

REGARDS ABOUT THE STATE INTERVENTION IN IMPROVING THE NEGATIVE EXTERNALITIES OF THE ENVIRONMENT

Vuță Mariana

Academia de Studii Economice din București, Facultatea de Finanțe, Asigurări, Bănci și Burse de Valori, Piața Romană, nr. 6, sala 1104, mariavuta@yahoo.fr, 021.3191900/264

Gheorghe Mirela

Academia de Studii Economice din București, Facultatea de Contabilitate și Informatică de Gestiune, Piața Romană, nr. 6, sala 1104, 021.3191900

Abstract: The environment has an important role in the economic activity and in achieving a sustainable economic growth, this is way the article aims to present, starting from the economical principles of the environmental policies, the possibilities that the state has to influence the economical activity in the sense of diminishing it's negative impact upon the environment. The authors have presented other economic principles then the polluter payes that can be used by the state to influence the environment policies. It is stated that applying the economic incentives supposes the acceptance of the economic instruments used by the organs of the competent administrations, the polluters community and lately by the non working organisations that are more and more affected by the damages produces upon the environment.

Key words: environment, externality, environment policy

The European Union Treaty, adopted in 1991 at Maastricht and entered in function two year later, is stating in the exclusive act as main objective, the integration of the environment in all types of European Union politics introducing among the polluator-payer principle the subsidiary principle and the prudence principle.

The Amsterdam Treaty is focusing on the adopting procedures of the environmental communion acts, these assuring in the European Union an harmonious, balanced and sustainable development of the economic activities.

The prudence principle was introduced in Germany in 1970 when the financial planning had a great importance. By appling this the state has to realize a carefull planning in order to avoid the environmental damages. In Germany this principle was applied in 1980 against the acid rains, global warming and the North See pollution. After it's introduction in the European Union Treaty it has been adopted in different international agrements like the Bergen Declaration of the United Nation Economic Commision for Europa and at Rio Conference. Starting from a radical definition the principle is including notions like:

- Preventive action: the existence of a minimax strategy that supposes the minimization of the negative effects. In case of uncertainty these actions are recommended because they are less expenses and have as results the limitation of damages;
- Adequacy of the damage spreading: every action has to be analysed from a double perspective – cost and efficacy;
- Paying the ecology debts: based on the extention of the notion of responsability of the current generation that id producing damages upon the futures ones.

In co-operation with this principle their are others like:

- the efficiency principle which has as objective finding the ways to achieve the environmental goals by minimizing the costs, which favors the utilisation of the economic instruments to internalise the costs;
- the equity principle is justified by the transfer of the revenues obtained from taxes, penalties and fines supported by the ones that are plluting the environment, revenu that are transfered in favor of the poor regions or to the social community affected by the damages.

The subsidiary principle is based on the maerican experience which supposes a precise definition of the different levels of intervention. In this sense the European Commission is defining the actors (the

community, the local, regional or international authorities, the firms, the public and the consumers) and the actions (economical growth, research, communication, market).

In Romania²¹⁸ the frame law regarding the environment protection is settling the principles and the strategic elements that are leading to sustainable growth: the principle of precaution in taking decisions, the prevention principle, the reduction and the integrated control of the pollution through using the best available techniques for the activities that are producing meaningful pollution, polluator-payer principle.

Putting in practice these principles is based on different mechanisms. On one side we have the ones that think that the state should regulate the activities of the resources users or of the pollution factors, or limit the range of action of these ones. These limits can be used in simultaneously with other types of restrictions like fines and penalties in case the threshold are overpassed. On the other side we have the ones that think that the state intervention is leading to less satisfactory results than in the absence of any regulations. In this case the state can use the economic incentives.

The goal of these stimulants is to force the *pollutors* to reduce the toxic emissions through: taxes, even financial aids or by creating the market for a negociable passes, that are offering the choice between:

- diminishing the own level of pollution;
- maintaining a high level of pollution but paying others to reduce their own level under the legal limit.

But will the economic incentives have effects in the developing countries?

First, the regulations regarding the environment in the developing countries are stating fines and/or jail time in case of fraude. In most of the developing countries the justice is not often brought into discussion. This attitude is well known but little is done to change it²¹⁹.

Second, these regulations are not applied in the developing countries because it is almost impossible to control all the dispersed operations that are causing pollution.

In the developing countries there is another problem that take the form of the gap between the level of the elaboration, control and practicability costs of the regulations, on one side, and on the other side, we have the constraints of the budget and of the administrative means existing in these countries. In the developing countries the environment regulations assume a high degree of competence and fiscal power of the local and central authorities that are decreasing the elaboration, control and practicability costs.

Third, the penalties are set to a tolerating level and are not able to change the behavior of the transgressors. This is way in the developing countries the possibility to detect a violation of the regulations regarding the environment is almost nule and furthermore the penalty level should be fixed higher than the advantage obtained by infringing. Most times the penalties level is not fixed according to inflation this is way their level is considered negligible.

Fourth, in the developing countries the regulations are often influenced by the individual behaviors according to their own profit. It is in the best interest of the transgressor to pay part of the penalty to the clerk, like a small "attention", the later being poorly remunerate²²⁰. Increasing the penalties or intensifying the control is leading towards the increase of the compensations rather than to the decrease of the degradation of the environment.

We state that the regulations are not enough to reduce the pollution and they should be combine with other types of instruments.

To better use the economic instruments there are some conditions that should be taken into account, condition presented in the following table, and that are including: a suitable knowledge base, a solid judicial structure, competition markets, administrative capacity and a proper policy.

The conditions are different putting into light the problems that are met in the developing countries.

²¹⁸ The Law for the environment protection no. 137/1995, published in the Official Monitor 512/22 October 1999

²¹⁹ OCDE, L'utilisation d'instruments économique pour la protection de l'environnement dans les pays en développement, 1989

²²⁰ T. Panayoton, Harvard Institute for International Development, 1989

Tabel no. 1 Different methods to efficiently use the economic instruments in the environment policy

| Conditions | Essential characteristic |
|-------------------------|--|
| Knowledge | the way the economic activity is affecting the environment; the way the environment is affecting the economic environment; the way the environment programs are made up and put up in practice |
| Judicial structure | the guarantee of the existance of the property rights indisputable and executory upon the resources; ascribing the judicial competences for the use of the economic instruments; |
| Competitional markets | the existence of a resonably number of buyers and sellers; the price should be establish according to the rareness of the resources |
| Administrative capacity | the capacity to realize and put in practice programs of economic incitation; the capacity to control the concordance of the programs; the capacity to make the laws and rules obeyed |
| Policy practice | receptivity to the environment improvement and protection policies |

Another important element in putting in practice the mechanism of reglementation of pollution is the system of the property right. This system supposes that the owners should be able to transfer the properties, control the access to the resources and endure the costs tied to their management.

The regime of the common property where all the access rights are very good define can be receptive to the economic incentives. In the developing countries these systems can act upon the demographic growth, the technological evolution and the market of the products base on natural resources.

Both in the develop countries and developing countires (especially among the Eastern European countries) it has been proved that the administrators that are under the state administration are not taken accountable when it comes to the cost of the environment pollution.

But in order for the economic incentives to be efficient, the prices and the competition have to play an important part in the economic structure and the decisions made by the actors that are polluting by creating the competitional market. In this case the economic incentives are more efficient then the direct regulations (if there is a large number of sellers and buyers). On other markets (for example credit markets) the responsibility and the insurance are playing an essential role in the use of the protection programs of the environment. On these market the enterprises have difficulties in creating the sources use to sustain the environmental programs.

From the administrative point of view we consider that we should take into consideration some condition, that are according to the capacity of the public power to:

- draw up and administrate the instruments;
- control the lay on of the instruments;
- applying the conditions for the use of the instruments;
- modifying the instruments according to the circumstance.

In conclusion, the policymakers should dispose by enough financial resources and personnel in order to put in practice the propose instruments. This implies a compromise between a simple model which implies

limitative efforts but will not produce the desired results and a complex model capable to realize the optimal result but it is over the administrative capacity.

Applying the economic incentives supposes the acceptance of the economic instruments used by the organs of the competent administrations, the polluters community and lately by the non working organisations that are more and more affected by the damages produced upon the environment.

References

1. Barde, J.P., „Economie et politique de l'environnement”, Publishing House Puf, Paris, 1992;
2. Burgenmeier B., Horayama Y., Wallart N., „ Theorie et pratique des taxes environnementales, Publishing House Economica, Paris, 1997;
3. Institut des recherches economique et regionales, „Politique environnementale et efficacite economique, Neuchatel, 2000;
4. OCDE, „Politique environnementale et efficacite economique”, 2000;
5. OCDE, „Perspectives economique de l'OCDE”, no. 69, Paris, 2001;
6. OCDE, „Ouvrer ensemble pour un developpement durable, Paris, 2002;
7. Legea protecției mediului nr.135/1995, republicată în Monitorul Oficial 512/22 octombrie 1999, cu modificările ulterioare;
8. Vuță M., „Taxa de mediu-instrument financiar de protecție a mediului”, Conferința Internațională: La un pas de integrare: oportunități și amenințări, Drobeta Turnu Severin, 2006, ISBN 973-742-371-2, pg. 207-214