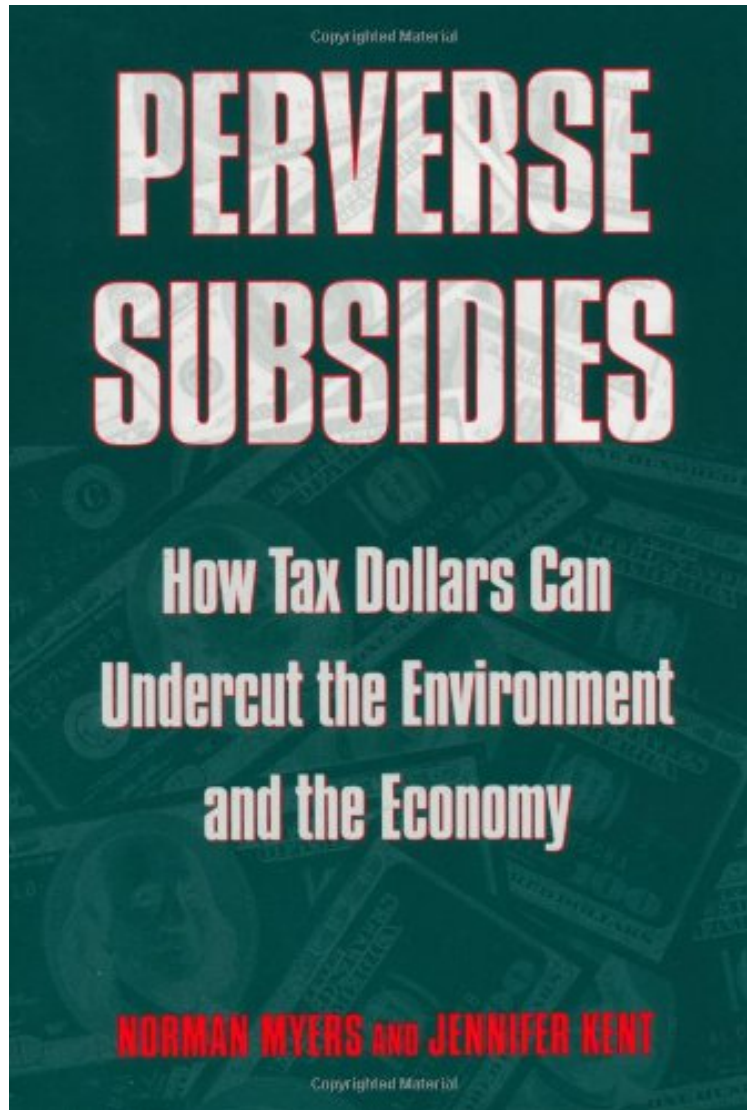


(Ebook free) Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy

Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy

Norman Myers, Jennifer Kent
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Norman Myers, Jennifer Kent : Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy before purchasing it in order to gauge whether or not it would be worth my time, and all praised Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy:

10 of 10 people found the following review helpful. A Workable Introduction to a Gargantuan, Sisyphean Topic By Gregory McMahan In their book, Perverse Subsidies, Kent and Myers adequately demonstrate how global tax revenues can at times adversely affect the economy and the environment. The book is an expanded version of a 1998 report on

the topic of perverse subsidies, focusing in particular on the OECD nations. Given the magnitude of these pervasive, deleterious subsidies, the authors were genuinely perplexed to find that the subject received scant attention from specialists in economics, public policy and the environment. As such, the book's subject matter would serve as an excellent springboard for hundreds if not thousands of graduate level research projects in the fields of economics, public policy, urban planning and development. On the organizational front, the authors divided the book into three uneven parts, with the second of the book comprising the majority of the text. Part one of the book consists of two chapters that for the most part are readable and understandable. The first chapter covers basic concepts associated with subsidies in general such as: what subsidies are, the various types of subsidies given, the advantages and disadvantages of subsidies, social equity concerns, scale and externality issues associated with subsidies, and finally an extended discussion of how the authors derived their rough estimate for the size and extent of subsidies globally. The authors astutely note the difficulty of tracking down information regarding subsidies in general, and openly admit that their estimate for global subsidies may not accurately reflect the true value, given the hidden nature of subsidies and the active roles of governments to contain detailed information about payments and transfers. The second chapter tells the reader what constitutes a perverse subsidy (which the authors define as having deleterious and distorting effects on both the economy and the environment), delves heavily into economic and environmental values and costs associated with perverse subsidies, and tersely explains the role of (negative) externalities, focusing almost exclusively on the role perverse subsidies play in exacerbating global warming. Part two contains individual chapters devoted to the agricultural, energy, transportation, water, fisheries and forestry sectors of the global economy and each chapter outlines the type and magnitude of the subsidies given to each sector, and offers specific policy recommendations for policy intervention, change, and/or overhaul. In each chapter, some countries are emphasized more than others, and this I believe reflects the availability of reliable data more than the political and economic importance, however great or small, of the countries emphasized. Part two also contains a final chapter that discusses the combined effects of perverse subsidies across all sectors presented, as well as their political, economic, and social implications. The last part of the book consists of one chapter, and for the curious layperson, chapters one, two and nine of the book contain the most useful information, albeit of a general nature. Specialists with an interest in the various sectors emphasized in the book may find one or more of the chapters in Part Two of the book to be of some utility. In addition, researchers in the field may find the book's extensive notes section at the end of the text immensely helpful. I found the book to be somewhat lacking in three key areas. First, the authors devoted much of their attention to explaining the flaws and holes in their research methodology, data and conclusions. Judicious readers will expect a considerable degree of uncertainty in the numbers, data and results, given the magnitude of the challenge before the authors. Because of the breadth of the topic, rigorous statistical analysis may have been difficult to perform, and any attempts to perform such analyses, given the lack of hard data on the topic, may not have been of sufficient utility. However, I felt that too much space was devoted to justifying their numbers in every chapter, and such detailed justification could have been sufficiently presented in the first chapter. Second, graphs and charts would have done much to make the text more readable, and key points presented within the text-rich format would have been better understood in graphical or tabular form. Pie charts, bar graphs and other descriptive, graphical methods would have made the reading much more brisk and enjoyable. Third, some key concepts, such as the subsidy, were explained in great detail with skill and precision, but other concepts and issues, such as externalities, costs, values and political dimensions of subsidies, were not very well delineated. Yet, in spite of these moderate criticisms, the authors have managed to write a good introduction to the Hydra-headed, shadowy and amorphous topic of subsidies in the global economy. Frankly speaking, expositions on dry economic subjects such as subsidies tend to be more effective at eliciting yawns and putting people to sleep than sleeping pills. Nonetheless, not only did the authors convincingly argue that the problem of perverse subsidies is a gargantuan one indeed, they also made their case using an active writing style that engaged the reader, as opposed to making him or her yawn. One can not expect one small volume to do adequate justice to a topic of such magnitude, and for these reasons, the authors should be applauded for bringing some aspects of this gargantuan topic to the public.

3 of 3 people found the following review helpful. Subsidies Made Interesting then Boring Again
By doomsdayer520
Early in this book, Norman Myers states that the study of subsidies can actually be interesting, and he's right because many (if not most) subsidies are "perverse." This means that taxpayer-funded assistance to politically well-connected constituencies usually ends up costing general society far more than the costs that were initially targeted. Good examples in America include subsidizing farmers to grow so much of a crop that the price of that crop crashes, which creates the need for another subsidy to destroy or store the surplus (American farmers were paid to destroy a billion oranges in the 1990s); subsidizing fishermen to catch so many fish that the populations are decimated, to be replenished by taxpayer-funded restocking schemes; or subsidizing the removal of forests in watershed areas, then having all of society pay for the resulting water pollution and soil erosion. This book contains myriad examples of this economic perversity, but the problem is the quantitative (that is, all numbers) methodology. Myers admits early on that data is hard to come by in this discipline, and that's understandable, but the book is still an interminable list of thousands of numbers and figures, which are usually estimated so widely as to be unworkable. As just one example among hundreds, we learn that transportation-related health care costs in America are somewhere between \$42 and

\$182 billion. There are a few higher-level insights about the true social and environmental effects of this madness, but they usually just appear briefly amidst a boring parade of statistical analysis. Watch for the numbers compiled here to be used as references in far more interesting books, that will take a useful qualitative and categorical approach to broad issues that appear occasionally here, but are not dwelled on in any engaging fashion. [~doomsdayer520~]15 of 16 people found the following review helpful. Government Sponsored Perversity By Robert Costanza Norman Myers and Jennifer Kent have written a comprehensive and engaging book about what turns out to be one of the biggest impediments to environmental quality and sustainability - perverse subsidies. The book does a splendid job of documenting and quantifying perverse subsidies in six main sectors globally. One thing it lacks, however, is a really concise definition of what perverse subsidies are. Here is what is meant: A subsidy is a payment by a government to an individual or firm. In theory, the intent of this payment should be to decrease the divergence between private and social costs/benefits - to internalize externalities. A perverse subsidy is therefore a payment by a government to an individual or firm which, instead, increases the divergence between private and social costs/benefits. This can include both direct and indirect perverse subsidies. Direct subsidies are direct government payments to agriculture, fossil fuel and nuclear energy, road construction, water, fisheries, and forestry (the six major sectors documented in Myers' book). Some part of these subsidies are, of course, not perverse. They serve the intended purpose of reducing the divergence between private and social costs/benefits. But a large proportion of current direct subsidies are perverse. Myers and Kent estimate that globally 60% of conventional subsidies are perverse. This amounts to \$860 Billion annually. Indirect subsidies are the failure of government to internalize externalities (especially environmental externalities) - leaving an unaddressed divergence between private and social costs/benefits. All of these indirect subsidies are (by definition) perverse and Myers and Kent estimate their total at \$1,090 Billion annually. The total direct and indirect perverse subsidies worldwide are therefore estimated to be almost \$2 trillion annually. As Myers and Kent point out, this is almost three times global military spending, larger than the annual sales of the twenty largest corporations, and four times the annual incomes of the 1.3 billion poorest people on earth. In other words, perverse subsidies are a huge problem, but an inherently "solvable" one whose solution would yield a "double dividend." Eliminating perverse subsidies would first help to reduce the divergence between private and social costs/benefits, thus making the economy function more efficiently. Second, it would free up funds to help solve other pressing problems. Critics will, of course, argue that these estimates are far too uncertain and "mushy" to have any meaning. Myers and Kent acknowledge the huge difficulties, but point out that "As long as the issue of perverse subsidies remains untackled, there tends to be an implicit presumption that their total must effectively be zero: there is the asymmetry of evaluation at distortional work. Of course, this is not what is intended. But as long as a problem is not accorded adequate attention, it is implicitly viewed as if it is not a problem at all." (pp. 21). Myers and Kent "resist the temptation to say we simply cannot appraise perverse subsidies in quantified fashion at all." (pp. 21) Instead they take on the challenge and ask the reader to accept the well documented qualifications that must always accompany any difficult analysis such as this. They also point out that their estimates are almost certainly conservative - further analysis and better data would reveal even larger numbers. Why do perverse subsidies persist? The answer is obvious, given the way our political systems work. One example is enough to demonstrate the magnitude and recalcitrance of the problem. Between 1993 and mid 1996, the American oil and gas industry gave \$10.3 Million to political campaigns and received \$4 Billion in tax breaks. This represents a benefit/cost ratio of about 400 to 1. Few investments in our economy are anywhere near as lucrative as this! Given these kinds of returns, it is little wonder that perverse subsidies exist and that they will be very difficult to eliminate. But they can be eliminated if they are exposed to the light of day and the substantial public benefits of their removal are brought into the political debate. Campaign finance reform is finally beginning to be seriously considered in the US and removal of perverse subsidies could be the next in line.

Much of the global economy depends upon large-scale government intervention in the form of subsidies, both direct and indirect, to support specific industries or economic sectors. Distressingly, many of these subsidies can be characterized as "perverse" -- rather than helping society achieve a desired goal, they work in the opposite direction, causing damage to both our economies and our environments. Worldwide subsidies have long been thought to total \$2 trillion per year, but until now, no attempt has been made to determine what proportion of that actually subverts the public interest. In "Perverse Subsidies," leading environmental analyst Norman Myers takes a detailed look at the subject, offering a comprehensive view of subsidies worldwide with a particular focus on the extent, causes, and consequences of perverse subsidies. He defines many different kinds of subsidies, from tax incentives to government handouts, and considers their wide-ranging impacts, as he: examines the role of subsidies in policymaking quantifies the direct costs of perverse subsidies examines the major subsidies in agriculture, energy, road transportation, water, fisheries, and forestry considers the environmental effects of those subsidies offers policy advice and specific recommendations for eliminating harmful subsidies. The book provides a valuable framework for evaluation of perverse subsidies, and offers a dramatic illustration of the scale and dimensions of the problem. It will be the standard reference on those subsidies for government reform advocates, policy analysts, and environmentalists, as well as for

scholars and students interested in the interactions between policymaking and environmental issues.

About the Author Norman Myers is a world-renowned environmental analyst; he has numerous important books to his credit and over 500 papers, he has won dozens of international awards for his work, including the Volvo Environment Prize (he was the first British scientist to receive it), UNEP Environment Prize (first British scientist to receive it), and the Blue Planet Prize (second British scientist to receive it). He lives in Oxford, England.