



REPORT

VOLUME 3 NUMBER 8 AUGUST 1981

EDITORIAL Seeing the "Longer Effect"

"The art of economics consists in looking not merely at the immediate but at the longer effects of any act or policy; it consists in tracing the consequences of that policy not merely for one group but for all groups."

Henry Hazlitt *Economics in One Lesson*

That single sentence is the one lesson of economics referred to in Henry Hazlitt's invaluable book. Few, if any, if our elected representatives seem even to be aware of the existence of the future, let alone to make it part of political policy. What a pity for our children and grandchildren.

Look at our medicare system. Twelve years ago, it was hailed as the answer to inequitable health services. Today, it has alienated our medical profession and is forcing provincial budgets into debt. Headlines report widespread continual complaints of a decline in the quality of services. What Mr. Hazlitt calls the "longer effect" has proven disastrous. The consequences for "all groups" (with the exception of the array of bureaucrats processing paperwork) has been calamitous.

Do you need more evidence? Consider these examples: *(continued on page 4)*

FISCAL WATCHDOG Too Many Cabs?

by Robert Poole, Jr.

Taxes aren't the only way government costs us money. Government regulation often prohibits entrepreneurs from offering people their services, changes the way they do business, or forbids them from competing by offering lower prices. Federal regulations cost consumers over \$100 billion a year in higher prices, according to economist Murray Weidenbaum. The same process is probably at work right in your own city.

Unless you live in Seattle or San Diego, the odds are high that your city government regulates taxi cabs. Most likely it restricts the number of cabs allowed to operate (or the number of companies) and regulates the fares that can be charged.* The established cab companies usually convince city councils that without such regulations,

there would be "too many" cabs for the limited demand, so the resulting "cut-throat" competition would lead to such low prices that none of the cabbies could make any money.

About 10 years ago a colleague of mine — Sandi Rosenbloom — wondered if that was really true. So she collected data from cities across the country. She found only three cities that didn't restrict the numbers of cabs: Atlanta, Honolulu, and Washington, DC. Were their cab companies in dire straits? Of course not! It turned out that those three cities had much more cab service and therefore much more demand for cab service. Atlanta and Honolulu had four times as many cabs per capita as the regulated cities; Washington had over 10 times as many.**

Deregulation expands service

Comparing the service levels in all

those cities, Sandi noticed a consistent pattern. When the number of cabs was restricted, cab service tended to be concentrated on a few lucrative runs — the airport, downtown, the hotel district. But in the unregulated cities, cabs were everywhere, taking old ladies to the grocery store, students to the laundromat, professors to classes — all sorts of trips the regulated cabs couldn't be bothered with.

These findings didn't go unnoticed. They were written up in *Reason* magazine in 1972, after which Milton Friedman pointed them out in his *Newsweek* column. But it takes a long time for new ideas to lead to changes in the way local governments operate. And the franchised cab companies kept spreading the myth about the limited size of the market and the danger of "too many" cabs — so they

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HALT ACROSS CANADA

HALT Edmonton

June's public meeting provoked considerable interest from Edmonton's news media, although attendance by the public was light. Rick Bolstler, flown in from Vancouver head office as the evening's guest speaker, was interviewed beforehand by CFCW radio; CFRN tv and radio filmed and recorded the meeting itself and aired their reports several times over the following two days.

With summer's recess from school principaling, chapter president Bruce Vaughan will be out persuading businessmen to become HALT clients. Bruce and his volunteers will also be applying some new canvassing techniques to gain similar support from the community at large with a door-to-door approach.

HALT Saskatoon

Bernard Janzen is into swinging action with a summer HALT-A-BLOCK campaign. He and his team intended to knock on 1000 doors, introduce the householders to HALT and find out what they think of government spending and taxation. Bernard's advance work is completed, including firming up pledges to finance the program, locating several concerned activists to help, and arranging effective administrative procedures.

HALT Vancouver

In spite of the wet weather, June has been a great month for

HALT-A-BLOCKing. A dozen hard-core volunteers have committed themselves to spending one or two evenings weekly canvassing selected Vancouver communities. Thirty-three city blocks have been covered so far, with nearly 500 householders spoken to. At that rate, personal contact with the majority of households in Greater Vancouver has become a realistic goal. To top off this encouraging progress, our success rate — 2% of individuals contacted became HALT subscribers — is twice that originally projected as desirable. (See Taxpayers' Survey results elsewhere in this issue.)

HALT has been frustrated this month in its garbage privatization campaign. Four routine postponements by City Hall have kept the discussion off the agenda. HALT's presentation is ready to go; a news release is awaiting distribution to the major newspapers, summarizing our activities and leadership in referring this controversial issue to city council.

The response at June's public meeting was enthusiastic and positive. This can be attributed to the combined efforts of Bill Buckler as featured speaker, Paul Geddes' bringing everyone up-to-date on HALT's activities, and a dramatic presentation spotlighting the Man from 2006 A.D. (Martin Macdonald) as interviewed by Brian Bolton.

Calgary

Two HALT organizers, Nick Moldovanyi and Norm Lalonde, have taken on an ambitious project. They are circulating a petition to force a plebiscite limiting property tax increases in Calgary to a maximum of 10% in any given year. Initial support is encouraging. A press briefing in early June was remarkably well-attended by local media. Results of the drive will be assessed at the end of August to determine whether the required 30,000 signatures can be gathered.

The HALT Report is produced monthly by H.A.L.T., 909 Thurlow Street, Vancouver. It is the official newsletter of HALT and is circulated to paid subscribers, chapter members and selected individuals. A one year subscription is \$12.

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TAXPAYERS' SURVEY RESULTS — VANCOUVER

	Government should be involved in:	Government should NOT be involved in:	Government is doing an adequate job of:	Government is NOT doing an adequate job of:	
1. public education	136	19	43	88	1. I would estimate that about <u>41.3</u> % of my income is taken in direct and indirect taxes.
2. mass transportation	118	32	25	102	2. I feel I should pay about <u>18.8</u> % of my income in total taxes.
3. garbage collection	80	71	70	45	3. Government regulates business
4. supporting sports	69	81	30	42	54 far too much 64 too much 31 about the necessary amount
5. controlling rent	86	79	18	77	5 not enough 1 not nearly enough
6. welfare programs	131	27	51	65	4. Our government leaves us:
7. supporting the arts	67	83	34	35	12 too much freedom 80 an adequate amount of freedom 67 not enough freedom
8. medical care	139	16	76	44	5. Had you heard of HALT before reading the brochure?
9. undertaking housing projects	88	72	12	65	35 yes 143 no
10. regulating business hours	40	127	21	48	

The Taxman Cometh

by Morley Evans

Government has proven a first-rate student of the old adage: "walk softly and carry a big stick." The stick, of course, is its power to get its own way through brute force, but because of the soft walk, we are not usually aware of it.

There is a new view of the situation down at the offices of Kelly Douglas (better known to householders under its retail name, Super-Valu). On June 17, Revenue Canada's storm troopers kicked in the doors of the company's Vancouver and Toronto offices, as well as those of its accounting firm and its two legal offices. They seized and carted off 32 boxes of corporate records, correspondence and financial statements.

And what documents were seized? Why, the very ones Revenue Canada spent four months poring over last year! The revenueurs arrived with a search warrant authorizing agents to "look for any offence committed by anybody". Company employees who had cooperated last year and who would have cooperated again, had they been asked, were mystified at being treated as criminals.

There is a grave danger that Kelly Douglas will be found guilty and hanged by reflex action in the eyes of much of the public. We are too quick to assume the guilt of each new victim of the state, to obediently follow each new directive, to pay each new tax without critical examination. We are too quick to shirk our obligation to

consider each and every issue on its own merits.

Ours is a country whose federal spending took 104 years to reach \$16 billion in 1971. Yet this year, spending exceeded \$70 billion, and the deficit alone increased to \$17 billion. The need for funds to feed government's big spending habit is becoming desperate.

We can expect to see more and more of these Revenue Canada "fishing trips" in the future, as the government simultaneously looks for unreported taxes and for scapegoats for their own inadequacies. And it will be the large corporations that are hit, especially those that have a reputation for not saluting fast enough when government walks softly by. 

"Fiscal Watchdog" (continued)

could hold onto their cream-skimming monopolies.

But in the last few years the barriers have begun falling. In 1978, Seattle and Eugene, Oregon abolished taxi price controls. In 1979 the Los Angeles city council removed its limits on the number of cabs allowed to operate there (but retained price controls). San Diego began lifting numerical restrictions in 1979 and abolished price controls in 1980, completely deregulating its taxi industry.

The San Diego experiment

To provide an orderly transition, the San Diego plan first began increasing the number of cab permits. Starting in January 1979 the city allowed 15 additional cabs to be licensed every month, besides the original 411. By the following summer the number of cabs had climbed to 606 — a 50% increase. In addition, the council adopted a maximum fare level of \$1.50 per mile — well above what it guessed the free-market level to be — and allowed drivers to charge anything less than that, so long as the price was posted in the window. By last October the cab business was booming, and most fares were between \$1.00 and \$1.20 per mile, far below the \$1.50 ceiling. Consequently, the council voted unanimously to abolish the ceiling altogether.

Two Chicago aldermen have been trying to accomplish the same thing in that city. As is typical in regulated

cities, you can find a cab in the Loop (downtown) and at the airports. But in places like the South Side and the West Side, taxis are few and far between. That's why the aldermen have proposed abolishing both the fixed number of cab licenses and all price regulation. Their measure would require simply that the cabbie post his fare in the window, as in San Diego.

The cab industry response to the plan is equally predictable. "There would be no reliability of service, and there would be all kinds of opportunity for deception. It's not really needed — there's no shortage of taxicabs," says the president of Checker Cab — which holds 1,500 of the 4,600 taxi permits.

If it works for cab service . . .

The same sort of special pleading — stirring up fear of loss of service and higher prices — is made whenever intercity bus deregulation is proposed. Yet in two recent examples the results have been altogether different. The British government last October ended the monopoly of state-owned National Express bus service. The result has been a large increase in bus ridership as new firms have entered the business, slashing prices by more than half.

The other example comes from Florida. Last June 30, regulatory control over bus and truck service was allowed to expire by the state's Sunset Law. Although a few small towns lost service, it turns out that the fear was much worse than the reality.

Greyhound eliminated 110 uneconomical small towns, but those points averaged less than 10 miles distance from a point retaining Greyhound service. And the 31 points where Trailways stopped running averaged 22 miles from another Trailways station. Moreover, smaller bus lines — some of them brand new firms — are stepping into the breach, replacing the big companies at small towns and offering travelers new choices.

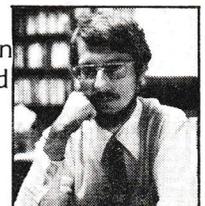
Whether it's taxi service in the city or bus service between cities, the lesson is the same. Using government to create regulated monopolies benefits only the monopolists. The consumers are better served by free and open competition. 
(Copyright ©1981 by the National Taxpayers Union.)

*Both restrictions are true of Vancouver. So far a total of 388 licenses have been granted, controlled by four firms. Fares are set by by-law at \$1.00 per mile.

**Vancouver has fewer than 1 cab per 1000 persons; Washington has more than 11 taxis per 1000 persons.

A monthly column of ideas on cutting the cost of local government, written by Robert W. Poole, Jr.

chairman of the Local Government Center, an organization dedicated to cutting the cost of local government. He is author of "Cutting Back City Hall".



EASY COME, EASY GO

by Paul Geddes

Pity the poor busy bureaucrat. When his superiors tell him to contact everybody to fill out the census, he assumes they mean **everybody**, no matter what the expense in bureaucrat's time or taxpayers' money.

This story comes to us from a taxpayer and part-time resident of a 10-man bush camp located about an hour's flight from Atlin, northern B.C. The census representative responsible for that area knew his manual specified that forms be hand-delivered. Scorning both Her Majesty's weekly mail service and the company's drop-off, he chartered a helicopter at a price topping \$400 an hour to personally air-lift the forms in.

Let nothing get between a public servant and his orders.

Amidst the recent reports about the need for a substantial increase in the *federal* income tax to "slow down the overheated economy" and the brouhaha about the new *federal* gas excise tax and 8% oil and gas revenue tax, the following comment probably passed by you unnoticed. In response to a complaint from importers about a new *federal* sales tax on repackaged goods, Joan Clarke, senior tax officer with National Revenue (Excise) was quoted in the *Globe and Mail* as saying "It's always worth it when revenue can be gained to balance the budget."

It is indeed heartening to see a federal employee suddenly concerned about their humdinger of a deficit, but it is discouraging that they would use it as an excuse to raise taxes.

REBELS

"With adequate integrity, guts can be located."

So speaks Frank McNulty to those who marvel at his courageous struggle with the Internal Revenue Service of the United States.

It all began in 1973 when an Irish Sweepstakes ticket earned Frank

EDITORIAL *(continued)*

Problem: Some farmers are making an uncertain living. *Short-term, one group solution:* impose subsidies via the mechanism of marketing boards. *Long-term, all group consequences:* the impoverishment of consumers across the country increases.

Problem: Chrysler bankruptcy threatens lay-offs to its employees. *Short-term, one group solution:* government bails out the company. *Long-term, all group consequences:* hardship to competing businesses and their employees, to car-buying consumers and to all taxpayers increases.

Problem: Some people are experiencing hardship in the support of their children. *Short-term solution:* establish family allowance program. *Long-term consequences:* adversity for taxpayers increases and the self-reliance of an entire population experiences a general decline.

The story is always the same. For every problem some minority brings forward, there is a plethora of

politicians eager to apply a bandaid.

But we did not elect our politicians because of their ability to predict long-range, all group effects. We picked them for their looks, their charisma, their ability to convince us that services can be provided for free. In 1971, it took \$16.8 billion (deficit included) to run the federal government. In 1981, the federal deficit alone exceeded \$17 billion. More blatant evidence of inability to plan for the future could not be offered.

We need men of vision and courage in Ottawa (and in the provincial legislatures, and at city hall). We must elect people to office who consider *all* of the effects of their legislation and not just the immediate, visible ones. If we continue to elect people who see no further than the next election, we will one day commit our country's demise to the same period. Start looking out for your future by electing only those people who have grasped Henry Hazlitt's single lesson. HALT

by Richard Bolstler

**HUMAN ACTION TO LIMIT TAXES
909 THURLOW STREET
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PRINTED MATTER

\$128,000. Vowing never to pay a cent of taxes on the winnings, he fought a futile battle in the courts.

In January of 1975 he was "kidnapped" by IRS agents — "no papers, no warrant, nothing" — and, after a three-day trial, was convicted of tax evasion and sent to prison for five years. After four years McNulty was paroled, only to be brought to trial again on civil charges — the government still wanted "their" money, now including thousands of dollars in interest and penalties.

Steadfast in his refusal to pay, he was incarcerated once more, this time "indefinitely". Every so often over the

next five months he was asked if he would pay, and after several refusals, the weary judge finally threw in the towel and released McNulty from custody.

The question of whether Frank McNulty was treated fairly, whether indeed, justice was served, still resounds in the legal corridors and the long-remembered cells of desolation, begging reply. As for the money, it lies in a bank in England, quietly earning interest. Frank McNulty, an intransigent rebel, still can't enjoy his winnings but, he says with a twinkle in his eye, neither can the IRS. HALT