

# How to Enlist the Free Market in Pollution Control

by John C. Meyer

The problem of air and water pollution, unlike many of the so-called problems incessantly urged upon our attention by the media, is a genuine cause for concern. Pollution is something all can agree is undesirable and it is not a condition of nature, physical or human, which is not susceptible to change. Furthermore, it is a legitimate sphere for governmental activity, because it is a physical impingement by some individuals on others which they cannot adequately cope with either individually or by voluntary association.

The crux of the problem is that the polluter makes other individuals pay part of the cost of his activity, a situation economists call an "external diseconomy." At this point in the discussion someone will surely say, "pollution is not a 'cost'; it is something we must abolish." However such a person does not actually believe this; his position is merely the product of inadequate analysis. It is palpably absurd, for example, to suggest that, if we had eliminated 99% of automobile exhaust pollution, we would pay \$25 billion to eliminate the final one percent. We definitely want to reduce pollution and we want to get the greatest reduction possible for the resources we put into this enterprise; we are, however, unwilling to allocate unlimited resources to the problem, and especially to the complete elimination of all pollution.

Once we have defined our objective as the reduction of air and water pollution at the least cost (both in terms of direct dollar costs and in terms of the indirect costs of social dislocation), the question of how it should be done can be more intelligently approached. The conventional approach through government regulation and government programs has been virtually the only way considered until now. Is it therefore necessary to resign ourselves to yet another massive, inefficient set of regulatory agencies and government programs? I believe there is a better way—a way to accomplish a great reduction in potential government spending in this area and an even larger reduction in the incipient pollution bureaucracy.

The key to this alternative is a system of pollution taxes, coupled with a "pollution tax credit" (similar to the investment tax credit) for those investing in pollution control. Such a tax system would harness the machinery of the free market by internalizing the diseconomies of pollution within the market. In simple terms the internalization of this external diseconomy would mean that the polluter pays through taxes for the damage he does. Thus the cost of pollution to all of us

is added to the cost of the activity which pollutes, be it driving a car, producing electricity or steel, or burning trash.

This alternative combines the virtues of (comparative) simplicity and great flexibility. Since pollution does not respect state lines, a basic Federal tax on each type of air and water pollutant would be necessary—probably to be levied only on pollution above a certain amount, for practical reasons. To this tax any state or locality would be free to add a further tax. Since the cost of a given additional amount of pollution is greater in some places (e.g. New York City) than in others, state and local pollution taxes can contribute to a rational distribution of such polluting enterprises as society chooses to pay for. The tax rates can be varied to meet the urgency of the problem, provided that they are never made so high as to be equivalent to an outright prohibition for the average polluter in an industry at any particular time. If the rates were made prohibitive, the advantages of a tax over a regulation would be lost. In particular it would no longer allow a gradual adjustment of each industry affected to the new conditions. Furthermore there is less incentive to evade a tax one can at least temporarily live with than a regulation which makes the continued operation of one's business impossible, or nearly so, if complied with.

The largest single cause of pollution today is the automobile. Since the problem is not centralized as is that of an industrial plant, it is somewhat more difficult to administer a pollution tax in this area. Since the car owner will ultimately pay for anti-pollution equipment (as he is already paying for safety equipment) and since the efficiency of such equipment depends on the car owner who must maintain it, he should pay the tax directly. This arrangement will promote competition to satisfy the demand for low-pollution vehicles which such a tax will create.

Since all states require automobile licenses and many require an annual automobile inspection, the tax could be collected with minimum of additional bureaucracy. The Federal Government would need to require an annual inspection in all states. This inspection would include a measurement of the rate of pollution caused by each car and the tax could be computed from that rate times the number of miles each car had been driven in the past year. (A pollution factor should also be added to the gasoline tax.) Of course there are a number of tax evasion possibilities here, but the same would apply to any system of regulation. Evasion of this tax would do very little to thwart its purpose, since its purpose is to affect an average, not any particular individual, and since such evasion would necessarily

be partial, at least until someone invented a perfect anti-pollution device. Furthermore, the tax would still function as an incentive to buy a cleaner automobile, since the tax evader may have a guilty conscience, often has to bribe an inspector, and is always in some danger of getting caught.

The advantages of taxation over regulation are clear in the field of automobile pollution. Regulation must simply prohibit pollution above a certain minimum and cannot touch pollution below that minimum. With a pollution tax there is no need for any minimum at all since each car must be tested anyway. Thus continuous market pressure on everyone to reduce pollution is substituted for a clumsy all-or-nothing approach. This pressure can be readily adjusted by a simple change in the tax rates, whereas a change in Federal emission standards often causes injustice and disruption, while usually not applying to cars already on the road. A tax can be introduced at a level tolerable to those affected and increased from year to year until it reaches a level sufficient to attain whatever objectives we may set in the field of automobile pollution control.

Each car's inspection sticker could have its pollution rate recorded on it so that localities could easily collect their own pollution taxes. For example, New York City could collect a special tax on each commuter's car according to its pollution rate. A pollution tax credit could be given both to the automobile companies and to any car owner who installed an anti-pollution device in his car. A tax could be imposed on each car produced in proportion to its rate of pollution, but it would merely be passed on to the consumer. It is, however, necessary that there be a direct tax on the car owner so that he has an incentive to keep his anti-pollution devices in good repair. Furthermore, a direct tax on the car owner, who is almost all of us, is a protection against an irrationally high tax, since the voters will know they are the ones paying the tax.

Except for automobiles, government and industry are the major polluters, and most of their pollution is concentrated in large units. The only cure for governmental pollution is a government program, and this is the area on which President Nixon has placed his major initial emphasis. For major industrial plants the tax solution is relatively easy to administer. Some industries will adjust with relative ease under the tax incentive. Others may be unable to accomplish a substantial reduction in pollution at a reasonable cost. As a result of this their products will become more expensive and their sales will decline; this is exactly the result we should want. To the extent that their products are unimportant, or that substitutes for them are readily available, these industries will tend to disappear in the long term, and this is also as it should be. Importance and substitutability are indefinite concepts whose meaning will vary with the pollution tax rate structure which is in turn determined by how urgent we find the pollution problem at any time. At all times there will be a continuing

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# The Morons At Generation Gap

by R. Emmett Tyrrell, Jr.

One of the leading questions addling America the Shaky seems to be that of environmental pollution. It is one of those baffling American problems eliciting a platitude from us all and a confession of guilt from no one. Nevertheless as we continue to wring our hands about pollution I fear someone will have to do something. Which probably means Mr. Nixon will eventually raise feculence to cabinet rank, appropriations will be made for the new department and universities will con more money from their legislatures for the study of rubbish. Environmental pollution will become a bit costlier, but that will be that and we shall all rest easier knowing someone is doing something.

So it is that my colleagues and I, ever the young visionaries, are looking beyond pollution of the land, the air and the sea to the pollution of different environs—that is, to pollution of the mind. Under stifling clouds of foolishness America's intellectual environs are strewn with such a clutter of canards and myths, enlightened conservationists hardly know where to commence the cleanup. But as one simply has to start somewhere, and as I have always regarded the myth as a critical pollutant of sound thought, let us begin by ridding the landscape of one of America's most popular and inelegant myths: to wit, the "generation gap."

That it has become such an obsession is disturbing though hardly surprising. After all this is the nation which amended its constitution to eliminate demon rum and is even now hunting down something called institutionalized violence. Yet, though America has long been a haven for mind-polluting mythology, reflective persons are always awed at the speed in which the most absurd myths spread from sea to shining sea. In the past, organizations like the Women's Christian Temperance Union popularized American myth. Today myths are still popularized by daffy organizations, for instance Americans for Democratic Action, but our chief agent of intellectual pollution is more subtle for it is none other than our communications media itself. Every day the windiest nonsense and most arrant lies emit from radio, television and newspapers to foul and corrode the American intellect.

In the case of the mythological generation gap I expect that once upon a time some neurotic from the New York Times, upon being rebuffed at a sock hop, decided teenagers different - if not odd - and ipso facto worthy of a feature article. Now we all know from reading our newspapers and watching televised reportage that reporters consider anyone different from themselves shocking -- possibly even dangerous. The whole media pounced on the young like buzzards on a

juicy carcass. Yet because they are so terribly naive and unsure of themselves, the moguls of the media: a) became obsessed about youth's "alienation," b) inflated it into one of their sempiternal crises and c) collapsed into suggesting that all adult Americans "learn something from the rising generation."

Thinking persons recognize such exhortatory assertions as the dizziest twaddle. The young are not strangely foreign; they are just young. Culturally they ascribe to about the same mores as their parents. Further, as the Urban Affairs Council has noted, the median age in America has risen from twenty-four in 1910 to about twenty-seven years and eight months today. By 1985 the median American age will actually be six months higher. The population as a whole is not getting younger. Although the young population has gotten larger, the adult population has gotten larger still. Thus if the pundits are correct in judging American youth as another one of our little crises, it is at least a receding crisis, and one that should reaffirm all our faith in The Pill. Finally if there is some wondrous enlightenment emanating from youth then America's elaborate educational system is either unnecessary or directed by persons of the wrong age. Are the pundits suggesting that university professors trade places with their pupils? There is a touch of genius here, but as genius is not a characteristic of the pundits, I imagine they are once again simply wrong. Nevertheless being wrong has never daunted the communications media in the past and today they are stridently insisting that the young are so foreign, they are separated from aging America by a widening chasm, and adult America must soon bridge this gap if it is not to forever suffer isolation on the wrong side of paradise. Bosh. The whole myth is just one of those monstrosities which spring from a seed of truth to seduce the gullible and

interest the jaded. It will pass from the nation's cocktail chatter as soon as it is talked to death. But though we know how this myth came to be scattered about, we still do not know from where it evolved.

As with all myths its origins have been lost in the misty paths from antiquity. However as we approach our own time more distinct features begin to appear. Certainly two significant elements contributing to the mythological gap have been America's growing educational industry and American affluence. As Bruno Bettelheim has incisively noted young Americans before 1900 were by the age of fourteen or fifteen responsibly employed. Today young persons of this age are chained to educational factories.

Assuredly widely disseminated knowledge is of paramount importance in our technetronic age, but this does not mean we must banish our young people to four years or more of delusive confinement, utterly bereft of responsibility, burdened with psychological strains, electrified with frustrations and virtually enthralled in "arrested adolescence." Yet for over half a century, this has been the increasingly normative situation. This autumn more than fourteen million students enrolled in high school (over twice as many as in 1950) and more than seven million enrolled in college. In high school the student is generally inflicted with second-rate instruction from third-rate minds while the college student undergoes what can only be called acute cultural shock. There just has to be a better way to cultivate our geniuses!

Now in the world's wealthiest and most generous nation I do not mean to imply that our student serfs have it all that bad. American students do not read Plato in chilly cells by candlelight. Lamentably they rarely read Plato at all (irrelevant you know), but what they do read they read in the most comfortable quarters imaginable. Through their parents' extravagant solicitude and a spate of generous student loan programs American students compose the most uniformly affluent class in the world. Perhaps it is because of their wealth and leisure that adults consider youth foreign, but this does not make youth a new breed of man. Some day they too will be reduced to adulthood. The behavioral styles of youth generally follow the cues of the adult generation and

