

Kiwanis Talk - Sept. 1975

E. Anal. 1. Govt. Policy.

An ecst. advising govt. is like a clergyman preaching to an unruly flock. They like to hear it now & then, & to be known as churchgoers, but getting them to practice it ~~is~~ on weekdays is something else. Preaching ecs. is not for the impatient. Requires a high tolerance for frustration & denial.

A lot of people don't understand ^{or can't accept} that. They think to rationalize man overnight. Fact is you cannot make man moral in one sermon, & you can't make him rational suddenly. But you can sure improve his performance a lot. Rationality slowly erodes prejudice and controls emotion. That's what we hope for.

Ecsts. get used to being called names. They come to regard it as funny. But the name-caller can never define the names they call you. That's why they do it behind your back, so you can't ask them what they mean. They don't know -- they're just being hysterical. ~~Still~~
As for me, in my native country, ~~I tried~~ I was a

[- 2 -]

Republican, until Nixon appeared, and then I tried being a Democrat, but neither party has any mpy. on ec. ignorance. Same here.

What can ec. analysis do for govt?

A thousand things, but let's look at a few.

1. Forecasting. First thing many people think of. Not our main line, except studies of demand elasticity (ferries, power); response of L.V. to ΔT . ~~But~~ Behavioral response; math. response. [Forecasters tie all together, beyond our scope - & theirs too] Course of future i.r. Hi ~~side~~ of upside risk, wd. not buy 20-yr. bonds at 8% -- unless I wanted to transfer funds from one govt. agency to another.

2. Timing p.w. E.g. Hat Creek.
E.g., U.S. Int. Dept Rpt., Aug.

Warns early yr's delay in bldg. Arctic pipeline As costs by 10%. By implication, "build it now". Packs a wallop bcs. we are all uneasy about erosion of \$.

Ecsts. job is to put that in perspective, add up B & C of delay. There are 2 sides to ledger, w. many items on either side. Put on numbers & add up.

4. Defer 2d generation

a. Bus. build later

b. Bus. build for longer.

Put all this together & can decide better than
if proceed ~~by~~ by seat of pants.

3. Collecting rents

a. Natural gas.

Had to raise field price.

Ecst. says, must distinguish high-cost &
low-cost deposits. Pay hi price to all (& charge to all)
then tax resource income, or rent, at high rate.

Use resource tax, as much as possible.

b. Minerals.

Again, narrow base & raise rate.

Now, get 100% rent of unpat. mines &
miss much on rich ones.

c. ~~2nd gen~~ Distrib'g rent by low price?
No. Charge full price, get rent at source.
Don't subsid. consumers

" " 2d gen indy this way.

d. Timber.

i.) Put.

Tax high rate on site, exempt new growth

ii) Public

Introduce ec. mgmt. Mainly shorten cycles.
Scope for Ag benefit hugely.

4. Allocate budget

5. B.C. Ferries

Water extensions

→ X subsidies, pricing.

Downstream benefits, & upstream -- hot house policy indy.

Munic. policy vs. housing.

Kiwanis Talk

Theme - What Ec. Res. Can Contribute to Govt.

Long list -- Some Samples

1. When to build what -- timing & sizing of p.w.
E.g. Hart Creek.

2. How to collect rents from Crown lands.
Minerals, forests.

a. How to max. the rent there is to be collected. Job is now being ~~for~~ butchered by F.S. & Mines, and B.C. Pete, each in its own way.

3. How to allocate budget among competing ends. Make them commensurable; & then equate at margins. No earmarking -- breaks up ~~expanses~~ ~~expanses~~ ~~freedom~~ ~~freedom~~.
#

4. How set size of budget. Once you've determined incl. value of spending, equate it to incl. burden on taxpayer.

5. How raise revs.

6. How identify & offset x-subsidy.
Density.
B.C. Ferries

7. How use price flexibility to handle
seasonal etc. imbalances of S & D.

Peak pricing on B.C. Ferries.
(Just like seasonal price of vegetables in winter.)
Chip prices. No econ. wd. have recommended
fixing a price, rigidly.

8. How to discrimin. vs. foreigners.

Make everyone pay for campgrounds, etc -
but distrib. social dividend to natives.

9. How control pollution.

10. How contain urban sprawl.

Obviously, the Govt. has ~~not~~ ~~not~~ not sought
nor heeded ec. advice in framing its present set
of programs. There was some talk before I
came out here that ~~perhaps~~ the Inst. might
play a role in shaping govt. policy, but
it has not done so, & I want to disclaim
any responsibility for or assoc. w. most
policies.

—
Why? ^{Cabinet} ~~Government~~ has its own internal chemistry,
don't let outsiders in, so I won't conjecture

—
No party has monopoly on ec. ignorance.
Cons. & lib. econs. have more in common w.
ec. other than either camp has w. other --
"insiders", or non-econs.

Values costs. hold dear:

Indiv. freedom & responsibility
Price flex.

Needed -- new emphasis on lawgiving, Solonism
Sout. of laws, not men.
Now, is entirely too much ministerial directions.

Lawes come as beggars to seek favors. Minister
gets to act as God's Avenging Angel, ^{King} Solomon,
& Boss Tweed, all in one.

Self-righteousness, paranoia, & symbolism.
fawning, idolatry, blind loyalty to group & leader
that suppresses independent thought, word & deed —
these make a political party. Not easy to introduce
independent & creative thought into such a climate --
unless you have ~~one~~ ~~man~~ outstanding man at the top

who are up to it.