

Econ 105: Lecture Twenty-Four

- In addition to traditional environmental regulations, like strict limits on pollution that apply to everyone, governments are trying market-based alternatives.
- One somewhat successful example is the tradable permit system used to reduce sulfur dioxide (SO₂) emissions that cause acid rain. The government sets a limit on total SO₂. Facilities that produce it can buy and sell emission permits within the government's limit. If a company can easily reduce emissions, it is allowed to make money by selling its permits to another company that can't.
- Some people have proposed using this type of plan to control greenhouse gas (GHG) emissions that lead to global warming. One version is the "Sky Trust."
- Congress would set a cap on annual carbon emissions, a ceiling that would decline over time.
- Producers of GHG would have to pay into the trust, creating an incentive to reduce emissions. The permits could be most easily sold "upstream": at the ports, pipelines, and mine heads where fossil fuels enter the economy.
- The permit cost ultimately will be passed along to consumers.
- The money from the sale of emissions permits would go into a dedicated trust fund, analogous to the Social Security Trust Fund, rather than into general government revenues. The fund would be managed by trustees whose responsibility is to protect the asset—in this case, the limited capacity of the atmosphere to absorb carbon—in the interests of current and future generations.
- If the quantity of permits is set at a level designed to meet the rather modest emission-reduction goals for the US in the Kyoto Protocol, their value could be in the neighborhood of \$300 billion.
- All residents would receive an equal payment from the trust. Most people, especially those with middle- and lower-incomes, would receive more than they pay, because they produce less than the average share of GHG. Because higher-income households, on average, consume more energy-using goods and services, they would pay more into the fund than they received.

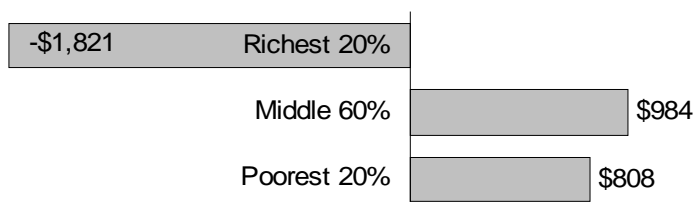


TABLE 1.1 How Much is Enough?*Percentage Agreeing with Statement, by Income*

STATEMENT	<\$10,000	10,001-25,000	25,001-35,000	35,001-50,000	50,001-75,000	75,001-100,000	>100,000
I cannot afford to buy everything I really need	64	62	50	43	42	39	27
I spend nearly all of my money on the basic necessities of life	69	64	62	46	35	33	19

SOURCE: Author's calculations from Merck Family Fund poll (February 1995).

Source: Juliet Schor:
The Overspent American,
Introduction

TABLE 1.2 Making Americans' Dreams Come True

Question: *How much income per year would you say you (and your family) need to fulfill all of your dreams?*

MEDIAN RESPONSE

1987	\$50,000
1989	\$75,000
1991	\$83,800
1994	\$102,000
1996	\$90,000

SOURCE: Roper Center, University of Connecticut. 1987-91 figures reported in *American Enterprise* (May-June 1993), p.86; 1994 figure from Crispell (1994); 1996 figure is directly from Roper.

Victor Lebow an early retail analyst proclaimed:

“ Our enormously productive economy...demands that we make consumption our way of life, that we convert the buying and use of goods into rituals, that we seek our spiritual satisfaction, our ego satisfaction, in consumption...” (quote in William Witt, “The Overconsumptive Society,” op-ed, *Chicago Tribune*, Feb. 18, 1982)