

# LIBERAL FORUM MAGAZINE

"FORMERLY GRENZELOOS"

2nd series N3

February 1992



# GOVERNMENT AND ENVIRONMENTAL POLICY: A PROBLEM OF MEASURING

*Environment as a social phenomenon enjoys increasing attention from the general public. Therefore governmental organisations are occupied intensively by environmental policy. An obvious aim of official environmental policy is realising an environment as clean as possible at costs that are socially acceptable. An introduction to the problems of environmental policy and decision-making.*

Apart from the quality of environmental policy as such, there is the question of how a government obtains the information necessary to objectify as much as possible (political) decision making as regards environmental problems. In this context it is necessary to stress that the quality of any decision is strongly determined by the quality of the information on which that decision is based. The following example supports this proposition.

For a moment try to imagine that you are in a desert and that you would like to have a drink. You want to take out your maps to find your way to the nearest oasis, but you discover to your horror that you can only find nautical charts in your backpack. The decision to walk in a certain direction can still be right but is based on sheer luck. This is an undesirable situation. It is much more healthy to objectify the decision making process. By analogy the extent to which environmental policy can be objectified, is inextricably tied to the quality of information that supports the decisions involved.

## **Objective environmental policy**

What characterises management information necessary to objectify formulating and executing environmental policy?

We live in an age in which in terms of economics environment is becoming "scarce". Scarcity creates a problem of choice. Fortunately economics offers a tool for making choices: the cost/benefit analysis. Such an analysis to support environmental policy is only applicable, if two general social aspects are revealed: the social costs and the social benefits of environmental measures. If such information is available, a more objective environmental policy will be possible.

Measuring social costs is one thing, measuring social benefits is really skating on thin ice. This can be explained from the way in which price-making in general takes place. Two extremes in this process are conceivable. Consumer and sponsor coincide completely or they are com-

pletely separated. The implications of these extremes as regards the object environment will be dealt with briefly below.

## **Consumer and sponsor of the environment coincide**

Price-making takes place in a market where supply and demand of environment meet. The consumer of environment pays for burdening the environment. The most 'democratic' type of market is pure competition. Such a market will be realised, when firstly the environment is a homogeneous good, secondly bidding and asking prices are unequivocal and thirdly on both sides of the market, supply and demand, there are many participants. If such is the case, the price tag for environment will be a reflection of the preferences of the general public. This situation is hypothetical, because for environment no market whatsoever exists, not even mentioning a transparent market.

## **Consumer and sponsor of the environment are separated**

Price-making for environment will not take place through market forces. The consumer of environment will pay a price that deviates from the price generated by a situation of pure competition. The consumer of environment is now totally or partly separated from the entities in society that pay for burdening the environment. Paying in this case means loss of prosperity and/or welfare. The price paid is no longer indicative for the value assigned to environment by society. This is the present situation.

## **Environmental policy is measuring**

To realise a socially acceptable price tag for environment, market forces cannot be relied on. The management information accounting process has to rely on another source of data, if the authorities want to objectify their environmental policies. In order to pursue this line of thought it is necessary to consider the object environment in more detail.

Environment is an object that can only be described in qualitative quantities, e.g. clean water, clean air, etc. The quality of environment is determined by the output of all kinds of processes, emissions such as CFKs, carbon monoxide, radioactivity, but also determined by activities such as producing noise, building dikes and deforestation. To be able to control these processes, it is necessary to name these determinants of environment and to quantify gradations of burdening the environment. Therefore environmental policy is a problem of measuring, that is characterised by the following questions:

- What output has to be measured? •
- How will this output be measured? •
- Where is the source of these forms of output?
- Who is responsible for this output?

If these questions were answered satisfactorily, we could try to establish a scale for the intensity of output which burdens the environment. Such a scale could only be generated in interaction with society. The costs of environmental measures can then be weighed against the social revenues of reduction, removal or prevention of environmental damage. Furthermore these costs can then be assigned to (part of) society. This (part of) society will then fulfill the role of sponsor as well as consumer. The principle that the (potential) polluter pays, will be applied.

To name the determinants of environment and subsequently to quantify environmental damage, carries the risk that these do not completely cover the objectives of environmental policy. The determinants will then become objectives in themselves and any form of environmental policy will be wrongly directed. It is this proper and adequate measuring of output, which is the challenge for the future. Only then management information necessary to objectify environmental policy, could be supplied. The formulating as well as the executing of environmental policy could then gain quality.

Finally I would like to suggest a final issue for discussion: what is the value of environment?

*Barend D. Bergh*

## FROM THE TREASURER

Liberal Forum is growing! Not only in the Netherlands and Belgium, but also in Spain and France. This is a good start for 1992!

Nevertheless, Liberal Forum is not a very wealthy organisation. To continue our magazine, which will be sent five times a year, and our activities we need your support. I call on all members and newly interested individuals to pay the annual contribution of Fl. 30,- as soon as possible. It's worth the money! I refer also to the rule that if you want to have voting right on our general meeting on March 26th, 1992, contribution should be transferred at least one week prior.

At last a technical note. Dutch members can send their contribution to: giro 5933330, pay order 'Liberal Forum', Rembrandtstr. 25, 2311 VV Leiden. Subscribers from other countries can send their contribution by: -Eurocheque in Dutch guilders - Cash: sent as a letter between twofold pages, to: Ms. Erica Jaspers, 25 Rembrandtstraat, 2311 VV Leiden, Holland -Banktransfer: send your contribution to 'Liberal Forum' transferaccount 5933330 Postbank N.V. The Netherlands  
Yours, *Erica Jaspers*, treasurer.

## GENERAL MEMBERS MEETING & DEBATE: "THE NEWPOWER ELITE"

On March 26th in Cafe Jansdam, Utrecht, The Netherlands a general members meeting will place from 19.00 to 20.00 hours. After the meeting until 23.00 there is a debate on "The new power elite".

The rise of new technologies will support the emergence of new power elites. Specialists trained in communications, computer technology and the manipulation of information hold key positions in today's society. A politician, a telecom-network specialist and a social scientist will initialize the discussion. Questions will be: who are taking part in those new power elites? Can they be controlled? What is their power based on? Information: call Erica Jaspers or Roald Schoenmakers