

IMPOSE HIGH POLLUTION TAX ON FIRMS

PROTECTING the environment is everyone's responsibility. There have been many issues related to environmental management, like the illegal import of plastic waste.

In May, the Energy, Science, Technology, Environment and Climate Change Ministry reported that 450 metric tonnes of plastic waste would be returned to its original source, including Australia, the United States, Canada, Saudi Arabia, Japan, China and Bangladesh.

In March, Sungai Kim Kim in Johor was declared unsafe because it was contaminated with chemical waste disposed of by factories.

And just recently, the gas pollution in Pasir Gudang, Johor.

Economists classify pollution as an example of market failure due to negative externality.

Market failure exists when the market does not efficiently allocate resources that can balance social cost and benefits. Social cost is the total cost to society, and this includes the private and external costs.

In the case of Pasir Gudang and other similar cases, the social costs are the private costs incurred by firms that disposed of the toxic waste and the cost incurred by society due to the pollution.

The rationale is that individuals will consider only their private costs.

The firms that disposed of the chemicals into Sungai Kim Kim is an example of rational choice theory in which they only considered the private costs, but they did not consider the impact of external costs to society.

This led to the environmental pollution, which caused society



Emergency personnel cleaning up Sungai Kim Kim in March.
EPA-EFE PIC

to incur costs not created by them.

The social costs include medical costs, costs of not being able to go to work or school as well as the cost to restore the ecosystem.

This is what it means by poor waste management.

There are strategies to mitigate and conserve the environment and these have been formulated to create society's awareness about protecting the natural resources and environment.

For instance, the 3R campaign (reduce, reuse, recycle) was launched so that the public is aware of the importance of protecting the environment.

In the same token, the government introduced the Hazard Analysis and Critical Control Point (HACCP), MeSTI (food hy-

giene certification), and Malaysian Good Agricultural Practices (myGAP) for the management of sustainable practices for different industries.

One way to minimise the impact of negative externality is by internalising the externalities.

Market-based instruments, such as imposing taxes on polluters, might need to be considered to reduce or eliminate negative environmental externalities.

Taxes can create incentives and flexibility for firms to reduce pollution. Taxes should be imposed on companies based on the quantity of pollution emitted by them.

Companies that want to avoid being taxed will reduce emissions as long as the marginal cost

is less than the taxes. Therefore, the pollution tax should be set high enough to encourage firms to reduce pollution.

Hence, educating society about the importance of a clean environment needs to be boosted as protecting the environment is everyone's responsibility.

For the polluters of Sungai Kim Kim and Pasir Gudang, stern action must be meted out. They must also be called upon to provide compensation to victims.

The Department of Environment and other agencies must regularly inspect factories to ensure they abide by regulations.

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