

# The Monthly UnEconomist

## Response to Concerns Raised about "Welfare for Waste"

by  
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Readers of the paper "Tax and Subsidy Barriers to recycling and Sustainability in Washington State" which appeared in *The Monthly UnEconomist* for February 2001 have raised concerns and questions. Most had to do with the study "Welfare for Waste" which was cited to support some of the analysis and conclusions in the "Tax and Subsidy Barriers...." article. These concerns are listed and addressed in this article.

### 1. "It hasn't been peer-reviewed."

The Grassroots Recycling Network (GRRN) did not put out "Welfare for Waste" independently. It was a collaborative effort by four research-oriented organizations, all of which reviewed the document for flaws. Three - Taxpayers for Common Sense, Materials Efficiency Project, and Friends of the Earth - have done extensive research into subsidy issues. Many other organizations that have done in-depth reports on materials industry policies contributed data. As well, GRRN was able to provide a new perspective on the implications of these subsidies.

"Welfare for Waste" was also reviewed by many people in recycling and research who are well versed in subsidies issues, and was endorsed by dozens more organizations. In the two years since it has been out, I have not heard substantive challenges to its content.

The subsidies and dollar amounts are directly from the federal budget in the years leading up to the report, available on-line. They were not calculated independent of the federal budget because we wanted them to be obviously supportable. In fact, a new federal budget came out

just before "Welfare for Waste" was published, in some cases showing reduced amounts allocated to specific subsidies, and we updated all the numbers to reflect that.

**2. "BPA: electric power subsidies for aluminum" Power purchase agreements between BPA and its large volume, interruptible, customers is not a subsidy of any kind. It is just good business by BPA and its customers. The end result is more efficient use of our power resources."**

Friends of the Earth, Seattle, which has closely followed these issues, provided the BPA section through research. By providing preferential rates to major electricity users, BPA encourages profligate use of energy, especially by industries such as aluminum, which have concentrated there in part because of these preferential rates.

Making aluminum from ores is vastly wasteful compared to making aluminum from recycled materials. But cheap electricity - which does not reflect the true costs of production - discourages a move to recycling. These aluminum companies happen to also, by the way, be among the companies that are now suspending their operations in order to sell their cheap, taxpayer-supported electricity to California at exorbitant rates. There are a lot of issues involved here - Friends of the Earth is in a better position to outline all of them.

**3. "Alternative fuel production credit" I am not sure how this in any way affects recycling, but in a broad environmental view it is something we should be supporting.**

As the report states, this was intended for fuels extracted from such sources as slate and tar sands, as well as synthetic fuels made from coal and gas from geo-pressurized brine. In practice, though, most of this subsidy has gone to oil and gas production. It is not a credit for sustainable alternative fuels such as solar, wind, and geothermal.

It continues to encourage more and more elaborate procedures for getting fuel from nonrenewable resources, rather than encouraging energy from renewables as well as from reducing energy demands through converting production to use of recycled materials (which require far less energy to produce).

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**4. "Capital gains status for timber sales" All long-term investments receive capital gains status, why would including long-term timber investments not be appropriate. Again we need to look to the big picture. If growing trees is not profitable much of this land will be converted to other uses. These other uses often have greater environmental risks. We also need to do much more to get more trees planted along streams for salmon and elsewhere for carbon sinks.**

This is not a normal "capital gains" situation. Timber owners are allowed to write off their capital expenses decades before they actually harvest the timber and achieve the "gain." They are also allowed to write off capital gains immediately, rather than the normal process of writing it off over time.

**5. "Forest road construction" All federal and state timber sales are bid out, if roads are already in, bids reflect that. The only subsidy in road construction by the federal and state is to the construction workers that are paid "prevailing wages" that are twice what anyone in the private sector makes. Roads are also built for many other reasons in the federal forests (multiple use) and it is not valid to assign all of the cost to timber production.**

The roads that we reference in "*Welfare for Waste*" are roads put in to areas that are only used for logging, not for recreation or other uses. In the past, the federal government has built many of these roads and not required compensation from the companies that then benefited from them. Direct federal road building is now on hold, but there are other ways of getting around that. For example, the government has also often sold timber at extremely low prices in order to build in "invisible" reimbursement for road building by the logging companies. Timber prices have often not even covered the costs to the federal government - read, taxpayers - let alone provided a return on investment, even though public forests are supposed to be held on behalf of all U.S. citizens, not simply used to support profits for some companies that also charge U.S. citizens handsomely for the products made from the materials they get at below-cost from these publicly-held forests.

**6. "Below cost forest service sales" This is a common cry from those who would ban the cutting of all trees, but it is a complex issue which cannot fairly be addressed here.**

See above. While some environmentalists advocate stopping all logging, the vast majority recognizes the importance of using wood for appropriate uses. Most advocate much more thoughtful evaluations of forests for their best uses. Some forests should be preserved because they are among the last of the ancient forests in the U.S. (as well as in the world), some are invaluable for the ecosystems they support which cannot be duplicated if they are cut down, and others are considered appropriate for logging if the logging is done in a sustainable manner. (There is still a great deal of clear cutting, even of old growth forests.)

The current approach to logging, however, is based on headlong continuation of outdated policies that are no longer environmentally sustainable with our increasingly voracious demand for wood and wood products for many reasons, including an increasing and wealthier population.

"*Welfare for Waste*" asks people to step back and look at what we're doing, recognize that while many of our practices made sense in the past, they no longer make sense in today's world and are not environmentally sustainable. They also are unnecessary in our world today because many products currently made from raw material resources can now be made to the same high quality by using recycled materials. "*Welfare for Waste*" makes the case that our tax and government policies should be re-thought to support environmental sustainability, which means recycled products, along with source reduction all along the production process.

**7. I do not know what the forest service salvage fund is or have any experience with mining issues. I would expect them to also be multi-faceted complex issues.**

Exactly, and they include the same issues of reflecting anachronistic policies and practices that have been hard to change because of powers entrenched by decades and, in many cases, over a century of subsidies such as those outlined in "*Welfare for Waste*".

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**8. Rather than attack others for the reasons for poor recycling maybe we need to find ways to support it. I have generally been in favor of use of economic instruments.**

The purpose of the report was to make people aware of tax policies that no longer are in our best interests, so that people can make informed choices about what now, in the 21st century, would be better choices for use of economic instruments. In pointing out policies/subsidies that encourage business practices that are no longer favorable for the world we live in and are developing, it allows us to think about what we DO want, whether it's to support other directions, or perhaps simply not to encourage going in the wrong direction.

**9. Has there been a published rebuttal to this document? Who would provide an independent peer review?**

A similar type of report, but identifying different subsidies in several cases, was put out by the National Recycling Coalition (NRC) after extensive research and review by professional recyclers and researchers on NRC's Policy Committee. Many of the subsidies discussed in both reports, as well as other subsidies, are included in reports by Taxpayers for Common Sense, which also collaborated on the "Welfare for Waste" Report. The citations in the "Welfare for Waste" report provide many leads to other documents that have also addressed these issues, including federal and state government reports.

## **About The Monthly UnEconomist**

This monthly online newsletter available at [www.ZeroWaste.com](http://www.ZeroWaste.com) (or [www.SoundResource.com](http://www.SoundResource.com)) intends to provide insight and analysis on the everyday economics of recycling and the unpriced or underpriced environmental benefits of reducing waste disposal and replacing virgin-content products with products manufactured from recycled materials. In addition to *The Monthly UnEconomist*, Sound Resource Management's website ZeroWaste.com also offers recycling markets price history graphs, reports on a variety of topics including the economic and environmental benefits of recycling, and GarboMetrics - elegant, yet not mysterious tools and

spreadsheet models for solid waste and recycling.

These materials are all available for no charge at [www.ZeroWaste.com](http://www.ZeroWaste.com). User feedback is encouraged via [info@ZeroWaste.com](mailto:info@ZeroWaste.com), and substantive comments will be published in our newsletter whenever they add to our understanding of recycling.

As an example of newsletter content, some issues of the *UnEconomist* analyze northwestern and northeastern U.S recycling market prices for nine recycled materials (mixed paper, ONP, OCC, glass containers, tin cans, UBC, PET bottles, HDPE natural bottles, and HDPE colored bottles). These prices are tracked by online graphs updated quarterly.

In addition, some issues of the *UnEconomist* are devoted to GarboMetrics, economic models for managing and analyzing solid waste and recycling. These newsletter issues explain the structure and use of GarboMetric models provided at ZeroWaste.com for such purposes as designing garbage customer rate structures and correctly comparing garbage rates in different communities. GarboMetric models and corresponding issues of *The Monthly UnEconomist* can be downloaded at no charge from [www.ZeroWaste.com](http://www.ZeroWaste.com).