

## POM Makes Pollution

Let's say you are running a manufacturing business. The processes you employ to make those very useful and popular widgets happens to generate a pollutant. Now you could change your processes or you could clean up the pollutant as you manufacture your widgets but that would increase the cost to you of making the widgets.

Naturally you have competitors, after all, you are working in an economy which uses physical object money. (See "POM: a Zero-sum Simulation".) You can only dominate the market if you can defeat your competitors. They, also, use processes similar to those you employ and their processes also produce that nasty pollutant. Now the market is a free market so people can buy any of the widgets they like. Most people prefer to pay as little as possible for their widgets so the seller having the lowest price will tend to get more of the market share than the others.

What do you do? Do you keep pollution at a minimum and go to market with a high-priced widget? Do you sacrifice the environment to gain market share? Well we all know that you are a very moral person. You would never pollute more than absolutely necessary. But those other guys who make widgets, are they as moral as you? I think not. I strongly suspect that some of them will yield to the temptation to gain market share by allowing the pollution. In fact, I suspect that after a few years the only companies making widgets will be those that pollute.

Does it cost money to dump pollution into the air or the ocean or a nearby river? With a physical object money it does not. There may be laws against it but you can't put a *company* in jail. You may impose fines but in the meantime the company is making more money by continuing to pollute. With a physical object money (POM) one can bribe the enforcement officials to look the other way, to delay prosecution, to ask for only a minimal fine. With a POM one can even pay the legislature to make laws that allow only *you* to pollute. A POM also allows you to hire people to dump the pollution secretly where it won't be noticed. There are all sorts of ways a POM will encourage you to continue to pollute.

What about your employees? They must know you are running a polluting business. Will they let you get away with this? Well, they will if they want to keep their jobs. They will look the other way or rationalize in some way continuing to cooperate in the polluting. They need their jobs. They don't want to have to move to another city to get a job. They have expenses and debt to pay off. They are dependent on you. They have jobs. (See "POM Makes Jobs")

On the other hand, if our money were *not* a POM, polluting would reduce

**the pay of everyone whose behavior helped cause it. That would include all your employees, of course, but it would also include those who supplied you with capital goods and raw materials and those who distributed and sold those delightful widgets. You would not be able to get their cooperation in generating that pollution, even if you ordered them to do so because they would not need to work with you. But what would be true for you would also be true for all the other widget-making businesses. By avoiding the pollution, you would be paid more for producing those widgets (and helping them to be distributed and sold). You would increase your own pay by using the most pollution-free processes in producing those widgets. You would have no motive to bribe anyone nor to pay for favorable legislation. And you would have no means of using the Non-POM money to do so anyway.**