

RIPON FORUM

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SHARED
LUNCH

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Commentary: The GOP

A NATION IN POLITICAL FLUX

by Gilbert E. Carmichael

Right now, the nation is in flux. For the first time the American people do not sense a better life ahead. They have no vision of a better America. Something radical has happened to our nation in the last few years. The October 1973 oil embargo signaled a major event in Western society. We had faced Viet Nam, Watergate was emerging, and family life was exploding. Every institution of society was becoming suspect.

A French journalist, Jean Francois Revel, recently pointed out that when the several institutions of society are found suspect at the same time, then a revolution occurs. All things change. Western society has made such a major shift. The Republican Party, if it wants to survive and wants to lead, must articulate this new era.

The old era was a gaudy, extravagant, conspicuous, consumptive, wasteful and polluting era. Many of us were made wealthy by it. It was doomed because any society based on cheap food, cheap fuel, and cheap raw materials has to come to an end. We are in transition and people sense it. They are ready to follow conservative Republican leadership, but the party must show concern for them as human beings. There is an opportunity for an exciting new America if our political leaders and our political press can articulate the "ethical capitalistic society" that is possible. It will be a society that does not pollute but is still highly productive in goods and services and the quality of life it offers. It will succeed if it places the human being in the first priority and the earth and its resources as the second most important.

They didn't know it individually, but this is what the people of Mississippi told me in the 1975 gubernatorial

race. We talked about everything from hunting and fishing to our land, our people, their jobs, our minerals, and our food. The people said it again in the 1976 presidential race, but their voices were obscured by rhetoric. The Democrats are probably going to fail in the next four years because they are trying to rework old, liberal programs that create a third class welfare society for the young, the poor, and the disenfranchised.

The message to the Republican Party and to the conservatives from the people of this land is quite simple. They are saying: "We want to buy your principles of fiscal responsibility, of free enterprise, of the rights of individual and private property. They are good principles, but they are not first priorities. The most important two are



missing! In 1976 you sent no message to the young and poor of this country. You promised no hope or opportunity for the aged, the minorities, and the disenfranchised. The true conservative does."

If we can do this, then we can preserve the institutions and freedoms we talk so much about. If the Republican Party doesn't offer this alternative, then the Democrats have the right to create a "third class" welfare system." Thus, a "truly conservative" Republican Party can offer first class citizenship and economic opportunity to all its people in the private sector because it can be done.

My question is where are the party's proposals for:

- 1) A Republican program to stimulate industry and create millions of new jobs in the private sector.
- 2) A Republican Teenage Bill of Rights to create apprenticeship programs so our children can find work experiences in the private sector that will not be wiped out by minimum wage legislation.
- 3) A Republican conservation program that will accelerate the recycling

of wasteful products of the old era and give investment incentives to the millions of energy-saving products of the future.

4) A Republican foreign policy to create new trading partners in the third world. (We've got to sell our goods to buy their oil and raw materials.)

5) A Republican policy to balance our transportation system and make each mode more efficient and profitable and conserve our domestic fuel while using as little foreign fuel as possible.

The American people are waiting for us. All of our people want to be first class citizens in the private sector. They want less government. They want a real job and dignity. It is not too late. If Republicans will open up the system, they will follow us. ■

Contributor Note: Gilbert E. Carmichael was the Republican candidate for senator in 1972 and governor in 1975 in Mississippi. This article was excerpted from remarks delivered to the Republican National Committee meeting in New Orleans, September 30, 1977.

Ripon: Update

CAMPAIGN NOTES Deputy Attorney General Peter F. Flaherty has quit to return to Pennsylvania and run for governor. Meanwhile, North Carolina Republicans would like to import a Pennsylvania entrepreneur to be their candidate for governor in 1980. Arnold Palmer, who now resides in Latrobe, Pennsylvania, owns a Cadillac dealership in Charlotte, North Carolina, where he is building a home. As a result, former Tarheel Human Resources Secretary Phillip J. Kirk, Jr., thinks Palmer would make a natural candidate in his adopted turf. Up in New Jersey, another sports star, former New York Knick Bill Bradley has announced his candidacy for Sen. Clifford Case's

seat next year. Bradley will not have a clear shot at the nomination, however, since U.S. Rep. Andrew McGuire(D-7) and a number of others are shooting at the same basket. Down in Mississippi, Sen. James Eastland's decision to seek reelection had the opposite effect among potential Republican and Democratic candidates. Most were scared off although former Gov. William Waller and former Eastland opponent Gil Carmichael are still considering the race from the Democratic and Republican sides, respectively. The key for both men will be to deprive Eastland of most of the state's black vote. And in Tennessee, former Gov. Winfield Dunn(R) appears to have decided to forego next year's gubernatorial race in favor of continuing his career in business.

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Commentary: Resources

CONSERVATION AND THE SHARED LUNCH

by David Gordon Wilson

There is no need to dwell on the increasing exploitation of our natural resources or the pollution of the environment. We are almost all agreed that there is too much of both. There is, however, little general agreement on what should be the optimum or maximum levels of pollution and of resource exploitation.

On the one hand there are absolutists who call for zero discharge into our rivers and lakes. This is a level which in practice can be reached only by either an unnatural sterility or by putting an added burden onto discharges into the soil and air. On the other hand, there can always be found experts who will maintain, with the backing of impressive-seeming data, that there are no shortages; that man-made pollution is minute compared with that caused by natural occurrences; and even that sulfur dioxide and DDT are beneficial to both man and nature.

The result of this lack of agreement as to the extent and even the nature of the problem has naturally led to a lack of agreement as to what should be done about it. Extreme positions have led to extreme conflicts. The disputes are made the more intense because they are usually decided---legally, legislatively, or otherwise, by a winner-takes-all type of decision. DDT, nuclear power, high-sulfur oil and coal, the Concorde supersonic airline, the pollution of Lake Superior by Reserve Mining, for examples, are either allowed or banned. It is small wonder that with everything at stake, the protagonists in the environmental debates argue so intensely. Yet, the situation need not be this way.

There are graduated solutions---measures which can be adjusted from case to case and from time to time and which, if generally reckoned to be in need of change, will nevertheless be sufficiently close to the social optimum that, if the adjustment is delayed, no great harm will result to any party involved. To introduce the philosophy of the proposed measures, it is useful to discuss an old economic parable, the shared lunch. This

analogy accurately replicates many of the ills presently faced by our society.

In some limited but important respects, society can be modeled as a group of ten people who take lunch together every day. In the initial period of their common meals, each person orders his or her own meal from among the 99-cent specials, and each one pays his or her own bill. Then, one day, one of the group suggests that to save unnecessary accounting, the server should put all the meals on one check and then each member of the group should pay his or her share by simply dividing the amount on the check by the number in the group. Since the price of each meal is the same, this seems like an equitable arrangement.

All goes well for a few days until one member of the group performs some simple mathematics and decides that if he chooses lobster at \$9.99 instead of the 99-cent special, his incremental cost of the lobster will be only a tenth of its additional cost, or 90 cents.

The lesson is not ignored by others. Soon every member of the group is having lobster at every lunch, and the shared cost is \$9.99 per person. Everyone is asking: "Why am I getting so fat? Why is life costing me so much?" If at this point someone decides to go back to the 99-cent special, he or she will then learn another important economic lesson: the shared bill will drop not to 99 cents but to \$9.09, along, of course, with everyone else's. In this analogy the initial shared costs should be regarded as taxes and the incremental price for each person's lobster is the perceived cost of a scarce resource or of environmental pollution.

One could, of course, make this analogy considerably closer to the current state of the country by including people of different income levels, some of whom would need income transfers. Or, the lunchers could decide to pay for ten percent of each meal directly and to share the costs of the remaining 90 percent. However, these refinements needlessly complicate the model for the present purposes---which are merely to show that by keeping the apparent costs of scarce resources and of polluting the environment low and by carrying the balance of the costs on a shared tax-

Contributor Note: David Gordon Wilson, a professor of mechanical engineering at MIT, first delivered this paper to the Seventh Annual Composting and Waste Recycling Conference in Amherst, Mass.

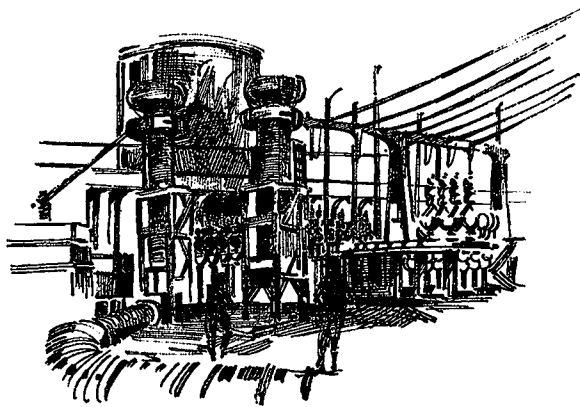
tion basis, we are all given a strong incentive to waste and to pollute.

The remedy in the case of the shared lunches is obvious: the only additional cost required is that for the server to write out individual checks instead of one large check. In the analogy, the reason for going to a single check was to save the server the time and trouble of writing out several checks. However, I think all would agree that the costs of writing individual checks is small compared with the savings that would be realized as the costs of the lunches decreased again from \$9.99 to 99 cents. This is an important point. We should use full-cost accounting only when the accounting costs themselves are small compared with the savings that are realized. To switch from analogies to specifics, here are some examples of how legislation on full-cost accounting could work in practice.

Nature provides many examples of what economists call "free goods." And they are very good. One example is a spring of pure water. A spring is a necessary basis for establishing a community. While the cost of water from a spring is zero, its value is very high. Normally, a water department is set up to distribute water to residents and businesses, charging for the water by assessing the average per-gallon costs of merely collecting and distributing the water. No part of the water charge is concerned with the fundamental value of the water.

So long as the water is abundant, this treatment of water as having no fundamental cost is tolerable, except that waste is encouraged to such a degree that almost inevitably, there comes a point at which demand outstrips supply, either in a particular dry season or perennially. At this point, the usual response is to build another reservoir in some distant place to pipe the water from that, or to consider desalting or other extreme measures.

Under the principles proposed here, the more appropriate course would be to increase the price of the water to all users as soon as there is any future probability of the supply being insufficient. The water department would then collect more funds than it spent on delivering the water. But the surcharge should not go to the water department. It should be divided equally among all residents of the water district each month and returned to them.



The surcharge level should be set by politicians, listening, as is their function, to reactions from residents and from business and labor leaders. Ideally, the surcharge should be increased gradually, rising by a constant increment each quarter. Commercial establishments such as laundries, car washes, farmers and so forth would be allowed to pass their additional costs on to their customers as higher prices. The average user of water (at home and in purchased goods and services) would find that the additional outlays due to the water surcharge in his or her activities would be exactly balanced by the rebate received. Even so, he or she would have an incentive to save water, because of the perceived higher costs, and thereby to achieve a financial gain. The below-average water user would find that the rebate was larger than the increase in monthly outlays and would thereby have a gain in net income. The large water user would suffer a penalty. All would have an incentive to save water, because an individual reduction in water use would save individual costs while hardly affecting the level of rebate.

The politicians would hear the cries of delight from the below-average water users, and the shouts of anguish from the above-average consumers. The politicians would also notice that overall use of water would decrease, perhaps to the point where a politically costly new water project would not be needed. Politicians probably would vote for the surcharge to be increased until the demand for water had been reduced to a level where it could be met by available supplies, or until the price per gallon had reached the point at which it would be justifiable to bring additional supplies into the district.

Under such incentives, all manner of measures which presently seem desirable but impossible would begin to be practical. Toilets, showers, dishwashers, clothes washers and so forth which used a small fraction of the present prodigious consumption would be designed and produced. Bath water would be used for sprinkling the lawn. Car washers would recycle water. No government inspectors or regulators would be required to enforce standards. If rich people wanted to be extravagant with water, they would pay their social costs to the community and no resentment would be felt.

The only problem with such a scheme involves those taxpayers living near jurisdictional boundaries. If a neighboring town continued to undercharge for its water, people from the first town might drive there to have their cars washed or to have their laundry done. That is why most conservation measures are best applied on a national scale with equitable treatment of imports and exports in order to achieve fair competition.

Sewage pollution is normally grossly undercharged for two reasons. First, the cost of sewage collection and treatment is usually borne by the general taxpayer on the shared-lunch principle, rather than by the individual polluter. Second, sewage treatment usually stops far short of a level which could be accepted as environmentally benign. Therefore, costs in the form of polluted lakes, rivers, sea beds or seashores are left to be borne by others, either in other localities or in later generations.

The remedy is obvious: charges for sewage treatment should be increased to the point where it is possible to carry out environmentally acceptable treatment. If it is impractical to carry out such treatment, the funds should still be collected, but the balance from the difference between the funds collected and the funds expended on the poorer level of treatment should be distributed among the people affected.

If these people are living in towns downstream on a river, for instance, the collected funds should perhaps go to the water-supply and recreation authorities of these communities. If the remaining pollution has effects long-lasting enough to reduce the quality of life of later generations, then an appropriate proportion of the additional funds collected should go to some com-

pensating environmental benefit: a national park or seashore, or a local wildlife refuge.

One complicating feature of charging an environmentally appropriate price for sewage pollution is that it is relatively expensive to measure both the quantity and strength of sewage. The usual acceptable approach is to add sewer charges to water charges on the grounds that almost all the water taken into a residence or business will be polluted in some way and returned to the sewers. People who used waste water for irrigation would therefore be overcharged. It should be fairly easy to credit people carrying out this beneficial practice and thereby to encourage it. The combination of full-cost water and sewerage charges would make composting toilets, for instance, very attractive.

The price currently paid for resources is generally similar to the price paid for water. It includes the costs of mining, purifying, and distributing the resource, and a sometimes-substantial profit for the entrepreneur. But there is no provision for the intrinsic value of the resource itself.

The remedy is to surcharge and rebate the resource in an exactly similar way to that recommended for water---except that the surcharges reflecting supply uncertainty must always be applied on a national and never on a regional basis.

Resources would therefore become more expensive by amounts which would reflect politicians' perceptions of the uncertainty in supply. Copper, tin, zinc, chromium, uranium, oil, and natural gas would attract rather large surcharges (though again these should be introduced by small increments over a period of several years) while coal, steel, and aluminum would have rather small, in any, surcharges.

Each U.S. adult would have a monthly rebate, or a reduction in income tax, of an amount which would be the sum of the rebates of all individual resources. The Federal Register would carry each month a listing of the individual components of the total rebate. Again, average users of scarce or uncertain resources would receive a rebate which would exactly compensate for the increased cost of goods and services used by this hypothetically average user.

All users would, because of the increased price of the commodity, have incentives to switch to alternatives bearing lower surcharges. This arrangement of surcharges plus rebates would again be a highly progressive tax. That is, it would benefit poor people. A corollary of this conclusion is that if the measures are, as I believe them to be, fair and equitable, then poor people have been unfairly treated by present low prices of energy and scarce resources.

It is an accepted truism to maintain that our air becomes highly polluted only because it is so inexpensive to misuse the air in this way. Fortunately, a large proportion of emissions come from sources which can be rather easily and inexpensively metered and charged, so that the principle of charging a politically-determined full social rate for emissions can be fairly applied.

Sulfur emissions, for instance, are produced principally by large, fixed sources will increase greatly, especially if regulators yield to the pressure to relax environmental standards. In a study Pei Wei Chen and I carried out with Harvard University for Brookhaven National Laboratory, we have recommended that sulfur emissions be measured as they leave stacks, that patterns of ground-level pollution intensity be established in different wind conditions, and that the proceeds of the taxes be related to individuals or communities in proportion to their integrated pollution exposure.

Several studies of the tax levels likely to result indicate that the range will be from five to thirty cents per pound of sulfur emitted, depending on the population density downwind of the stacks. Taxation levels in the higher parts of this range would provide a strong incentive for the polluters to use presently available or future technology to reduce sulfur emissions. Several studies have indicated that the air is likely to become cleaner faster through a system of pollution charges than under regulations limiting types of fuel used or the amounts of emissions. An additional advantage of this approach is that it is progressive in its effect on income redistribution because in general, poorer people live in the more polluted areas.

Much of the remaining air pollution comes from vehicles. The permissible max-



imum pollutants emitted by new vehicles has been set at rather stringent low levels by Congress. However, the dates by which these levels should take effect are repeatedly postponed so that the industry is in a continual state of uncertainty. The inefficiencies resulting from industry's inability to plan ahead have driven up costs and brought economic hardship to many individuals and businesses. Moreover, some have maintained that the combination of the additional pollutants emitted during the manufacture of automobile pollution-control devices coupled with the large additional consumption of scarce resources, such as catalysts and heat-resisting steels, have produced more damage to the environment than the decrease in damage due to the reduction in automobile air pollution.

A better solution is to impose pollution charges on automobile models according to the level of pollutants they emit. These levels could be established in tests of new models conducted by the Environmental Protection Agency. These pollution charges could be modified during the biannual inspections required in most states to ensure that the car owners keep their vehicles in good condition. The charges should be rebated equally to all U.S. adult residents as a negative income tax, unless an equitable and inexpensive way of making the rebate a function of local exposure to vehicular pollution can be devised.

By charging full cost for polluting the environment and using scarce resources, far-reaching beneficial changes in the American way of life would ensue. Because scarcity and pollution rebates are progressive, the income level of poorer people would increase, and many would rise to above the point at which welfare assistance would be needed (It is highly desirable for social reasons, though not essential for purposes

of these present proposals, that all transfer payments, such as various welfare programs, food stamps, Social Security payments, housing subsidies, school subsidies, and so forth be channeled through one agency, the Internal Revenue Service, and be received by individuals in the form of negative income taxes. These would be added to the rebate from pollution charges and scarcity surcharges.)

Employment would increase significantly. While the price of goods would increase, labor costs would not, and the more labor-intensive industries (e.g., service industries) would be encouraged. Maintenance and repair industries would be especially advantaged. Consumers would want to buy goods which lasted longer, were more easily serviced, polluted less and used less energy and scarce materials. Farming would become less energy intensive and farm employment would increase. Low-energy manure and compost would find increased application at the expense of high-energy fertilizers. Presently marginal forms of energy saving and production, such as the use of generating-station waste heat for various purposes, would be introduced. New industries exploiting wind and solar power would grow up.

Government support of research in recycling methods, alternative materials, alternative energy sources, and so forth could be greatly reduced as free-market entrepreneurs would find it attractive to develop products in these areas. Private enterprise employment would increase as government employment decreased.

The large industries presently supplying scarce resources such as oil could be reduced and that money would flow back to consumers in the surcharge and rebate loop. There would be no need for the regulatory monstrosity of an excess profits tax. Government price regulation could, except for monopolies, be phased out as the surcharges are phased in.

The feedback control loops created to encompass all costs within individual transactions would also control inflation. Overall inflation would not result from the introduction of surcharges even though prices of scarce resources would rise and be passed on

because in some cases the increased prices would be offset by reduced expenditures in other budgets. In other cases, the price increases would be part of a loop in which the funds would be funneled back to consumers. This policy does not come under the definition of "inflation, and, in fact, the increase in the efficiency of the market would tend to reduce inflation.

The modified free market---or the "feedback economy"---has features which seem counterintuitive to much present-day thought. When shortages occur and prices rise, the prices would be further surcharged and consumers would be given additional income. This is in sharp contrast to one branch of present political and economic opinion, which calls for prices to be reduced by actual or equivalent subsidies and incomes to be reduced by the inevitable tax increases which these policies require. It is also in contrast to the other principal branch of opinion which advocates strict government controls on virtually all production and consumption. It is even contrary to a third, rather small group which asks for an increase in the gasoline tax alone---ignoring other uses of petroleum and specifying no basis for the use of the enormous funds thereby removed from circulation.

A fourth group would have the government take no action except that of exhorting people to drive less, heat their houses less, fertilize their gardens less and so forth. This policy or absence of policy is one which clearly leads to widespread anger and resentment at the so-called cheaters, to guilt complexes on the part of many who cannot do without certain types of energy consumption and, insofar as the exhortations are successful, to a loss of jobs in industries affected.

These alternatives to the modified free market are clearly costly and economically very dangerous. The virtues of negative feedback are as beneficial in an economic system, as enumerated above, as in a home-heating system in which the thermostat prevents the house from becoming too hot or too cold. And like the thermostat, the modified free market can be adjusted as finely as we wish---to give a temperature suited to the supply of fuel. ■

Renew Today

When Sen. Clifford Hansen(R) and U.S.Rep. Teno Roncalio(D) announced earlier this year that they were retiring from Congress, they set ambitious Wyoming politicians in motion. Such politicians were forced to cool their ardor as long as the two men remained active and unbeatable. Official campaign announcements have been rather slow in forthcoming, however, but because many politicians are still waiting to see if the other major Wyoming officeholder up for reelection next year, Gov. Ed Herschler(D), will run again.

Herschler may be in some trouble if a grand jury investigation into the conduct of State Attorney General Frank Mendicino finds some act of malfeasance on the part of the Herschler Administration. Mendicino was charged by a former aide with obstructing a probe into the state's institution for senior citizens. There is speculation that Herschler may decide to call it quits if the grand jury probe makes it his life sufficiently unpleasant. On the other hand, there is speculation that Herschler may seek reelection simply to demonstrate public confidence in his conduct. The special prosecutor handling the probe has already accused Herschler of interfering at one point in his investigation.

Although Roncalio has ruled himself out of the Senate and Congress runs, he has not totally taken himself out of the gubernatorial picture. Publicly, Roncalio has repeatedly declared his support for Herschler, who would undoubtedly be a formidable candidate for reelection. What might happen if Herschler withdrew, however, is Teno's temptation.

It is also the subject of some consternation for other Wyoming politicians who undoubtedly wish to run for the highest office possible but have no wish to collide with Herschler or Roncalio on their way to the election. Currently, the GOP's clearest shot is at Hansen's Senate seat. The leading contender is former State House Majority Leader Alan Simpson, who resigned from the legislature to make the race. Simpson is the

articulate son of a former governor-senator, who has long been tagged as a potential statewide candidate. His legislative career has created some enemies for Simpson among colleagues and representatives of the state mineral interests so his victory in the Senate primary is not assured. He is regarded as more liberal on most issues than his principal announced adversary, Dave Flitner, the former president of the State Farm Bureau, but the race may hinge on dissatisfaction with farm prices. Flitner will be a tough, angry voice for the state's troubled ranchers and other agricultural interests. And he may be able to harvest the necessary GOP votes.

Other Republicans have also expressed interest---most notably former Assistant Interior Secretary Jack O. Horton and former White House Chief of Staff Richard Cheney, who now works for the investment firm of Bradley, Woods, and Co., when he's not putting in political appearances. Both men are considered possible Republican candidates for the Roncalio's House seat where less formidable GOP opposition might be anticipated. The Democrats are going to have trouble coming up with name candidates for either seat. A logical choice would be former Sen. Gale McGee(D), who was defeated in 1976 and now serves as ambassador to the Organization of American States. McGee, however, suffers from several disadvantages; he's out of touch with the state, he would have to defend Carter Administration water policies, and he would be tied to the terms of the proposed Panama Canal treaties. Another Democratic possibility is State Sen. Rodger McDaniel(D), a young, articulate legislator.

The gubernatorial race is the tough one for the GOP. One possibility is outgoing State Chairman Tom Stroock, who ran a strong race against Roncalio in 1974. Two other state officials, State Treasurer Edwin J. Witzemberger(R) and Secretary of State Thyra Thomson(R) are more likely to run for Congress. But many other GOP minds may be decided by Herschler and Roncalio. It's their move. ■

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