INTERNATIONAL ECONOMICS OF POLLUTION

PROBLEMS OF ECONOMIC INTEGRATION

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International Economics of Pollution

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General Editor's Preface

Since the Second World War, the economies of Europe, North America, Japan and the developing world have become increasingly interdependent. This has taken place at various levels. On the one hand we have seen the formation and growth of a formal organisation, the European Economic Community, whose aim it is to strengthen existing political and economic ties amongst its members. But interdependence is not solely the result of legal treaties; it is also the outcome of economic innovation and evolution. The growth of the multinational corporation, the development of the Euro-currency system and the rapid growth of international trade are but examples of the trend.

Yet the resulting closer ties among nations have been a mixed blessing. It is no longer possible for governments to formulate national objectives in isolation from activity in the rest of the world. Monetary, fiscal, anti-trust and social policies now have widespread implications beyond national frontiers. How to cope with the complex implications of the current petroleum price developments is but an example of the sort of problem arising in an interdependent world.

Despite its obvious importance most economics textbooks give only cursory attention to international economic interdependence. The purpose of this series is to fill this gap by providing critical surveys and analyses of specific types of economic linkages among nations. It is thus hoped that the volumes will appeal not only to students, researchers and government bodies working in the field of international economics but also to those dealing with the problems of industrial organisation, monetary economics and other aspects of public policy which have traditionally been studied from a narrow, nationalistic viewpoint.

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GEORGE W. MCKENZIE

Preface

When the wave of 'environment-consciousness' struck in the late 1960s, public fervour quickly outpaced sober and reasoned analysis. There was little knowledge and much speculation about the causes and consequences of pollution. Even less was known about the cost of environmental protection. Who would pay the price, and how much? Still, policies had to be devised and battles waged among groups whose environmental interests pointed in different directions. The issues could not wait. Mistakes were made. Some remedies were too little and too late. Some exceeded by far what was required and inevitably set into motion an environmental backlash. But the trend was clearly toward a view of the environment as a social asset, to be treasured and conserved. Environment, in short, is here to stay.

The dimensions of environmental management are truly complex, and very little is certain except that the political, economic and social life of nations is being profoundly affected. This book concerns itself with but one of these dimensions – the relationship between the restoration and maintenance of environmental balance and international economic interdependence. What happens to international trade, investment, payments and related elements as different nations pursue different environmental targets, using different policy instruments, under different environmental conditions, and according to different time-tables? Very little that is definitive can be said at this point of time. But most of the cause-and-effect links can be clearly spelled out even at this early stage, and some directions for public policy can be indicated that seem to make sense.

The discussion in this volume draws heavily on research undertaken with the aid of a grant from The Ford Foundation during 1972 to 1973, and on a number of papers that resulted from that project. D. C. Heath & Co., as well as the editors of *Economic Enquiry* and *Weltwirtschaftliches Archiv*, were kind enough to give permission to reprint selected passages, in revised form, in this book. Much of the discussion of pollution-control instruments is based on work that was initially sponsored by the Environment Directorate of the O.E.C.D., and my interest in these aspects of the problem owes much to Michel Potier. The book was written while I was a Visiting Research Fellow at the International Institute of Management of the Science Center, Berlin, and I am particularly grateful to Walter Goldberg and Fritz Scharpf for the support provided in a setting that proved to be ideal for serious writing.

Financial assistance for the project was provided by The Rockefeller Foundation, and is gratefully acknowledged.

I have discussed and argued many of the points raised in this volume with quite a number of individuals over the years. John Welles, Robert Hawkins, Larry Ruff, David Pearce, Henry Brodie, Charles Pearson, Martin Pfaff and Ralph d'Arge are some of these, but they cannot be held accountable for the results. Mrs Helen Seifert in Berlin and Miss Marion Epps in New York capably and cheerfully typed various drafts of the manuscript.

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