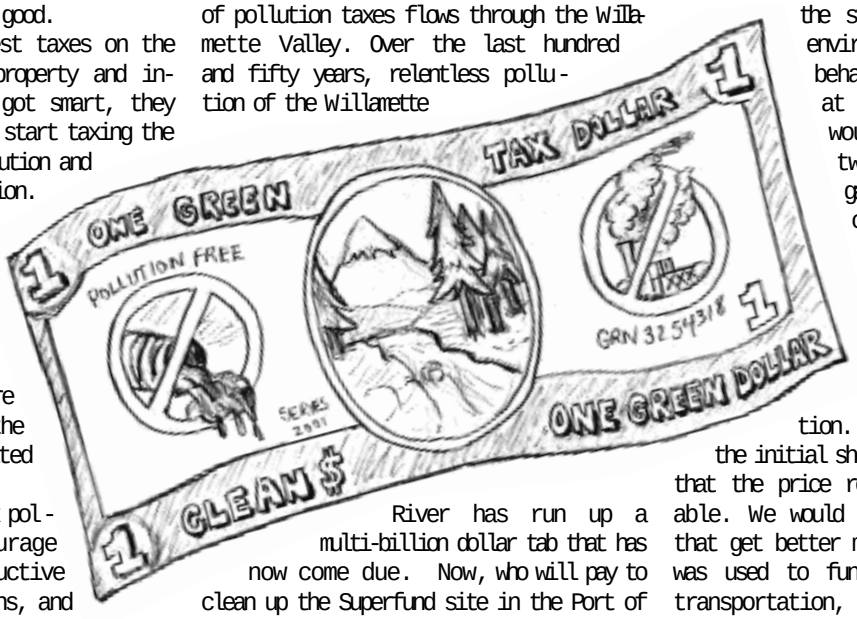
The tax system we have now originated by historical accident and persists through inertia. As Hamlet observes, we would rather bear those ills we have than fly to others that we know not of. The biggest obstacle to improving the tax code in Oregon is our inability to talk about taxes in any context other than cutting them. If we could overcome our knee-jerk rejection of all taxes, however, we could reform the tax system and use it as a powerful force for social good.

We now pay the highest taxes on the things we like most: property and income. If governments got smart, they would cut those taxes and start taxing the things we like least: pollution and natural resource depletion. Because public officials are beginning to realize that this idea makes sense (as economic policy as well as environmental policy), pollution taxes are gaining ground around the world and across the United States.

The basic idea is to tax pollution in order to discourage environmentally destructive behavior before it happens, and to generate funds to help pay for repairing the environmental damage that does occur. Right now, we actually encourage pollution by allowing businesses and individuals to pollute for free, no matter how much it may cost in the end. One result of taxing pollution: the price we pay for goods and services would begin to reflect their true environmental costs. Pollution taxes, therefore, encourage us to make decisions that are both economically rational and environmentally sound.

There are many green tax proposals out there that are designed to address all kinds of problems. Taxes on the carbon content of fuel could help steer industry away from energy sources that produce greenhouse gases and other forms of air pollution and fund research into cleaner alternatives. Taxes on pesticides and fertilizers would give farmers an incentive to look for cleaner ways to farm and would give organic farmers (and their customers) the reward they deserve for polluting our rivers less and for growing healthier food. By charging tolls at rush hour we can encourage people to drive at off-peak hours or use public transportation, which both increases air quality and decreases highway congestion.

A good source of evidence in support of pollution taxes flows through the Willamette Valley. Over the last hundred and fifty years, relentless pollution of the Willamette River has run up a multi-billion dollar tab that has now come due. Now, who will pay to clean up the Superfund site in the Port of Portland? Who will pay for the water treatment plant that Wilsonville and other towns need to build so they can use the water for drinking and for industry? Who will pay for the habitat restoration necessary to restore the salmon runs listed under the Endan-gered Species Act? We can be sure that the lion's share of the bill will be paid by people who had nothing to do with the decisions that caused the pollution in the first place. Oregon taxpayers will bear the financial burden of restoring the state's main waterway. This is an example of corporate welfare at its ugliest, most economically irrational, and most unjust.



On the other hand, if the state had been taxing emissions into the river over the last hundred and fifty years, we would have a different story. First, the bill we now must pay would have been a lot less because industry and agriculture would have done more to avoid polluting the river all along. Second, those who caused the pollution would already be helping to pay for its cleanup.

Although industrialists tend to oppose pollution taxes, most economists strongly favor these taxes for several good reasons:

1) They use rather than distort market forces by creating true, full-cost prices.

2) They encourage efficiency.

3) They are results oriented. By giving businesses and individuals incentives to pollute less without specifying how this is to be accomplished, green taxes allow creativity and innovation.

4) They do not add dead weight to economic activity.

Most ordinary people would wince at the sticker price of the full environmental costs of their behavior. The price of gas at the pump, for example, would probably be between $5 and $10 per gallon if it included all the costs of fighting wars in the Middle East, cleaning up oil spills, reversing global warming, and paying the medical costs of accidents and air pollution. After we recovered from the initial shock, we might start to see that the price really isn't so unreasonable. We would also start driving cars that get better mileage. If more revenue was used to fund services like public transportation, we would have cheaper, more environmentally sound options. The revenue generated by a higher tax on gas would make it possible to cut taxes on things like labor, income and property. Thus, we would pay about the same amount of taxes, but we probably wouldn't drive SUVs and commute 40 minutes to work.

It's time to start thinking about how we can create a tax system that will encourage us to take responsibility for our actions, clean up our state, and improve our quality of life with every penny we pay.

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