
That Gasoline Tax

The big bad gasoline tax, one of the favorite programs of left-liberalism, is back in the limelight. After having denounced the scheme during the campaign as a tax on the middle class, then President-elect Clinton professed surprise that so many luminaries at the interregnum "economic summit" championed the idea.

Of course, he should not have been surprised at all, since Clinton's much-vaunted love of "diversity" clearly does not extend to the intellectual realm. At the Little Rock economic summit, the economists and businessmen ran the full gamut from left-liberal to left-liberal (my own invitation, as they say, got lost in the mail). The only questions seem to be: how high should the gas tax increase go--the "moderate" 50 cents a gallon suggested by Tsongas (the mainstream) or the more rigorous \$1 or more a gallon suggested by Rivlin (the administration)--and how many months or years are we to be allowed for the tax to be phased in?

The official arguments for the gas tax are general (helping to cut the deficit) as well as specific to this particular tax. On the glories of the gas tax per se, one common argument is that the tax would force the consumer to "conserve" more gasoline by purchasing less. That it will, but why is it such a good idea to force people to buy less gas?

If the federal government slapped a \$500 tax on the sale of chess sets, it would surely "conserve" them by forcing people to purchase a lot less. But why is this dictatorial coercion, this forcing a lower standard of living upon American consumers, supposed to be a good thing in a free society?

One favorite answer of the pro-gas-taxers is that consumers will be led, by the tax, to conserve scarce fuel. But conservation of resources is one of the major function of the *free price* system. The market economy is continually being forced to choose: how much of product X or product Y, of resource X or Y, should be produced now, and how much should be "conserved" to be produced in the future? Not just of oil and gas, but of everything else: copper, iron, timber, etc.

In every area, this "conservation," this decision on how to allocate production over time, takes place smoothly and harmoniously on the free market. The price of every resource and product is set on the market by the interaction of demand (ultimately consumer demand, and the relative scarcities of supply). If the supply of X, now and in the expected near future, falls, then the current price of X will rise. In this way, an expected future decline in supply is met right now with a rise in price, which will induce buyers to purchase less, and producers to mine or manufacture more of the product in response to the higher price. You don't need a tax to accomplish the task of allocation and conversation.

In fact, a tax is a most clumsy way of meeting the problem. In the first place, since government knows very little and the market knows a lot, the government will not hit the proper target; indeed, since government's coercion comes on top of market action, a tax is bound to "overconserve," to reduce the production of a good below the optimum. And second, unlike a price rise accruing to producers, a tax provides no incentive for supply to increase or productivity to improve.

And why is gasoline supposed to need non-market conservation measures? On the contrary, over the past decade, the *real* price of gasoline (corrected for inflation) has fallen by 40%; in short an increasing abundance of oil and gas relative to demand has demonstrated that there is no need to worry about conservation of oil

Another argument for a gas tax is that it will force consumers to use gas in a more "fuel-efficient" way. But the entire worry about "fuel efficiency" is absurd and ill-conceived. Why should automobiles only be efficient in using *fuel*? There are many aspects of "efficiency," including efficiency per man hour, efficiency in use of tires, and efficiency in the car taking you where you want to go. The market coordinates all these efficiencies in the most optimal way for the consumer.

Why the fuel fetish? Moreover, federal rules mandating ever-greater miles-per-gallon have already greatly increased the cost of cars and crippled auto safety by forcing upon us ever-lighter-weight automobiles.

Another argument claims that a higher gas tax would "reduce our dependence on foreign oil." But in the first place, the tax would discourage the use and production of domestic oil as well as foreign; and second, haven't we demonstrated, with the Gulf War, the willingness to use the direct coercion against even the sniff of a possible threat to our foreign oil supplies? And besides, what's wrong with free trade and the international division of labor?

Probably the dopiest, though one of the common, arguments is that *other* countries have a much higher gas tax: the United States now has a gas tax that is "only" 37% of the retail price, whereas in Western Europe the gas tax averages over 70%.

Maybe we can find lots of countries with a higher TB rate. Are we supposed to rush to emulate them too? This is an absurd twist on a typical kid's argument to his parents: "Jimmy's parents let him stay up till 11" or, a few years later, "Jimmy's parents bought him a bigger car." I understand what the *kids* are getting out of these other-directed arguments. But what do *we* get out of pointing to other countries that are even more socialistic than our own?

Even the media recognize a couple of problems with the gas tax. First, that it penalizes rural people and Westerners, where distances are great and cars are driven far more than in Eastern or urban areas. A feeble response is that the proceeds of the tax will be used to "invest" in America's highways, thereby aiding the drivers. But if it goes into highways, how will it help reduce the deficit?

The second recognized difficulty is that the gas tax which injures the broad middle class, is "regressive" and is therefore "unfair." This was Clinton's reason for rejecting a higher gas tax in the first place. But presumably, this argument can be countered by giving some other tax or spending goody to the middle class (a process which again defies the deficit argument).

The general argument for the gas tax is, of course, that it will cut the deficit; official estimates claim that a 50 cent a gallon tax rise will cut the deficit by \$50 billion. It is strange that liberals only worry about the deficit when they can use it as an excuse to raise taxes.

How come there is no similar enthusiasm for the only deficit reduction scheme that works: *cutting government expenditures*? When have tax increases ever worked to cut deficits? The huge tax

increases under Reagan? Under Bush? This is apart from the problem that these estimates are only shots in the dark, since no one knows by how much people will reduce their purchases from any given increase.

Cutting through the raft of specious arguments, we must ask: why the persisting yen for a gas increase among left-liberals? In the first place, of course, it is the essence of the liberal creed that they have never met a tax, or for that matter a government expenditure, they haven't liked. Both taxes and expenditures take away from producers money they have earned, and shift resources from private citizens to the maw of government.

In short, taxes and expenditures both fulfill the Fabian liberal objective of moving the country ever closer to full-scale socialism. This accounts for the general itch for taxation, but why the long-time special fondness for the gas tax?

Because, of all the features of modern American life, liberals have special hatred for the automobile. For the first time in history, the automobile permits each individual to travel about cheaply and comfortably on his own. In contrast to mass transport, which liberals find satisfyingly collective, egalitarian, and rigidly fixed to time and place schedules, the automobile is gloriously individualistic.

Above all, liberals detest cars which are plush, luxuriant "gas-guzzlers," cars that embody and glorify the values and the lifestyle of the bourgeoisie, the productive middle-class whom liberal intellectuals, in their deep resentment of non-intellectuals so yearn to cripple and bring down.
