

conferring and then the appointment of a specialist roadmaker and agreement on his remuneration. It was an economical process: and one can see in this the embryonic development of the municipality.

Then there came interchanges, through the forests, over the mountains, along and across the waterways. Security of the person, paving of roads, charting shoals, all these requirements and many others demanded the making of agreements between representatives of abutting and distant municipalities that were binding upon the citizenry as a whole.

Thus the development, the world over, of village councils, of state and federal parliaments. In each and every instance it was, it is, and it will continue to be, economy of effort in the satisfying of our desires that is the spur behind the idea.

Every communal activity, from the filling of a pot-hole outside our door to the opening (or re-opening) of a Suez Canal has this economy of effort as its driving force. Inevitably the results of this communal activity are reflected not only in better conditions, but in *higher rents demanded for the enjoyment of these new advantages*; it will add to the rentals that people will proffer for each and every piece of real estate that benefits from the activity.

Real estate rentals are a precise measure of the market value of the community's multiplicity of services. These rentals can be readily and accurately recorded, as well as most economically collected, at local government levels.

It is probable that the most suitable structure for governments would be through popular election (with proportional representation) at local government levels and then by delegation from there to the allegedly "superior" but actually secondary and tertiary levels. Be that as it may, the most suitable structure for governmental finance would be through collection of the full site rentals by the local government body and then through an apportionment, against those collections, of expenditures at the secondary and tertiary levels.

If this then is the truly "economic" financial structure, we should direct our efforts accordingly.

## Pricing the Environment

JONATHAN HENDERSON

A RECENT IEA paper\* argues that direct government controls to discourage pollution would be less effective, more expensive and more arbitrary and uneven than pollution tax charges. Pollution is an "external" diseconomy that does not enter into the costs of its producer, says the author, because he does not have to pay for it by way of a tax charge; the better method of containing pollution, is by charges on the amount of the environment "used up" by pollution.

Now pollution in itself is no doubt undesirable, but the psychology of pollution is often misunderstood. The polluter is held to be a demon in a malevolent universe. Rational man does not wish to pollute; he merely wishes to gain advantage from the exploitation (non-pejorative sense) of natural resources. Where the disadvantages in the deterioration of the environment outweigh the advantages obtained from the extraction and adaptation of natural resources, instead of "the twin knights in shining armour" (government controls and pollution taxes) coming to the rescue by "socking the demons", it would be more appropriate to see who suffers from the disadvantages of polluted rivers, smoky air, etc. and to acknowledge that the site values of "the sufferers" have fallen. If taxes were to be levied on the environment through a price-mechanism system by means of charges on the economic rental values of all natural resources and urban sites (excluding improvements), then the polluter would tend to pay more and the persons adversely affected by pollution would certainly pay less!

Mr. Beckerman does *not* argue that because pollution affects the environment adversely it should therefore be stopped at all costs. He wisely recognises that the costs of reducing pollution must not exceed the benefits of improving the



quality of the environment. He says that "pricing the environment is the means of conserving it." However, he does not recognise that the environment (natural resources and urban sites) is already priced. For example (assuming planning permission is granted) if a factory is allowed into a residential area, the economic rental values of the sites on which the residential accommodation stands will fall, i.e. the area becomes less attractive for residential purposes (but possibly more attractive for industrial purposes—in which case the industrial site rental values will rise).

Apart from the absence of the above reasoning in his booklet, Mr. Beckerman does argue his case very well for pollution charges and against direct government controls.

### THE CHOICE

THE above is the title of forty-one miniature essays\* ranging over the main social and economic problems of our time. The author, an Australian, is Graham Hart, a lifelong advocate of the economics and philosophy of Henry George.

"The socialist policies of crippling taxation and inflation, capped with capital gains tax levied on inflated money" warns the author, "will have the ultimate effect of confiscating nearly all private wealth within the foreseeable future."

Mr. Hart's message is that Australia is following Britain in its destructive social and economic policies. Neither present-day so-called capitalism, nor Marxism hold out any hope for a better future. Only the policies of true free enterprise and a just system of land tenure and taxation will provide the answer. The choice is ours.

\**The Choice*—published by The Henry George Movement in Australia (Western Australian Division) P.O. Box 93 Wembley, W.A. 6014. Available from LAND & LIBERTY offices at 50p.

\**Pricing for Pollution* by Wilfred Beckerman, Institute of Economic Affairs, Dec. 1975—price £1.00.