

According to economists, firms have little reason to take into account the cost of externalities — that is to say, the harms their activities may impose on others. The traditional solutions are damage remedies or taxes to transfer the financial cost to the industry, or regulation to force industries to limit their harmful activities. Why not try a more direct solution? Why not require owners and managers to expose themselves to the same risks?

For instance, we could require managers of nuclear plants, utility officials, and officials of reactor manufacturers to live within a mile of the plant, along with their families. That would enhance the incentive to think of safety. Similarly, we might require oil company executives and their families to live within a mile of a refinery, so they would experience the same risks and the same exposure to air pollution as the surrounding community. Along the same lines, chemical company executives could also be required to live near their own facilities and drink the local water, as would operators of hazardous waste disposal sites. We could even imagine that coal company executives would be required to have their offices inside working coal mines.

Indeed, we could even multiply the risk in order to further incentivize safety. An economist once suggested that, if we really wanted to increase auto safety, we should install large sharp spikes on steering wheels — the idea is that people will drive *very* carefully if they are afraid of being impaled during an accident. In a similar vein, we could require oil sprinkler systems in the homes and offices of oil company executives that would be automatically triggered the moment a pipeline or oil tanker spill took place, thus drenching them and their homes in crude oil. The message would be a variant of the Golden Rule: “Don’t do unto others lest you be done two-fold unto yourself.”

Liberals are likely to find these solutions appealing. For conservatives, the tradeoff might be reductions in some existing regulations that would no longer be necessary given the greater incentive toward safety. It’s win-win. Isn’t it?