



Winter 1982

## Reader Response

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### Recommended Citation

Kenneth P. Wilkinson, *Reader Response*, 22 NAT. RES. J. 1 (1982).  
Available at: <https://digitalrepository.unm.edu/nrj/vol22/iss1/2>

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## reader response

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Natural Resources Journal  
University of New Mexico School of Law  
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### AN ERROR FOR AN ERROR: Complaints of Crime in Rock Springs

The comment by Jon Soderstrom ("Reader Response" in the April 1981 issue of the Journal) on an alleged error in a recent article on serious crime in Rock Springs, Wyoming, contains, it is here alleged, an error. I refer to the statement, "For example, crime increased 60% between 1972 and 1973 in Rock Springs.<sup>5</sup>" The "5" takes us, eventually, to a book by J. Gilmore and M. Duff (BOOM TOWN GROWTH MANAGEMENT: A CASE STUDY OF ROCK SPRINGS-GREEN RIVER, WYOMING, 1975), and, after some search, to page 14, where we find the following statement: "Complaints to one local law enforcement agency increased 60 percent between 1972 and 1973." A further search of the document turns up no additional information on the subject, other than the report that 17% of 198 persons interviewed in Rock Springs in September 1974, listed "crime and drugs" (page 108) as one of the "three most pressing problems facing the local area here" (page 152). My complaints are these:

1. Complaints are not crimes.
2. Crimes, as Soderstrom notes earlier but ignores here, tell little about a crime *rate*.
3. "One local law enforcement agency" does not necessarily refer to Rock Springs.
4. Gilmore and Duff give no source of the information on the increase in complaints:

Dr. Soderstrom is not the first to cite Gilmore and Duff as source of documentation of boomtown pathologies. S. Murdock and F. Leistritz (ENERGY DEVELOPMENT IN THE WESTERN UNITED STATES: IMPACT ON RURAL AREAS, 252, 1979) and Gilmore

*(Boom Towns May Hinder Energy Resource Development*, 19 SCI. 535, 1976), also cited by Soderstrom, are among the others. Gilmore and Duff tell us that "The average mining family has .3 cats, .9 dogs, 2.0 vehicles, and 2.2 children" (page 11) and that "Crime rates are up . . . Burglary and larceny have increased tremendously. The appearance of street prostitution and drug dealing introduced a new kind of problem for the residents and law enforcement officials of Sweetwater County" (page 14). But only for the first of these (about cats, dogs, vehicles and children) do they tell us how they know ("unpublished trona company survey," cited page 11).

One reading of the attitude survey results (N = 397 respondents in the county as a whole) reported in Gilmore and Duff gives a picture of the perceived situation in Sweetwater County in September, 1974, which differs from that of disruption-decline implied in most citations of the study. Respondents were asked (page 153): "In general, do you feel that life in (NAME OF COMMUNITY) is improving, that it's staying about the same, or that it's going downhill?" The indicated response categories were 1 \_\_\_\_ Improving, 2 \_\_\_\_ The same, 3 \_\_\_\_ The same-positive, 4 \_\_\_\_ The same-negative, 5 \_\_\_\_ Downhill, 6 \_\_\_\_ Don't know. Responses by 56% were in the first three categories, and those by 42% were in the fourth and fifth categories (page 113).

Dr. Soderstrom is to be applauded for insisting upon precision in scholarship. Citations of Gilmore and Duff in recent articles in the Journal should be re-examined critically.

Sincerely,  
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## REMAINING ISSUES OF ELECTRICITY GENERATION TAXATION: REPLY

Professors Jonish and Olson in their critique<sup>1</sup> of our article on the taxation of electricity generation<sup>2</sup> suggest that our model suffers from an inadequate specificity of the welfare function and an analytical error in proposing a lump sum transfer of economic rent. We have examined our article with the aid of their critique and we have concluded that our model is an accurate guide to the policy analysis of state taxation of the generation of electricity sold in interstate commerce.

In formulating the total welfare function,<sup>3</sup> we specified<sup>4</sup> that the equal weighting of individual preferences regardless of geographical associations was implied. The criticism that the equation for the total social welfare "does not reflect the relative weights of the utility functions for New Mexican and all other customers"<sup>5</sup> merely raises the theoretical and practical issues of measuring the social welfare function. As a matter of rigorous theory,<sup>6</sup> it is impossible to specify objectively the comparative weights. As merely a question of the pragmatic application of a non-rigorous theory, the comparative weights are artifacts of subjectively selected methodology. However, we acknowledge that theoretical weights may be assigned to the two groups of customers. We had implicitly given equal weights to the two classes. Thus, these details may be added to the total social welfare function without changing the analysis.

The proposal of a lump sum transfer of economic rent is clearly an issue of distribution rather than allocation. The criticism that the lump sum payment proposal "would be discriminatory and in violation of the commerce clause"<sup>7</sup> merely raises the issue of what criteria are to be used in determining whether the proposed tax policy is dis-

1. Jonis & Olson, *Taxation of Electricity Generation in New Mexico—Some Remaining Issues*, 21 (#2) NAT. RES. J. (1981).

2. Chung, Church & Kury, *Taxation of Electricity Generation: The Economic Efficiency and Equity Bases for Regionalism within the Federal System*, 20 NAT. RES. J. 877 (1980).

3. *Id.*, p. 879, equation 5. The statement in our article that the total social welfare is measured by the sum of equations 4 and 5 should read equations 3 and 4. Similarly, the statement in our article on page 880 identifying the total welfare function as equation 6 should read equation 5. The statement on the same page identifying the New Mexico social welfare function as equation 4 should read equation 3. Footnote 14 should define W by equation 5 and C by equation 6. The phrase "partial derivatives of equation (9)" should specify equation 8.

4. *Id.*, p. 879, footnote 13.

5. Jonish & Olson, *supra* note 1.

6. *I.e.*, a theory with a complete statement of conditions mathematically expressed.

7. Jonish & Olson, *supra* note 1.

criminatory. As a condition of economic efficiency,<sup>8</sup> the tax as applied "at the power plant" may not differentiate between the two groups of customers. This condition is not violated by a negotiated lump sum payment for welfare losses to New Mexican customers. The argument that "any additional tax payments or licensing fees could only be for the purpose of generating state tax revenue"<sup>9</sup> misconstrues our model which suggests a redistribution of net benefits for purposes of equity. Such a redistribution of net benefits could be accomplished by nonproducing states imposing, pursuant to an interstate compact, nondistorting taxes, the revenue of which would be passed to the producing state. Such a compact could be negotiated as a condition prior to licensing.

Three other issues are raised by Professors Jonish and Olson. The first is that our specification of state welfare functions lacked positive externalities for New Mexico and negative externalities for other states. We concede that, when markets fail and social opportunity costs are not reflected in market prices, these factors should be incorporated, if possible, into an electricity generation tax. We remind those who would enter the thicket of interstate taxation that state boundaries are often arbitrary but nevertheless necessary lines imposed on resource disputes and that the question becomes one of what importance, if any, a partial but feasible theory has in the realm of state politics.

Another issue is that posed by the undetermined impact of the Public Utilities Regulatory Policies Act of 1978<sup>10</sup> and the Federal Energy Regulatory Commission. That impact should, of course, be evaluated. The final issue raised is the internalization of environmental costs into pollution controls. To the extent that internationalization occurs, it is incorporated into our equations for the social welfare function of New Mexico<sup>11</sup> and for the total cost of electricity production.<sup>12</sup> Whether marginal social costs have already been equalized with marginal private costs cannot be ascertained without resorting to opinion and policy as well as facts and theory. We suggest that equalization has not occurred.

PHAM CHUNG  
ALBERT CHURCH  
CHANNING KURY

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8. On pages 881 and 884 of our article there are three references to a phantom "equation (11)." These references should read "equation (10)," which pertains to economic efficiency.

9. Jonish & Olson, *supra* note 1.

10. 16 U.S.C. § 824-a-1 (Supp. III, 1979).

11. Chung, Church & Kury, *supra* note 2, p. 879, equation 3.

12. *Id.*, p. 879, equation 6.