

Taxes + Approp. Tech., S. Burman



UCSB, May 21, 1982,
Appropriate Technology & Taxation

1. A. What is "appropriate"? Requires a prep. & an object, like "relevant" or "smoother", etc.

Basically, means approp. to factor costs & demands.

Today we face hi unempl; & hi i.r.
Long on labor, short on K.

How short on K when have excess K? We are short of disposable K. Cannot redeploy K frozen in obsolete uses, unfinished works, overdesigned canals, etc. Disposable K is from sale of ripe goods, or "Circulating K".

The two go together. Shortness of circig. cap. means shortness of inv. ~~fund~~ to employ labor. Inv. is the basic ~~macro~~ affirmative act that employs labor.

Hi i.r. are the symptoms of shortness of circig K, not the cause. They do not reduce gross invt., but redirect it to more "approp. techn." — i.e. less K-using, more labor-using technology.

B. AT then is what responds to mkt. signals
— subs. labor for K.

Mkt. ^{as such} $\frac{A}{K}$ is good about this. Mkt. as
such adjusts quickly. This is one of its
strengths. AT is partly matter of ff. the
mkt. signals.

✓ But institutions are a problem. They respond
to signals of earlier eras, frozen in ideologies
+ bureaucracies + vested interests.

We are stuck w. ideology of hi K-int. The
Hard Path.

2. Hard Path + Demand Side Ecs.

"Cap. Reqmts. of Ec. Growth." Sounds like
"supply-side ecs." Favor K, to A K Factor.

But demand-side had same bias, differently
expressed + rationalized. Both of these
superficially antipodal paradigms have a K-int.
bias. It is nothing new — the Soft Path has
been a hard row to hoe under both ideologies

Demand side, idea was to divert K from quick returns, adding to surpluses. Take land out of produ. ~~Use K to~~ Invest K to build up capacity for future output

✓ That was famous ambivalence of farm programs from 1933 to present. Eastern reclamation, western reclamation. Inside Cal., burn oranges, subsidize wtr. for new lands.

✓ This is the essence of capl. - intensity. Lag between inv. & recovery. K & int. does not mean large, or complex — these are incidentals. K -int. means yr. invt. must be funded over many years, so that a high % of gross revs. go to pay interest. Thus houses & trees are "Hard" technology; hand calculators are soft.

E.g. Pan. Canal, not K -int. bcs. costs
\$5 B but bcs. takes forever to recover principal.
much of that is a labor cost.
19 B just bcs. it takes long to build; more
Bs of int. after that.

Peri. Canal is a typical child of demand-side econ;
"Born 40 years too late". (40 yrs. too early to
be econ, but more later).

3. A. K-using ideologies have led us to waste K, both
by bldg. too soon, and misallocating, creating surpluses finally.

Design new
land

Tree crops, dwd. as tax shelters, production, non-
salable surpluses. Vines, add time in winery.

Dairy cows, same. (Breeding cow, 15 yr. life)

Big wtr. supply systems. "Too much, too soon": ^{Diary} ~~Bumy~~
Granite Reef Canal, to Phoenix

Overdesign, Cul Aqueduct

CVP, had to dump wtr. for yrs.

MWD, in tandem w. tree fruit tax shelters.

En. inv. U.S. o'seas prodn = 4x U.S. exports.

And in hi-tech, w. much downtime

Tac Air

Nukes.

B. Tax bias is a big cause

Common: "Here is profit; there is loss"

- Divorcing ~~tax~~ tax life from ec. life.
- Abandonment, cum deferral of gain on apprais
tree.
- Tax deferral on deferred cash flow
Timber
Life added to bldg.

4. But some uses one starting for 16

Aborted projects

~~Slow replacement~~ Nukes, WPPS

Apts., only steel skeletons.

CWP & designed canal

& lane reaches of 2 lane highways

Empty stores, factories

Slow replacement

Machine tools

Open hearth furnaces

Power plants

Slum housing

Bridges -- Cmn. in Ruins

✓ So, some would us for letting K run down. But that view is too easy, for we are bldg. up elsewhere. Migration is lieu of site renewal.

Reinvestment
~~Rep. investment~~ vs. renewal.

✓ Migration brings in 3d factor, land. Is a land qn. here, not just a cap. qn. We are letting good lands run down, & reinvesting K on new lands. On the new lands, we are letting specs. force scattered settlement.

The influence of landholding on tech. can be profound. Veblen saw this as bid of Procrustes.

- a. Bring ^{me} machines to match my acres,
- b. Build roads to tie the scattered pieces together.

Look at 2d point in terms of wtr. Instl. bias drives us to patterns that are resource-wasting & K-wasting.

Approp. rule of cap time

No incentive to use wtr. effie. No tax on w/drawal. No xfr.

Alternative to efficient use is to import
No tax on public cap. used.

On contrary, large subsidies
More capture, of remote wtrs. Again,
no tax.

And ~~for~~ $P = AC$, bcs. no tax on rent in
low-cost wtr, so is melted in.

Analogy to urban sprawl. Misuse central
lands, subsidize new, outer ones.

Analogies in most resources: timber, oil,

Role of Tax bias

Cap. gains, land is cheap to hold.
Buy for future use, no tax on gain. Cash by
borrowing, deduct int.

So, hold more land.

✓
When we, everyone is a sharecropper w. govt.
Sharecroppers take more land.

- not only affect priv. sector, they xfr. K to govt.
b. Taxes ~~go to govt. to spend.~~ also a public spending problem.

Govt. carries most K-using inputs in agric.

Wtr.

Research

Storage of surpluses

Roads

Govt. develops "procurement culture", as in Pentagon.
Goal displacement, like compulsive shopper. His cost becomes a positive reason to buy.

Forest Service, K bias, internalizing profits.

Reprise, wtr. divert.

Govt. also regulates. In troubling ways.
Reg. requires rate base mce. This requires new expansion in premature territory, slow payback if any.

7. Needed reforms:

a) LVT. Promote intensive use. Sub. labor for land.
Enormous scope. Berries vs. barley, 30x the gross.
Thus we can do w. much less land + wtr. +
capl.

✓ Like early IDs Exempt from P-13!

LVT: Supply side, produce goods. Missing link in
Reagan's so-called supply side. This is true
supply side.

Conserve land by using less.

Demand side: make jobs

✓ Renew old sites; reduce planned life of bldgs, just as

Wtr. changes are a form of LVT.

b) Remove K-gain prefs. to land.

higher feed cost reduction
life of stock

c) Capl.

Treat same as labor, + all lives the same.

d) PW policy.

Use much higher i

Recoup from benefits.

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DEPARTMENT OF HISTORY

SANTA BARBARA, CALIFORNIA 93106

28 May 1982

Dear Colleague;

Thanks so much for your participation in our UCAT conference here at UCSB this past weekend. I have two further requests of you:

1) I would like a copy of your presentation for purposes of helping the Newsletter editor write up the meeting and perhaps putting together a conference proceedings. If the last seems possible, I will write to you again about using your particular contribution.

2) So that you can be paid promptly, may I please have your social security number and home address. University rules require this information before checks can be processed. I will also need copies of your travel tickets and motel bills.

Again, please accept the grateful thanks for both UCAT and the campus.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carroll Pursell".

Carroll Pursell
for the organizing committee

Approp. Tech. & Taxes.

(3) 1. Tree crops, tax sheltering surpluses, wasted 15.

Dairy cows, surplus milk, cheese.

(4) 2. Misallocation of K, U.S.

Needs re-con-
ciling w. K-
int. bias.

Shows Tendency
to waste land!

- a. Too-slow "replant" of machine tools
- " " " open hearth furnaces
- " " " power plants
- " " " steam housing
- " " " downtown stores
- " " " oil fields.
- " " " bridges, sewers, etc.

But this view is "too easy!"

~~(3)~~ (5)

b. Migration in lieu of site removal.

a land gm. as well as a cap. gm.

(1) c. Ex. int. - a gm. of losing K o'sean.

(U.S. o'sean prodn. = 4x U.S. exports.

" " profits = 23% of all profits U.S. corps

(4)

- d. Massive projects, aborted halfway thru.
- Nukes. 30 cancelled in U.S., 1/19 to 1/82
 - Some half-finished (WPPs, tax-free bonds)
 - Apts., office bldgs.
 - "Intd." xpts. - w. networks
CWP canal

8-lane reaches of hi-ways.

Result of 40% K in the map, is create scarcity

3. 3-fold effect of L.V.T. on land use. A missing spur today. Produce growth, make jobs, renew old sites.

(3T)

4. Divorcing tax life from ec. life.
E.g. of K bias.

5. Rent reduces planned life of bldgs. Incorp. S in C_0 . Same as ~~the~~ deer feed for livestock.

(3T)

6. ~~Def~~ Deferral of tax on deferred cash flow
- a. Timber, etc.
 - b. Δ durability of bldgs.

(5) 7. Land holding as Bed of Procrustes
Veblen -- + he wrote before inc. tax!

(3T) 8. Common: "here is profit; there is loss"

9. a Taxes not only affect priv. sector, they xfer K to public, highly K -int.

Hi-tech weaponry - Follows.

"Procurement culture", goal displacement, like compulsive shoppers.

(3) 10. Tech, complexity, high downtime
Tac. Air
Nukes

Adds to K -int.

9. ~~11~~ Govt. carries K -int. aspects of agric.

War

Research

Storage of surpluses, e.g. cheese. To 9A

(2) 11. Legacy of demand side effs:

Divert K from current output, build up fixed K for defined output, then $\Delta K/O$

9A. Storage is sub. for flex. price.

2, b. Failure to replace old housing in situ is not a failure to replace.

Cal., 1970-80, pop. Δ 18.5%

d.u. Δ 32.6%

Rather, housing became more K + land using.
Land-using means K-using. Cost-push of urban spread.

Thus we drained away our K.

① 12. What is "approp."? Approp. to what? Like "relevant" or "better" requires prep. to object.

Basic meaning is approp. to relative factor costs.

Today + for yrs. to come, K short, labor long.

Micro aspect easy to see
Except land aspect, spell that out
Macro aspect equally important

as such
Mkt. adjusts quickly. Is one of its strengths.

Instus. lag seriously, respond to signals of an earlier age, frozen in ideologies + instus

To 11, legacy of demand side ec.

③ 13. K is also wanted by misalloc. to certain indices, e.g. tree fruits.

14. K has 2 dimensions - is not just a fund, but a flow.

① 12. The most in approp. thing is to keep unit more res/cap.
If require hi res/man, + higher empl., + grow'g pop.
must chug up more res.

(3) 15. How does stretch-out of lag raise K -int? E.g. of
Pun. Canal cap. cost, Port Comm.
also raises land-int.

16. App. tech. instl. bias, & P.C.

(5) Instl. bias drives us to cap-int, resource-int.
solution.

Approp. rule of capture

No incentive to use rentable wtr. efficiently

Tax on profit from on-farm comm.

+ prop. tax. (neither very severe)

Alt. to comm. is import

No tax on public K used.

On contrary, large subsidies

+ more capture, but no tax on wtr.

+ AC price, but no tax on pwr. drops

(5) 17. Analogy of wtr. problem & urban sprawl.
No pressure on better use, subsidy to ungl. ones.

18. Diff. betw. grow from int. + extensive from land use is very great.

Hi/acre is also hi/a f.

But hi/acre pays more taxes: income, mainly.
Bears brunt of strikes.

19. Reg. util's., growth imperative to maintain rate base.

20. "Cap. restraints. of ec. growth" - this approach has prevailed. Is called supply side ec.

But it looks, we can produce more w. same K.

21. Among firm. live K, rank by pd.

Longer pds need more K.

But longer deferral from tax. hits (K)