

Larry Cahoon: Polluting industries and Cost Externalities

Polluting industries violate the basic principles of free-market economics, in which the correct pricing of products and services includes all their real costs, by receiving a secret subsidy with the connivance of government permits to pollute. Pollution is an “externality”, a cost of doing business forced by polluters upon receptors without their consent or compensation. Polluters should include the cost of pollution prevention or compensation as part of their cost of doing business and price their products accordingly in a true free market. Otherwise the real costs of doing business are “socialized” – we all pay costs while only some profit.

Polluters violate basic property rights. Property owners should be protected from physical violations of their property under the common law principle of trespass. Pollution that crosses property lines is a form of trespass. Those who propose to violate private property by trespass should either cease, demonstrate consent, or pay compensation. The free market provides ready means by which to correct pollution trespasses – contracts and payment for the privilege of using property for waste disposal. Government-issued permits to pollute and frequent failures even to regulate pollution create uncompensated easements for the use of private properties as waste disposal sites. In effect, the value of neighboring properties, the receptors of pollution, is stolen for the benefit of polluters with the assistance of government.

We can ask simple questions about the proposed Titan cement plant:

- Will the price of Titan’s products include the costs of remediating all its pollutants?
- Has Titan made arrangements to compensate or obtain consent of private property owners for use of their property for waste disposal, including deposition of airborne wastes?
- How has government acted to balance the interests of generators of pollution with those of receptors of pollution?

These ideas are explored more fully in published articles:

Cutting, R.H., L.B. Cahoon, and J.G. Hall. 2006. Property rights: Generators vs. receptors. pp. 215-232, in T. Theophanides, ed., *Environmental Engineering & Economics*, ATINER, Athens, Greece.

Cutting, R.H., and L.B. Cahoon. 2005. Thinking outside the box: Property rights as the key to environmental protection. *Pace Environmental Law Review* 22:55-90.