

nacted, when public interest in the subject has waned. A tax on smoke emission which is billed monthly will continue to exert its influence on managerial decisions indefinitely. Unlike a programme dependant on the vigour of a regulatory agency, the tax incentive does not require continued enthusiasm for the cause. It can, thus, transform a transient public outcry into a permanent influence that affects the behaviour of the economy.

The tax approach, at least in principle, achieves its reductions in effluents, in noise, and in smoke in a manner that minimizes the total cost of the changeover. Without assigning quotas to anyone, or interfering in the operations of the individual enterprise, it provides the incentives for each firm to make those decisions which in the aggregate will make the cost of pollution control as low as possible.

To illustrate consider a case where it has been decided to reduce the total influx of pollutants into a river by 60 per cent. Suppose that instead of assigning a quota to each company with a plant on the river, a tax on the discharge of wastes is imposed, a tax sufficiently high to achieve the desired reduction in the pollution content of the river. The firm for which it is very cheap to reduce emissions will find it profitable to cut down on its effluents substantially because, for it, the installation of the required equipment will be less costly than the taxes. On the other hand, the firm for which such a changeover is very expensive will find it cheaper to pay the tax than to undertake a substantial conversion. The first firm may then find it most profitable to cut its discharges by 80 or 90 per cent, while the second company may end up with no more than a 10 or a 20 per cent reduction. Thus, the difficult task of assigning emission quotas to the various plants in accord with the requirements of efficiency is taken care of automatically by the tax incentive approach. It does so without direct interference and without recourse to direct controls.

In sum, the tax re-orientation approach offers a variety of attractive features. It is equitable—it charges only those who engage in the activities that threaten the environment and bases the charges on the extent of the taxpayer's contribution to the environmental problems; it is automatic and self-enforcing; it minimizes the need for enforcement machinery and the temptations for corruption; it does not increase the financial problems of state and local governments; it is effective and makes full use of the productive efficiency of the free enterprise system; its effects are long lived, and it promises to achieve its goals at minimum overall cost to the economy.

Society has been giving away, free, too many of its precious resources far too long. It is not as scandalous as it sounds to decide that everything has its price. The real scandal lies in setting that price at zero or at some token level that invites us all to destroy and to despoil. Unless we recognize the legitimate role of taxation in this area, we may end up with our sense of morality intact but our environment in ruins.

REPORT FROM THE U.S.



GRAHAM SCOTT

Patriotism and Blackmail

AT THE TIME of writing, the American people are awaiting momentous pronouncements from two new statutory bodies which have been created by the President and which are already under attack as being unconstitutional: the Pay Board and the Price Commission. Following the ninety-day wage-price freeze introduced in August, these two newcomers on the economic scene have been given the impossible task of monitoring all major wage and price increases, establishing "guidelines" and recommending any new legislation deemed necessary.

While the President has been congratulating the country as a whole on its compliance with the Phase I stand-still and pronouncing it a great success, a whole chain of wage claims and price hikes have entered the pipeline. These will come forward for adjudication shortly.

Briefly, the President has proposed that all big unions will have to give the government advance notice of wage claims and other large-scale benefit proposals while all big companies will have to notify the government of any proposed increases in either prices or wages. It is further envisaged that medium-sized organisations will have to report similarly but may not be subject to direct control within limitations to be specified. Small companies, it seems, will be able to please themselves subject to inspection of records and government spot checks. All this control it is claimed can be managed by a staff of about 3,000 inspectors. Already, many people are laughing.

Initially however both sides of industry are giving the President their moral support in public. This in itself is a major triumph, secured by the administration through a peculiar American brand of pride, patriotism and blackmail. The President has gone out of his way in establishing the two review bodies to see that they include a wide-cross-section of American society. His basic approach has been emotional. Claiming that Americans have only themselves to blame for the nation's economic plight and galloping inflation prior to the "freeze," he has appealed to all in the name of patriotism to participate in reasoned negotiations for the common cause. At a risk of appearing to be either un-American or selfish if they refused, the various sectional interests of the econ-

omy are now finding themselves sitting around the discussion tables. What will emerge remains to be seen but the President has warned that some form of wage-price control could become a feature of the economy for many years to come especially if mutually agreed formulae cannot be worked out.

It is really amazing that, although much scepticism exists, most Americans seem to believe that the President's approach is basically right. Having said that the country's plight is due to the actions of its people he has now established the machinery for the country to bring itself to heel. If this does not work (and such evidence as exists from European experience suggests that it will not) the President can then claim the need for stronger government powers and direct control by the administration. In all this, there is no word of government misdemeanours, of years of deficit spending by all agencies, adherence for far too long to an unrealistic currency exchange rate coupled with protectionist policies, support price guarantees, land banks and direct subsidies which have had the cumulative effect of undermining the competitiveness of many industries in a rapidly changing world market.

Worst of all, there is no mention of proposals to deal with land monopoly and its speculative by-products which are felt throughout the whole of the economy. With unemployment running at a level of about six per cent of the work force the need for policies which will stimulate the economy as a whole are clear. With an abundance of land and natural resources to mention nothing of considerable reservoirs of natural and imported business talent, clearly something must be stopping the smooth operation of basic economic laws. Little is to be found in current policies to suggest that the causes of the economic malaise have been correctly diagnosed.

Introducing the Uptaker

It had to happen sooner or later and America is now boasting of another international first: a twenty-storey skyscraper mausoleum! This will be the first of two planned by enterprising Nashville funeral director, T. Raymond Ligon. The first structure will provide convenient repose for a mere 65,000 bodies in marble encasements seven feet high built one on top of another. Ligon was the first in this macabre business to introduce the "one stop" comprehensive funeral, embracing the lying-in, full services, wake and entombment within the grounds of one establishment. Now he expects to do it all "under one roof." In this way, he claims, services can be held at night and travelling and processions are cut to the minimum thus finding favour with city governments, many of whom have already passed ordinances forbidding funerals from the streets during high traffic periods. With labour costs rising, less enthusiasm for monumental masonry and the difficulties of plot reservations, Ligon claims he will be able to offer a very

competitive service in high-rise entombment for under \$1,000 compared with the conventional method costs of upward of \$1,400. Nor is this all. Whereas the conventional cemetery methods would call for a site of about 129 acres for 128,500 conventional "caskets," Ligon has calculated that his two planned multi-storey structures will accommodate the same number of departed (together with all ancillary facilities) on a mere 14 acres! And his liability for a local property tax may well be less.

Interviewed recently by a *Kansas City Star* reporter, Ligon made no mention of land price but expressed the view that changing times have obliged him to sell his own monument company. "People are buying the bronze garden type of marker," he said, "because it does not scare them to death because it is much cheaper." It seems that apartment living is going to be the "in style" in America for years to come—both during and after life.

Socialism for Capitalists

A recent study undertaken by Associated Press (reported in November/December *LAND & LIBERTY*), estimated that somewhere between \$28 billion and \$38 billion dollars are spent annually in subsidies, grants, loans and handouts to U.S. businesses. All this money is administered under more than 200 different programmes without any system of accountability. The subject is so embarrassing to a professed free-enterprise nation that the word subsidy rarely appears in any official publication. It is not mentioned once in the 935-page *Catalogue of Federal Domestic Assistance*. Supporting a recent proposal to guarantee up to \$2 billion in loans to help failing businesses, Secretary of the Treasury John Connally disagreed with an opponent who claimed that the scheme would "destroy the foundations of the free enterprise system."

Replied Connally: "We sometimes kid ourselves it is a free enterprise system, but it is not all that free. Much of it lives under regulation, much of it under subsidy." While such frankness in a senior politician is to be admired, it remains a terrible indictment of U.S. policies to admit that so much of the U.S. economy is incapable of standing on its own feet without help from the really profitable sectors. The real tragedy however is that most of the subsidy money comes from consumer-taxpayers as individuals rather than corporations. In other words the impact of inefficiency is felt most by those who can really least afford to support it. It is time to remind ourselves that the concepts of freedom, liberty and justice mean nothing if they do not apply equally to all sections of society. The freedom to elect personal choice through the power of the wage packet now operates through tightly defined channels established by government expediency. Alas poor Lincoln, George, Smith *et al.*