

Let them eat pollution

LAURENCE SUMMERS, chief economist of the World Bank, sent a memorandum to some colleagues on December 12th. *The Economist* has a copy. Some of the memo has caused a fuss within the Bank:

Just between you and me, shouldn't the World Bank be encouraging more migration of the dirty industries to the LDCs? I can think of three reasons:

(1) The measurement of the costs of health-impairing pollution depends on the forgone earnings from increased morbidity and mortality. From this point of view a given amount of health-impairing pollution should be done in the country with the lowest cost, which will be the country with the lowest wages. I think the economic logic behind dumping a load of toxic waste in the lowest-wage country is impeccable and we should face up to that.

(2) The costs of pollution are likely to be non-linear as the initial increments of pollution probably have very low cost. I've al-

ways thought that under-populated countries in Africa are vastly *under*-polluted; their air quality is probably vastly inefficiently low [sic] compared to Los Angeles or Mexico City. Only the lamentable facts that so much pollution is generated by non-tradable industries (transport, electrical generation) and that the unit transport costs of solid waste are so high prevent world-welfare-enhancing trade in air pollution and waste.

(3) The demand for a clean environment for aesthetic and health reasons is likely to have very high income-elasticity. The concern over an agent that causes a one-in-a-million change in the odds of prostate cancer is obviously going to be much higher in a country where people survive to get prostate cancer than in a country where under-5 mortality is 200 per thousand. Also, much of the concern over industrial atmospheric discharge is about visibility-impairing particulates. These discharges may have very little direct health impact. Clearly trade in goods that embody aesthetic pollution concerns could be welfare-enhancing. While production is mobile the consumption of pretty air is a non-tradable.

The problem with the arguments against all of these proposals for more pollution in LDCs (intrinsic rights to certain goods, moral reasons, social concerns, lack of adequate markets, etc) could be turned around and used more or less effectively against every Bank proposal for liberalisation.

The language is crass, even for an internal memo. But look at it another way: Mr Summers is asking questions that the World Bank would rather ignore—and, on the economics, his points are hard to answer. The Bank should make this debate public.

