

The Telegraph

Yes, environmental externalities exist. But bans aren't the way to go.

Ryan Bourne

October 5, 2018

‘What on earth is going on in the UK?’ asked a Washington DC friend this week. She wasn’t referring to the fate of Chequers, Theresa May’s “Dancing Queen” conference speech entrance, or even Corbyn’s planned nationalisation of the economy.

No, what piqued her curiosity was the increasing penchant of British politicians and regulators for bans and “crackdowns” on every day items or pleasures.

The particular trigger was the Environment Secretary’s comments that his next target in the “war on plastic” would be that great scourge of our time: the disposable nappy.

Michael Gove, of course, ultimately clarified that the Government had no intention of banning disposable, plastic-containing nappies altogether. But we can be forgiven for assuming the opposite.

Every day, it seems some UK Government official, MP or regulator advocates restricting us from buying or using something.

In recent months we have heard plans or ideas for a doubling of the plastic bag tax, bans for single-use plastic straws and cotton buds, a ban on sales of energy drinks to teens, a tax on milkshakes, a call for McDonald’s to stop giving toys away with happy meals, a crackdown on disposable ballpoint pens, razors, and balloon sticks, and a ban on wood-burning stoves. All these idea have been floated by the supposed free-market Conservatives.

Sadly, this is not a Tory-specific affliction. In Scotland, the SNP beat a hasty retreat this week after a furious backlash over its anti-obesity strategy, which proposed banning takeaways from giving customers free poppadoms and prawn crackers. Perhaps feeling left out, the Advertising Standards Agency also banned a Costa Coffee advert after receiving two complaints it encouraged unhealthy eating. At times it feels not so much a slippery slope of lifestyles and environmental regulation and control, but as if we are caught in an avalanche.

This “no pleasure left behind” approach has good intentions, of course. For all the myriad barking ideas, politicians are cack-handedly trying to solve two perceived problems. The first is pollution, particularly the damage that non-biodegradable plastics cause in oceans or landfill. This genuinely imposes social environmental costs on to others and cannot be obviously solved

by assigning property rights. The second is obesity, especially relating to collective healthcare costs.

The main problem with the idea of bans, crackdowns or ever-rising taxes, of course, is that they simply ignore the benefits or enjoyment we get from the consumption itself. As such, preventing us buying certain things or setting taxes such that consumption plummets to near-zero leaves us all worse off in terms of economic welfare.

Consider non-biodegradable nappies (though we could generalise to any plastic items). Their use does result in environmental damage. An estimated three billion are thrown away every year – ending up in landfill or being burnt and generating greenhouse gases, with some waste ending up in the water supply.

That many people use them though, presumably, is because they tolerate these effects and prefer their convenience than having to wash and clean reusables. To the extent nappies or any other product impose environmental costs on others (and I am yet to see convincing evidence that British plastic consumption is causing drastic environmental harm), these should be estimated and an overall tax imposed to try account for them.

This, in itself, is difficult enough to estimate, not least because substitute products – in this case reusable nappies, but also paper bags or straws – come with their own social costs. An Environment Agency report from 2008, for example, estimated that reusable nappies generated more carbon emissions over a two-and-a-half year period than disposable ones because of the need to wash and dry them. Life is full of trade-offs.

Yet even if we could net this all out and impose an appropriate tax such that the price accounted for the overall net environmental harm, many people would surely continue to pay the price, because they would still consider the convenience benefits exceed the new higher cost.

The logic of “banning,” or aiming for zero usage with high taxes, is to say that the optimal consumption level of anything with social costs is zero. But this precludes almost anything we do in our daily lives. It would make us worse off by construction, because a great many people would prefer to consume even if environmental harm was priced in.

Similar logic applies to lifestyles control. We self-evidently get pleasure from eating a hamburger, drinking a milkshake, or having a pint. If obesity or alcohol imposes social costs through health spending, then one can make a case for targeted taxes (though less convincingly with obesity, given exercise levels also affect our weight). And yet all too often, public health campaigners talk and act as if the value we obtain from consumption just doesn't matter.

Behavioural economists used to say that some of our unhealthy lifestyle habits were due to short-sightedness and lack of self-control, and that what we'd truly prefer is to live longer and healthier. But in an age where there are more healthy options, nutritional information, diet drinks and nudges than ever, such a view is more difficult to sustain. In the face of evidence that when free to choose we don't all decide to be life-expectancy maximising machines, public health campaigners, as with environmentalists, are getting more draconian.

The great Nobel Prize winning economist Milton Friedman once claimed that “underlying most arguments against the free market is a lack of belief in freedom itself”. With the current penchant for banning, Prime Minister Theresa May’s lofty conference rhetoric about the virtues of the “freedom to choose” would be better directed at her own ministers and regulators.

Ryan Bourne occupies the R Evan Scharf chair for the public understanding of economics at the Cato Institute