

Ec. 270 Used Notes

Ec. 210, Wed. May 25

Role of rent in tax theory

Ways to tax rent.

1. Expensing of C_0

$$S = \frac{R_m - C_0 e^{im}}{e^{im} - 1}$$

(1)

$$\Gamma(\text{gamma}) = \frac{R(1-\frac{u}{\cancel{f}}) - C_0(1-u)e^{im}}{e^{im} - 1}$$

To remove R , sub. (1): $R = S(e^{im} - 1) + C_0 e^{im}$

$$\Gamma = \frac{S(e^{im} - 1)(1-u) + \cancel{C_0 e^{im}(1-u)} - \cancel{C(1-u)e^{im}}}{e^{im} - 1}$$

$$= S(1-u)$$

$$\Gamma/S = 1-u$$

1, B. Expense ~~cost~~ ^{C₀}, Cap. gains on R

$$\Lambda(\text{lambdas}) = \frac{R(1-.4u) - C_0 e^{im}(1-u)}{e^{im} - 1}$$

$$= \frac{S(e^{im} - 1)(1-.4u) + C e^{im}(1-.4u) - C e^{im}(1-u)}{e^{im} - 1}$$

$$= S(1-.4u) + \frac{C e^{im}(u-.4u)}{e^{im} - 1}$$

$$= S(1-.4u) + \frac{C \cdot .6u}{1 - e^{-im}}$$

$$\frac{\Lambda}{S} = 1-.4u + \frac{C}{S} \frac{.6u}{1 - e^{-im}} = 1-u \left[.4 + .6 \frac{C/S}{1 - e^{-im}} \right]$$

$\Lambda > S$ is easily possible, for high C/S , low m

In fact, $\Lambda > S$ is highly likely, bcs $e^{-i} \rightarrow 1$

Effects: Bring in ungod land.

Over apply C_0 .

Speed replant (unless compensate, as ITC does)

Sub. C_0 for later expenses.

Most analyses fail to ~~the~~ observe effects related to land.

2. Yield Tax

$$\sigma = \frac{R(1-t) - Ce^{im}}{e^{im}-1}$$

$$= \frac{s(e^{im}-1)(1-t) + Ce^{im}(1-t) - Ce^{im}}{e^{im}-1}$$

$$= s(1-t) - \frac{tCe^{im}}{e^{im}-1}$$

$$\sigma/s = 1 - t \left[1 + \frac{C/s}{1-e^{-im}} \right]$$

opposite of 1, B

Hence, beware of VAT, etc.

$$R = S(e^{im} - 1) + Ce^{im}$$

3. Income Tax

$$\pi = \frac{R(1-r) - Ce^{im} + rC}{e^{im} - 1}$$

$$= \frac{S(e^{im} - 1)(1-r) + Ce^{im}(1-r) - Ce^{im} + rC}{e^{im} - 1}$$

$$= \frac{S(e^{im} - 1) - rS(e^{im} - 1) - rC(e^{im} - 1)}{e^{im} - 1}$$

$$= S - r(C + S)$$

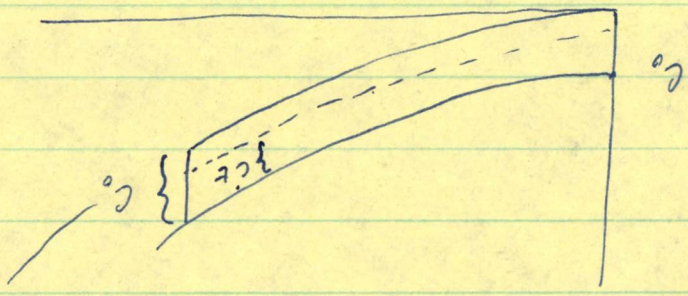
$$\frac{\pi}{S} = 1 - r\left(1 + \frac{C}{S}\right)$$

Thus, deduction at the time of deprec. has moved toward neutrality. But still takes more than rent. Hits input, land --- π can be made negative.

Not as good as expensing plus hi rate,

$$= \frac{[R_n - C_0(1+i)^n] - t[R - C]}{(1+i)^n - 1}$$

$$S - T = \frac{R_n(1-t) - [C_0(1+i)^n - Ct]}{(1+i)^n - 1} = \frac{R_n(1-t) - C_0(1+i)^n + Ct}{(1+i)^n - 1}$$



$$C_0(1+i)^n - C = C_0(1+i)^n - 1$$

g. kata dalam

$$S = \frac{[R_n - C_0(1+i)^n](1-t)}{(1+i)^n - 1}$$

$$- C_0(1-t)(1+i)^n + R_n(1-t) = S$$



$$\frac{s-T}{s} = \frac{R - C(L)^n - t[R-C]}{R - C(L)^n} = 1 - t \frac{R-C}{R - C(L)^n}$$

$\therefore \frac{s-T}{s}$ is a decr^y fn. of n .

$\frac{n}{0}$	$\frac{(s-T)/s}{1-t}$	
$(R/C)^{\frac{1}{n}}$	$-\infty$	(!?)

$$V = \frac{R(1-t) - Ce^{mi}}{e^{mi} - 1}$$

$$S = \frac{R - Ce^{mi}}{e^{mi} - 1}$$

$$\frac{V}{S} = \frac{R(1-t) - Ce^{mi}}{R - Ce^{mi}} = \frac{R - Ce^{mi} - Rt}{R - Ce^{mi}}$$

$$= 1 - \frac{Rt}{R - Ce^{mi}}$$

To remove R , + get more generality, subst. for R

$$R = (C + S)e^{mi} - S \quad (\text{This being true only at maturity})$$

R bears above relation to the original land value, even though there is a lower value, V , after tax.

$$V = \frac{s(e^{mi} - 1)(1-t) + Ce^{mi}(1-t) - Ce^{mi}}{e^{mi} - 1}$$

$$= S(1-t) - \frac{tCe^{mi}}{e^{mi} - 1} = S(1-t) - \frac{tC}{1 - e^{-im}}$$

$$\frac{\sigma}{s} = 1 - \tau - \frac{\tau C/s}{1 - e^{-im}} = 1 - \tau \left(1 + \frac{C/s}{1 - e^{-im}} \right)$$

— E_k ,

New ideas.

1. a. New insights to be had by using ROIC, and playing w. ways to understate L.V., e.g.
 - It is haircut loan, o.c. = 0
 - You are holding, for the rise, C_0 is there ~~as~~ as interim use, to qualify for loan, as "taxpayer," etc.
- b. Costs expensable, sales not fully taxable.

Product extension theorem

Mill. says Wicksell in lectures gives satisfactory demonstration, -- Wicksted had the insight, is all.

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PAGE 1

PRELIMINARY CLASS ROSTER

82S ECN-270 -01

ECON 270 TOPICS: POL ECONOMY

UNITS : 4.0

ACT TYPE: SEM

SPEC GRD:

NOTES : V X

RESTRICT: 01

INSTRUCTOR: GAFFNEY, M

TIME: M W F 1010A 1100A WAT 1117

STUDENT ID	NAME	UNITS	GT	GR	CL	COLL/MAJOR	RSN
1 551-13-7826	BEASON, RICHARD DEREK	4.0			D1	GD ECON	
2 568-15-3838	COGGINS, BRUCE ALAN	4.0			D1	GD ECON	
3 551-02-9025	COGSWELL, KRISTY LEE	4.0			M	GD ECON	
4 570-72-6976	JUSTICE, STEPHEN CRAIG	4.0			D2	GD ECON	
5 567-35-0611	MC MURRAN, BRET STATON	4.0			D1	GD ECON	
6 559-17-1608	SANDHU, NINDY PAUL	4.0			D2	GD ECON	
7 499-54-5555	ZEHNTNER, MAUREEN	4.0			D2	GD ECON	

Bryant, Vuuu

Ec. 210, Rent Theory

1. M. Rothbard, Power & Market, Inst for Humane Studies, 1970.

Landlord fr. is to serve land to the right user.

2. "Functions of landownership" — toy ag. ec., lit. as in my diss.

F. Knight, K + Interest

① This is the essence of Chi. orthodoxy.

Physios. & Classics saw K as ^{a store of consumer goods used for} advances to workers,
(+ also landlords --- cf. Wicksell.) On annual
cycles.

(He underests. Physios. They had several
kinds of advances: annuities, ~~fixed~~ ^{fixed} ~~immovable~~ ^{immovable}, ~~charitable~~ ^{official}, etc.

He underest. Ricardo + Smith. They
had fixed + circ. K, a diff. of degree.

Ricardo was compound int.

② He misplaces Jevons + Walras as
neo-classicals. Both were "Austrian" K theorists.
[Bastiat + Long were the "fusionists"]. J.B. Clark
is the leading neo-classic, w. his K + int. thg.)

He adds confusion by calling J.B. Clark
an Austrian! p. 386. Nothing cd. be wronger.
Austrians tried to preserve + develop classical K thg.,
which emphasized circ. time. This got incorp. in
a catch-phrase, "pd. of prodn.", which ~~was~~ needed a
math. elaboration which they never gave it.

Clark saw them as ~~his~~ threatening his fusion
of land + K, + ∴ attacked w. vigor. This led to

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long, confused debates, ending in a standoff ---
except that for Chi. school, Clark won.

Clark's fusion required recognizing fact that K circs.,
bes. this is clearly distinguishes K from land.
So he attacked prod. of prodn. as vague.

Id. idea says that K must be rebuilt by labor,
constantly --- ~~that~~ so K is the product of labor, and
real invt. creates empl. Clark wants all K to be
fixed, like land --- & labor works w. tools, ~~not~~
long. invt. -- not producing them, vert. invt.

It took Keynes, 35 yrs. later, to revive the
vertically intd. view. Clark & Knight killed
it until then (I. Fisher helped.)

Mentioned, classic K theory, survived in bus. schools,
as Math. of Econ. (financs'). In r.e. valuation
(Babcock). In forestry (Frampton) etc.
But not at Columbia & Chicago, where Clark,
Beligman, Stigler, Knight, Friedman et al. were
imposing their ~~doctrines~~ ^{dogmas} on the whole Dept.,
(driving Douglas & Lange from Chi. e.g.) & stamping
out their clones who carried these doctrines

everywhere, & confused ^{+ disabled + turned off} generations of students.
 E.g. at Reed -- Art Leigh
 at Berkeley -- Ellis, Ralph

In "Clark's Transformation," value migrates from form to form by exchange, rather than deprec. & replacement. K is fixed --- thus ruling out concerns over both K future, & replmt. rates or circu.

(3) To complete the new view, ~~cost~~ a new value theory in which cost is thrown out as basis of value. All value is DCF. Bygones are bygones. Forget the natural origin of land, forget the wars & conquests, the political basis of original distr. --- only ~~can~~ look to future, confirm all existg prop. however.

Austrians went along w. this. It didn't cause them to fence land & K . ~~or they had a double pop. w. H.G. to contend with~~
 To them, land differed bcs. no replmt. needed -- no pd. of prodn.

(4) Final dogma: "Econ. is allocn. of res. (fixed) among competing ends." Price distortions are the only problem.

Lemmas

4

Dogma of Clark + Knight proved vulnerable to quite ridic. + nihilistic attacks re reswitching.

Lemma A.

p. 387 Prodn. + cons. are simultaneous,
in eq. Fallacy of disappearing invy.
This takes time out of eqs. altogether.

Also beloved by foresters.

The case being too absurd if stated baldly,
he immediately retreats to indeterminacy of pd.

B.

p. 389 Durability now is revised b/c it affects
rate of embodying new tech.

This constant shifting + hedging is what marks
the master propagandist. He achieves a desired end
by slipping over on abundance, then backs away
so he can disown the abundance when needed.

C.

p. 389 K is an abstract quant. xfrable from
one form to another.

D.

p. 390 Natural agents, value comes from discovery +
dev., "hence thru S + I". Also require intce. +/or
replmt. --- fertility + minerals.

Explan. $\equiv$ other prodn.

(Nothin, said re Δ l.v. etc.) (Nor mktg. force.)

E. p. 392 Learning $\equiv$ borrowing + buying

F. p. 393 Slaves are K. It's just arbitrary + a matter of social convention. (here is ~~the~~ relativistic ethics run wild.) Diff. of slaves to other K is just a matter of degree, or "social usage". Slave raiding is an "inv. opn." p. 395, Only "moral prejudices" distinguish labor from land or K. Might be tempting to say this shows J. Dewey influence, but is a travesty of Dewey -- who was a Georgist!

G. p. 395 Any future income is equivalent to a perpetuity.

H. p. 400 Even tho K is grow'g, price thy. shld. treat it as fixed.

I. p. 401 Dim. sets? Malthus? Only limit suggested for ΔK is demand, + that is rejected, on vague grounds.

① } Knight was preaching in his own church. Again, like Clark, too absurd to read, but this is the Chi. school: Clark-Knight-Friedman, an apostolic succession.

So suffer throa this, + understand Chi. This is The Divine Word. Dogma, Doctrine, Orthodoxy.

Backtracking

A. p. 404 Alludes indulgently to classical idea that most "cost" by labor is market cost. (This is in fact a strong reason for treating wage income differently than other inc., esp. for taxes.)

B. pp. 404-17 (end) makes same. Is basic math. of free. Is a section from another article. Really doesn't follow at all, but refutes much of foregoing.

Is consistent w. his other inconsistencies. An e.g. of same technique noted earlier: having achieved desired end by slipping in a fallacy, later abandons the "tool" fallacy. p. 415, he recognizes pd. of invt. as valid.

Net accomplishment, then: to force all factors. Lemmas D, E, F, G, H, I.

Mon. 4/4/82

E.C. 270

6 wks. on rdgs

1. Clark & Knight destroyed classic rent.

In process they also destroyed cap. thy., which
now survives in Face. course, v.e. course, etc.

Classic ~~cap~~ thy. was a macro. thy. Wicksell
& Jevons were bringg it along to a fairly
high art.

Wages fund thy.

Physiol. "advances" cannibals, etc.

Smith. K sets labor in motion

Fa. Trade too slow.

Ricardo Avoid convertg circ. to fixed K.

Wicksell Change maturity of wine.

"grape juice model": Wages flow thy.

Jevons Same idea.

Mill bobbed the ball momentarily.

Wages fund "fixed", limiting. Unions screamed. [±]

Mill restated. Neo-classics keep alive myth that
he recanted.

± H. George fell for this. Weakened P & C by attacking
W.F. idea.

2

Neo-classics ~~also~~ then turned to J. B. Say
for their macro. -- a classic who antic. neo-
classics in many ways (he + Bastiat.)

Keynes revived wages fund in T.M. But
in G.T. found a new formula that the
big spenders cd. use, + was carried to v. known.
~~But in process, the~~
Speed up circ. But in process, real circ.
got lost. M circ. got the whole focus.

Keynes abandoned the static part of neo-cl. But retained
the automatic replmt. Thus, replmt. demand is submerged.

2. J. B. Clark

Value v. corpus.

Value is an essence that ^{a theol. term} trans- ^{Mythical} migrates from one
corpus to another. an "abstract quantity of wealth".
When sell for money, you give up the form
but keep the content of wealth.

State own all wealth -- alt. is encumbrance.
To achieve its ends, State alienates land.

"Pure capital" is the essence. "Capl. goods" are
particular, automatically replaced. "It conduces to
⊕ Later, he says "transmutation" --- a turn of ~~sci.~~ sci. of alchemy.

clearness to make these to include land". p. 25
 "Pure K is value embodied in productive instruments of any sort."

✓ Indivs. buy + sell land. The value "transmigrates" to land. He totally identifies this kind of xfr. w. real turnover, pp. 24-25; p. 22, + elsewhere. This is the essence of neo-classicism. **Replace**

Adds: real turnover w. ownership turnover; macro w. micro.

Protect exchanges **by protecting property**.

They State, which ultimately creates + owns all values in land + K. p. 21.

K "vests itself in land". If more demand for land, price rises. K is pictured as flowing into land, + the ΔP as being real K.

Returns are equalized, by K flowing into land.

Xfr. of land to higher use is viewed as e.g. of K flowing into land.

Small savers put in in banks; banks buy mortgages; thus the land contains the K. State wisely protects these values. Protect the home-owner.

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Clark wd. be too ridic. to read were it not
J.B. Clark himself, the founder of neo-classic ec's.
This paper shows better than any other where he
is coming from.

Estab. ec'sts. were having great difficulty
justifying prop. in land. Classical ec's. led logically to
proposal to socialize land rent. In Eng. lower
classes were docile, ^{ec. th. was a safe intellectual toy.} In N.Y., Irish had a perfect
outlet for rebellious feelings, hatred of landlords.
In western U.S. idea of national ownership of land
was recent & current. In H. George there was
a charismatic political leader w. strong
Messiah complex.

Ferny photo. on Smith College, J.M. Clarke.

Ec. 270. Mon. 4/19/82

1. ~~Economic~~ Congestion

A. Review Tragedy of Commons

a. Young

g. Hardin

Mgmt. analysis. Miss. of rent.

Note unique role of land. Again. Also
some services - schools - K - streets ~~some~~
can be open access.

Fisheries, highways, etc.

B. Indirect tragedies of commons.

~~Examples~~

1. Tenure creation

2. Underpricing, e.g. oil & gas, electric power,
water.

3. Public services. Today we focus on this.

C. Crowding of streets, parks, open space, etc.

h. Darwin

Pedestrian, ~~but~~ at level of "common
man" — the common property, conservative man, i.e.

a. Marshall

Need for fresh air fund.

Both looked at neg. extenuation of urban congestion, o'looked positive ones, were successfully refuted by Polak, who spoke to the booster spirit, which has prevailed until quite recent times.

B. Maldistribution. of pop.

1. E. Canyon.

Rent/cap. varies widely among cities, region.
Long a practical concern of politics.

— U.S. Constn., big issue.

Chas. Beard, N.C. vs. N.Y.

[Positions based on misinfo., N.C. wd. be better off today to tap rents of N.Y. etc.]

Reg. of apportionment

— City vs. country & small towns.
B.C. data. Policy of decentralization.
Clyde Wilson's house

- Canada
 Use of mineral rents to the country
 together.
 Resistance of Alta, Migration to
 Alta,

- Ak. Social dividend

Etc. Cameron's message: find way to
 tax immigrants.

2. G. Marshall.

Onus to beneficial taxes.

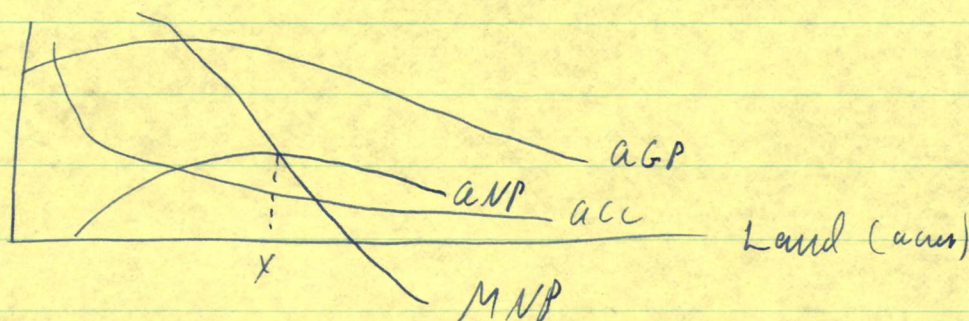
Dodging issue by shifting it to suburbs,
 + widening tax jurisdiction.

3. C. Clark, new kind of federalism
 proposed.

Fri, 4 BM

4-2-82

A MNP, finish



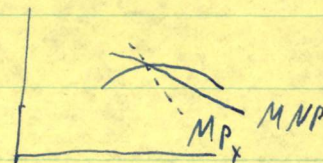
1. ~~This~~ This is technique for handling many values. ACC can include several other costs. All extended to $MC = VMP$.

2. MP + MNP are systems concepts. Kristy explain to is MCL (not shown).

3. This a technique for analyzing cos. of scale — shows change in input mix.

4. Our purpose is to show product exhaustion

- Residually, land gets ANP
- At x , $ANP = MNP$ of land
- $MNP = MP$ for small Δ



5. Use of Euler unrec.

"Homog. of degree one" unrec. -- "exclusionary
pedantic ostentation."

6. Smaller firms, left of x

a. Buy land (or rent) for less than $MCNP$, but
more than ANP

i. ANP curve is flat-topped, not hard to
make up loss. Theory says they "seek" x , but
doesn't say how hard, how fast.

ii. They may have equity in base acreage,
hence ability to absorb small loss while growing.

iii. They may absorb loss by having
better mgr., or family labor, who ~~pay~~ take less.

~~4.~~ (The world is less precise than
math; but more precise than $P = MC$.
Thus, graphs are a good modeling technique, ~~at~~
about the right level of abstraction.)

~~b. What is rent?~~

b. Adjust price to MC , make up deficit
by taxes, etc.

~~These ops. generate negative rent? No,
not as a rule. They generate less rent than the max. possible~~

6, 6 (~~Costs~~)

Firm may also be left of x because of small market, and Δg returns not exhausted w/in limits of mkt. Natural monopolies.

These usually are treated by cost analysis, and common prescription is for $P = MC$, and ~~price~~ ~~direct~~ subsidy of some kind, or tolerance of price discrimination in lieu of subsidy.

Need for subsidy may be expressed as saying they generate or yield negative rents, when factors are all paid MP. The product is over exhausted.

This negative rent may not be a negative absolute rent, but a negative transfer rent.

E.g., ~~they may use~~ a water supply system may get its wtr rti. + r.o.w. donated, or below cost, + ~~then~~ cover variable costs -- i.e., have a positive cash flow -- thus getting a positive absolute rent; but less than someone else wd. \$ earn from the same resources.

~~Open~~ Resource uses that yield neg. rents (of either kind) can be edg. justified if they generate greater positive rents in lands they serve.

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These spillover rents are often called "C.S.", but
an open whose mkt. is limited is, by
defn. localized.

This is much of what ^{xptn. and} utility eco. is
all about. Will return, re Hotelling, +
MC pricing.

Chi. school resists this area like poison.
E.g. Hiroshi et al, grant case for $P = MC$ but
then deny there are any cases of ~~$MC < P$~~
 $MC < AC$ Yale Brozen at A.E.S.

Beware, at other extreme, nihilistic
mindset, who wish to say "whole apparatus
collapses" when $MNP > ANP$. It is not
the apparatus, but the mind of the speaker
that breaks down in the face of difficulties.
He says, let's play by my rules now, where
I can win.

7. Right of x

- a. Expanding firms, buying for:
- future Δ : presumption (gas sta. land rush)
 - " expansion
 - preclude compn.

b. Sloppy firms, dissipating rent

- old families
- dissolute heirs
- estates, trusts
- mismanaged corps.

Product is underextracted by paying MP, so they can be lax + slack.

8. What is rent?

- a. Residual or prior?

I believe prior.

(Land tax charges this, if cash. based on appraisal.)

Resid. rent makes land the wastebasket for mismgmt. Puts the blame on an inert object -- it can't talk back.

Resid. rent also makes land the

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waste basket for forecasting errors, when durable improvements turn out wrong. These are inherent in the investment decision. Of course you can't blame the K, either -- also invest. Blame the mgr. But as to value, it's the K that absorbs it, but non-salvageable. The rest is history.

Rent is like ^{contract} interest -- a "fixed" cost, a fn. of time, and rep. ^{contract} what the mgr. can do. Other mgrs. do better, then earn their higher pay.

Land normally differs from other intols. in a bldg. by its high degree of salvageability. Its o.c. is always realistic, always measurable. ~~The~~ Thus obsolescence afflicts K right away -- but never hits land.

$\therefore$ ~~to~~ to change an o.c. = i.r. to sunk K is of historical interest -- tells you whom to blame. But land is never sunk, o.c. has future meaning.

As to what is residual, there is the element of time, + commitment over time. This is lacking in Euler et al. The true resid. is the

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return to what is committed over time, what
loses its salvageability.

Society has ^{a few} ways to make rent explicit.

- a. Prop. tax on l.v. or latent rent.
- b. Cash rent to landlord.
- c. Tender offers
- d. Required empl. (Japan)
- e. Rts. of use. "Use it or lose it."
- f. Benefit assmts.
- g.

On the whole, these are weak. Shd. not
be confused, however, w. our ec. defn. of rent.

It is not only sometimes, it is usual that
rent as o.c. is higher than resid. rent in
current use. The founders of o.c. ~~think~~
paradigm had such faith in the mkt.,
they assumed the reverse. But for land, & fr. rent
is usually negative. Due to:

- a. Bldg. obsolescence
- b. Costs of r.e. xfr.

c. Credit barriers

b. Is rent as o.c. the MNP or QNP?

Is MNP of most needy firm.

(Tax assess. hardly ever apply such a
hi standard.)

Ely.

1. ~~Difficult to define land spec.~~

~~Rambing~~

1. Intro.

but no Voblen!

Studied in Gy.

Ely. an instl. ecit. An early dirigiste, or Bismarckian

Ely + ~~civil~~ acad. freedom.

lifting + winnowing; sorting + arranging.

Father of a profession. Founder of L.P.U.E.

2. Seems to be shadow-boxing. Hits out at unnamed, unidentified, + certainly uncited adversaries who have attacked the opn. of the land instl., + proposed radical remedies that smack of (shudder) confiscation!

These are singletaxes -- finally alluded to as "man w. pararea" or "formula". Code words for H.G. follows.

3. Is addressing a constituency: Am. squirearchy or Bureaucracy.
- Farm Bureau Fed.
- R.E. indy.
- Ch. of Comm.

2

Talks their language. It hasn't changed much.

4. Students: Horan, Hinman, Ratchiff, Weiner, Wehowski, Penn - - -

Founded GLUE, now LE.

Casts a long shadow, Wis. + N.U. + Indiana U.

5. Rambles + backtracks + equivocate -- you have to pick out code-words to see whether he is nudging us. It's a large collection of coded ideas.

a. Purports to set out to define spec. Never does -- but later talks as tho he had. Readers were easily distracted in those days. Does the same w. necessity for reserves of vacant urban land.

p. 122

b. Land is held by small tenant, who uses it as a savings bank. p. 123, "the ordinary man" is the landowner + spec. p. 124. Landowners are weaker elements: tchr., carpenter, preacher. They buy land from ~~brokers~~.

c. Teacher will hold on until a better use appears. Rendering a service. Forfeadows "i".

d. Meantime, he pays taxes. (You'd never guess G. opposed these)

e. Spec. assumes large risks.

f. Women must avoid risks.

g. Land supply man, Marshall to contrary.
Spec. is one who does it

- "opens up new land"
- brings land into use, jointly w. settlers.
- searches out good land, guides settlers to it.

He is a "colonizer".

- A supply of "particular kinds of lands," e.g.
irrig. lands, apple orchard lands, grape lands, city lots, & as a
consequence, dwellings." p. 125

h. Spec-r. makes sale of land possible, moving land to
best use. Thus he "creates values", p. 127.

p. 130, again, spec $\equiv$ buying & selling, broadly. (Later, he condemns laissez-faire.)

p. 127

i. Holding for higher use. "I perform social
service". Elsewhere he calls this the service of
~~the~~ bearing "ripening costs," & this is Ely's most
orig. contrib. It has been revived today, and
is being bawled about, NTG.

Complete catalogue, return to this.

j. Observed damage in land boom ~~is~~ happens
"when men are misled".

No "rational expectations" here.

"Sad wreckage" results from forecasting errors.

j. (cont). p. 131, again, "people sometimes lose control of their reasoning processes".

k. Banks lend based on current yields, not spec. values. This is good, holds buyers down.

(It only holds down buyers who have to borrow, or who have no other collateral. He misses out on credit rationing problem, so central to why land mkt. work poorly.

E.g. in S.C. recent housing boom, banks wd. not lend to those who needed housing — but to those who had housing, to become landlords.)

l. Land is not a monopoly.

- Res. are many owners
- Res. big owners can do things for the community which small ones cannot.

(A. Smith called land tenure a monopoly, in a different meaning --- the rt. to exclude others.)

(It's worth looking at data. Few have, but they are striking.)

m. Spec. "connects the land w. the land user". Identifies spec. w. broken, evidently.

n. Concession! If spec. gets in ahead of user, he is doing a disservice! As shd. go to the user.

Here we have the institutionalist who rejects
 ungrat. imputation. If rent & L are paid by
 a user, they become part of the return to labor.
 (cf. efforts of Bismarck & Hitler to end alienation of farm from family. g. (over)
 Aim of govt. has been to connect service w. acq.
 of land.

o. Specs. rarely w/ hold good farm land from
 best use. Their fault is to lead ~~the~~ settlers to
 bad land. Remedy is "prison bars," extreme cases.

(If better land is all used, why is it bad to
 lead men to worse land? Here we have scattered
 settlement, the rural perception of "urban sprawl",
 blamed fully on the active elements, ~~absolutely~~
 "a few extremists," absolutely completely the
 passive element -- owners to right of x.)

Cite Veblen, other view.

(Ely has provided, "neg. counterargument".)

p. Idle city land is OK, is "essential to
 prosperity", p-133. (Faulty reference back to Zisch.)

g. Land is connected w. houses. p-134

r. Laissez faire doesn't work. Dirigisme needed.
 Laissez-faire causes scattered settlement

case made vs. death duties, they break up going concerns.

This is off on another plane from Chicago approach, wherein you impute a yield to ea. separable input, & they are easily recombined & flexible, and should be so.

5. PROGRESS W/O CONFISCATION

Work w. C. of C. "Sound land policy strengthens arguments for land as a sound + conservative invt."

Date of supersession.

Fig. 1

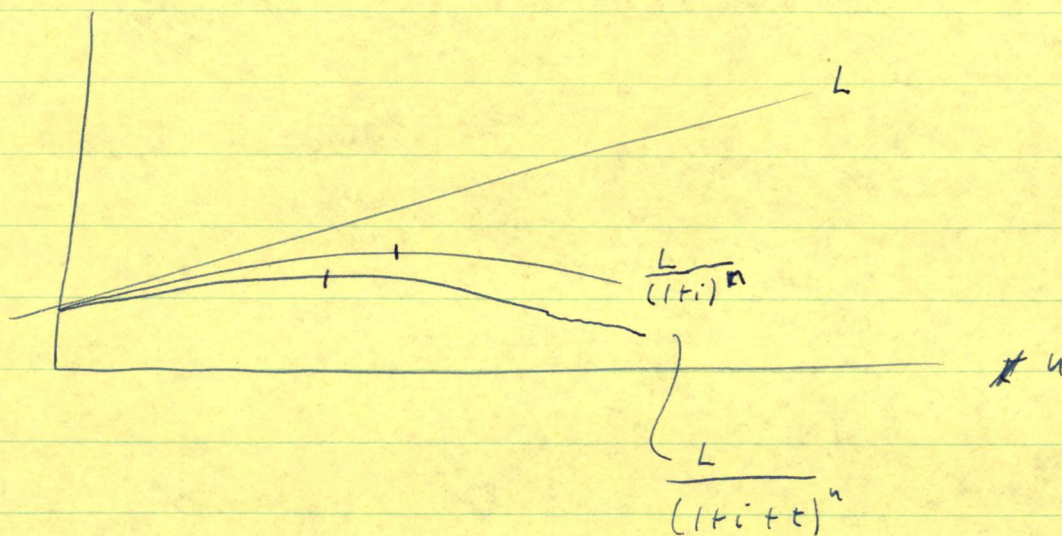
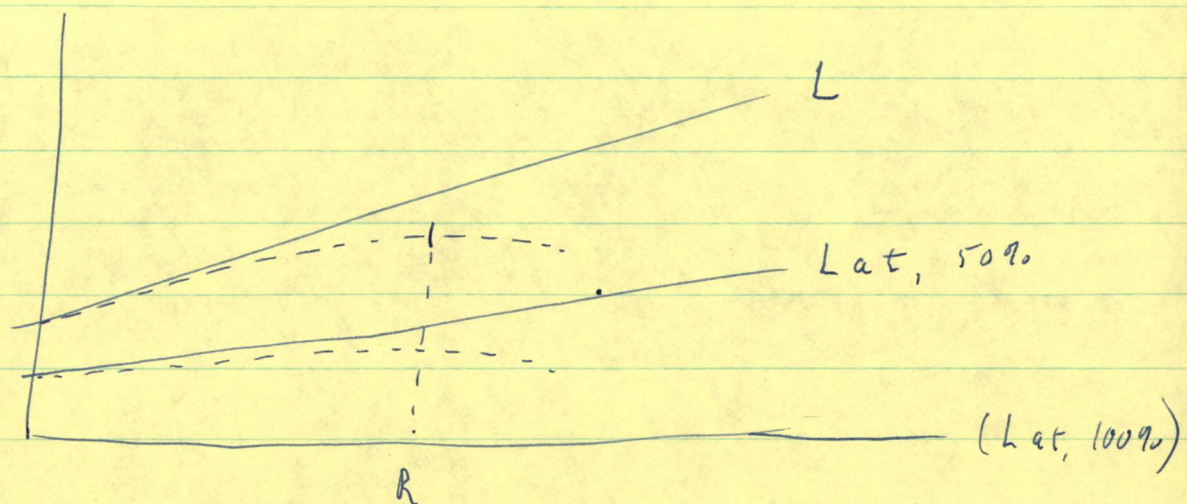


Fig. 1 is a jump ahead of Ely, but is about where neo-Elyism is today

But see Fig. 2

Fig 2



u_1 where $L'/L = i$

u_2 where $(Lat)'/Lat = i + \tau$

✓ Hypoth: $u_1 = u_2$ bcs. Lat grows
on faster curve than L

About all Ely leaves out, of the standard catalogue
of standard Furr Bureau orthodoxy, is the
"fr. of the landlord" -- can't title for the
tut. bearing burden of ownership.

Ec. 210, Wed, 4/2/82

1. Can rent be split out, in practice? Urban.

Ratchliff said no, urban land.

Done by bldg-rent. method. Land can always be valued as the bare

- from comparables
 - by inc. method
 - from parking lots, expansion buying, eve-of-retirement sales
- IRS requires this for inc. tax.

Babcock the classic. Ring the modern text.

2. Farm rents?

Most mtd. on soil exhaustion in this context written by people who knew little about soils.

Opt. assignment: Soil Deple. & Land Rent

- a. Permanent matrix
- b. Revolving fund
- c. Consumable fund
- d. Expendable surplus.

3. ~~the~~ Forest rents?

Fantasma

See Bentley & Teegenarden.

We will learn this math.

To understand rent, fully, must understand cap. thy. or math. of force.

Give forewarte now — start getting turned in.

$$\cancel{(C + S)(1+i)^n}$$

$$(P + S)(1+i)^n = F + S$$

$$S = \frac{F - P(1+i)^n}{(1+i)^n - 1} = \frac{F(1+i)^{-n} - P}{1 - (1+i)^{-n}} = \frac{NCF}{1 - (1+i)^{-n}}$$

$$\text{If } n=1, \quad S = \frac{F - P(1+i)}{i}$$

Classical rent, or product net, is $F - P(1+i)$

For intermediate costs & revs, sum to 0 at n .
0 is most common

$$S = \frac{-P_0 + \sum_1^n [C R_n - C_n](1+i)^{-n}}{1 - (1+i)^{-n}} = \frac{NCF - G_1}{1 - (1+i)^{-n}}$$

3 a.

What is front rent?

$$S_i = F - P(1+i)^n \frac{i}{(1+i)^n - 1} = [F - P(1+i)^n] SFF$$

Lines of SFF

$$n=1, SFF = 1$$

$$n \text{ large, } SFF \rightarrow \frac{i}{(1+i)^n}$$

$$i=0, SFF = \frac{1}{n}$$

b. Interm. cost & rev.

DCF of c_i
x crf

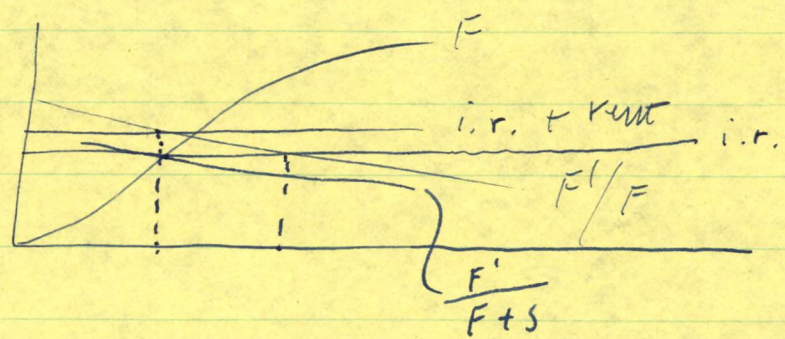
c. Uses of rent

$$\frac{F'}{F+s} = i$$

$$F' = i(F+s)$$

$$\frac{F'}{F} = i(1 + \frac{s}{F})$$

Spatial extension limited
Time



Simult. solution required. Boils down to solving
 n to max DCF.

$$R_{\text{int}} = si$$

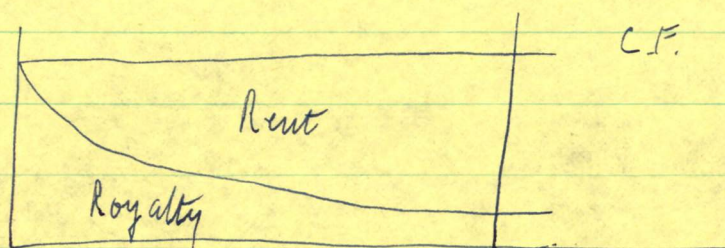
$$R_{\text{int}} = i \left(1 + \frac{s}{F} \right)$$

$$\therefore s = 1 + \frac{s}{F}$$

$$s \left(1 - \frac{1}{F} \right) = 1$$

$$s = \frac{1}{1 - \frac{1}{F}} = \frac{F}{F - 1}$$

4. Mine Rents.



L. C. Gray position

a torrid field.

5. H. C. Carey

a. Rev. Tariff.

Opposed rent revs --- + ∴ defining rent ---
in order to rationalize Tariff. Hamilton too.

b. Opposed Ricardo vs. Ricardo favored free Trade.
Opposed rent vs. Ricardo integrated rent phy. +
trade phy. Tool of British Imperialism, which
in turn is tool of Jewish intl. bankers.
Nazi Gy. same connection made.

c. Returns on purchase price of land are only normal.
This redefines ~~the~~ rent, as windfall profit.

Rather similar to F. Knight saying land acq. by conquest yields no rent b/c. of cost of conquest.

This idea of rent as windfall profit is much alive today — e.g. re oil & gas. Price control on old oil, not on new. i.e. take part. gains from individuals who got in on ground floor.

B.C. gas export, use antitrust agency to stop windfall gains — as tho there was no rent prior. By failing to distinguish hi cost & low cost reserves, can't collect rent from low cost ones.

Effort is to identify rent w. ungr. lands, b/c. this is where π gains are greatest.

Fuzzy.

6. Willford King

Spec. Δ l.v. needed to give returns on bldgs.

(1)
$$P = a \frac{1 - (1+i)^{-n}}{i} + S_n (1+i)^{-n} \text{ clarifies issues.}$$

If you buy at spec. price, only loss limits.

King's twist is to impute the bldg. inc. to the site. A correct approach wd. look at the v.a. by the bldg. — the 1st term in (1)

7. Peculiar relation of rent to the state under common law.

8. Nature of K again

Marx ... resembles Clark

(imported K used to buy land is only ~~not~~ ^{rent} counterpart
~~Inelastic supply~~
where K "flows into land".)

9. Limited K.

"Pulling K out of the env". Appeal of this to George, + Keynesians.

If George thought much on this, an ec. just creates the very K, like Gt + Japan after their wars. Cd. also import.

Can also spread K much thinner, by shortening lives ... 2 houses instead of one.

Spahr, Seligman, Harbinger - fixed K.
No free lunch. Chicago wants to tax K ...
and incomes!

Heller, who integrated George + Keynes.

Hayek also stressed limits of K.

Classics saw K as limited fund, but elastic flow.

Ec. 270, Wed. 4/28/82

1. Using W. King as excuse, take off on math. of rising
l.v. Read Walras.

$$P = a \frac{1 - (1+i)^{-n}}{i} + F_n (1+i)^{-n} \quad (1)$$

a) $P_i = a + \cancel{F_i} (1+i)^{-n} (F_i - a) \quad (2)$

If $F_i > a$ (or $F > \frac{a}{i}$)

Then $P_i > a$

And buyer has negative cash flow of $P_i - a$

b. $P_i = a + \Delta P$

i) Find ΔP

$$P = \frac{a}{i} + (1+i)^{-n} \left(F - \frac{a}{i} \right)$$

$$\frac{\Delta P}{\Delta n} = \left(F - \frac{a}{i} \right) i (1+i)^{-n} = (F_i - a) (1+i)^{-n} \quad (2a)$$

(2a) wd. be neg. if Δn were +; but n
decrements by one, so that changes sign.

1. PV of annuity, level flow.

Annuity is a

$$PV = a \left[(1+i)^{-1} + (1+i)^{-2} + \dots + (1+i)^{-\infty} \right]$$

$$= \frac{a(1+i)^{-1}}{1 - (1+i)^{-1}} = \frac{a}{1+i-1} = \frac{a}{i}$$

2. PV of annuity, flow increasing by fixed annual % = g

$$PV = a \left[(1+i)^{-1} + \frac{(1+g)}{(1+i)^2} + \dots + \left(\frac{1+g}{1+i} \right)^{\infty} \right]$$

$$\underline{\underline{=}} \frac{a(1+i)^{-1}}{1 - \frac{1+g}{1+i}} = \frac{a}{1+i-1-g} = \frac{a}{i-g}$$

3. A close approximation is this annuity:

$$PV = a \left[\frac{1}{1+i-g} + \frac{1}{(1+i-g)^2} + \dots + \frac{1}{(1+i-g)^{\infty}} \right]$$

$$= a \frac{1}{(1+i-g)(1 - (1+i-g)^{-1})} = \frac{a}{1+i-g-1} = \frac{a}{i-g}$$

(3) may sometimes be a simple substitute. But the undiscounted annuity, to arrive at this, would not be simple!

4. Stay away from $\frac{1}{(1+i)(1-g)}$.

$$1+g \ll \frac{1}{1-g}$$

5. Pick up from (2), $PV = \frac{a}{i-g}$

$$P_i = a + P_g$$

~~$$P_i = \frac{a}{i-g} + P_g$$~~

$$P_g = \Delta P, \text{ because } P_i = P_0(1+g)$$

Then, cash flow + ΔP cover interest.

6. Same can be shown in all cases, but gets more complex. Even bond (or "GROVE") case gets complex. Give numerical e.g.

$$i = .1$$

$$a = 1$$

$$R = 25$$

$$n = 10, \quad P = 15. \overset{783149}{\cancel{8242}}$$

$$n = 9, \quad P = 16.3 \overset{61464}{\cancel{905}}$$

$$\Delta = \overset{.578315}{\cancel{.5613}}$$

$$\Delta + a = \overset{1.578315}{\cancel{1.5613}}$$

$$P \cdot i = 1.5 \overset{78315}{\cancel{8242}}$$

Conc. of ownership

Ben. of deferred nature of land inc. gravitates to strong hands.

Exception is land in declining worlds.

Then, $a > F_i$

so $P_i < a$

They call this by other names: hi cap. rate, rapid payback, etc.

Mainly. $F_i > a$.

George & Walker on conc.

Loring concept.

Gini coeff; land vs. income.

Can run Marshall

Some Gini Ratios

	<u>q. of</u> <u>Income</u>	<u>q. of</u> <u>Pop.</u>	<u>q. of</u> <u>Prop.</u>	<u>q. of</u> <u>Owners</u>	<u>q. of</u> <u>Oil Leases</u>	<u>q. of</u> <u>Owners</u>
1	1	10	1.3	19.3	{ 0	{ 8.7 }
2	3	10	0.9	7.1	{ 1	{ 9.9 }
3	5	10	1.5	6.9	{ 2	{ 6.15 }
4	7	10	2.9	12.5 9.6	{ 2	{ 14 }
5	8	10	3.5	11.5 11.5	{ 2	{ 13 }
6	9	10	6.6	15.0	{ 2	{ 13 18 }
7	11	10	7.4	10.0	{ 3	{ 13.4 }
8	12	10	9.1	8.9	{ 8	{ 9.8 }
9	14	10	25.2	6.5	{ 8	{ 4.1 }
10	30	10	41.6	2.3	{ 72	{ 1.7 }

Ratio

.39

.73

.84

(By coupling, ratio = .36)

(By coupling, reduce to .81)

Gini ratios are also useful for studying regressions,
e.g. labor + K w. size of firm
Prop. + income
Energy use + income

They are better than regression analysis of
the cookbook kind. Ec. data have 3
distinctive characteristics.

- Abnormal distributions. Highly skewed
- Low r^2 : hi scatter. So OLS slopes are useless + arbitrary
- The lowest class usually has bad or irrelevant data

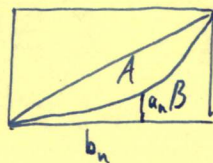
More Mini Ratios

	<u>a_n</u>	<u>b_n</u>	<u>a_n</u>	<u>b_n</u>
1	1	10	6	20
2	3	15	3	10
3	6	15	4	10
4	8	14	5	10
5	8	15	7	10
6	8	8	10	10
7	11	8	15	10
8	15	8	20	10
9	20	1	12	5
10	20	1	18	5

LCR

.62

.45



$$B = \frac{1}{2} a_1 b_1 + \frac{1}{2} b_2 (a_1 + a_2) + \frac{1}{2} b_3 (a_2 + a_3) + \dots + \frac{1}{2} b_{10} (a_9 + a_{10})$$

$$2B = a_1 b_1 + b_2 (a_1 + a_2) + \dots + b_{10} (a_9 + a_{10})$$

$$2B = a_1 (b_1 + b_2) + a_2 (b_2 + b_3) + \dots + a_{10} b_{10}$$

$$\frac{A}{A+B} = \frac{10000 - 2B}{10,000} = 1 - \frac{2B}{10,000}$$

Ec. 270

Fri., 4/30/82

19 of our authors have been Pres. of AEA.

4 of these were on my side: Carson, Commons, Huntington, Douglas

1. Concr.

a. ΔP is an income, same as y , for those w/o a cash flow problem: i.e., those w. equity.

Cash flow problems work both ways. For those w. surplus savings, the problem is disposing of cash.

So the valuation placed on ΔP is vastly different, between borrowers & lenders.

And also among classes of borrowers.

b. So assets of deferred ^{cash} ~~the~~ gravitate to strong hands, waiting power, patient money

Unripe minerals (188 M. a.)

Ripening land

Growth stocks -- i.e., most stocks

Timber

Residences in new worlds.

c. Result, as rent rises, is a "mench of concn."

Additional aspects follow:

Advantage of head start. Those w. more &

better land accum. surpluses, to buy out others.

They also save more. (Walras distinguishes K accum. by labor's savg, & that accum. from rent. Not easy in

practise, in detail. But we may surmise that
more comes from rent, based on the one case
we can observe, i.e. corp. savg. $\rightarrow$ individ. savg.
[Data are suspect, bcs. much of what is called corp.
savg is really crin. for replint. But this is
probably a detail.]

Some ~~savg~~ K is "geogenic", directly: it is
stored-up rent.

- trees, cattle, fish
- ~~xipe minerals~~
- value of old bldgs. if there has been any
sacrifice of early income for longevity, e.g. by
reducing early occupancy; allocating space to mtce., pillars,
etc.

So, on equity grounds, many feel that it is OK
to tax K, too.

George did not. Identified K w. labor, saying
labor produces K. A vertically intd. view of
relation of K to labor. Same as Keynes &
classics, ~~who had~~ but there had K advancing
subsistence to labor. Either way, you help labor
by taxing K.

Personally, I go w. J.R. Commons.

ii) Land yielding surpluses goes to absentee.
 Rise of Tacy. on richest farmland
 on commercial land
 on oil leases.

Tacy. + Veklan's "absentee ownership" —
 i.e., if you don't do the work yourself, you are to
 that degree an absentee

iii) Land of hi resid. + recrud. currency
 goes to wealthy.

See Ireland - Hilton Head case.

European "shooting boxes", deer parks,
 Scottish highlands

In U.S., gentlemanly fung. Not so bad as in
 Eur. bcs. marvelous cultural inheritance of the dignity
 of labor + worth of enterprise. The Eur. plays at
 fung. But usually loses money, i.e. no rent to land,
 it is a kind of recreation — that of puritans.
 And if he goes in for horses, forget it!

iv) Land needing p.w. gov to administer.

Miss. Delta

Tulane Lake + W. side

Role of Army Eng.

People, Canal

v) If you have large assets to manage, SP requires least inst.

d. Mvrg. concn. Case of agric.

Fallacy of means. Large nos. of part time small holders develop, lower mean. John D. Black ^{Pres. AEA, 1955}
George vs. Walker.

- Shows the casual contempt of conservative for reformer. They "thru" you as a fuzzy-head
- Shows the anger at having illusions punctured.

Walker had good instincts - son of an Abolitionist. Wanted to believe we were unchanging ~~idea~~ according to Arcadian ideal, which he + George shared.

George uses "concn" in 2 ways:

- driving people away from small towns to big cities. He loved city scale, but in moderation. Like Veblen, he deplored loneliness of

5
isolated farm -- also mentioning farm wives -
(purer motive).

-- Ownership accumulating.

George was tolerant of ex. of scale, just
wanted to tax them.

Vehlen saw big holdings coming, lost, +
scale adapting to holdings.

My troubles stem from usog. concn. A very
sensitive Topic!

Loenz
him.

Ec. 270, April 30, 1982

$$P = a \frac{1 - (1+i)^{-n}}{i} + F_n (1+i)^{-n} = \frac{a}{i} + (1+i)^{-n} \left(F_n - \frac{a}{i} \right) \quad (1)$$

$$\Delta P / \Delta n = \left(F_n - \frac{a}{i} \right) \left((1+i)^{-n} - (1+i)^{-(n-1)} \right) \quad (2)$$

$$= \left(F_n - \frac{a}{i} \right) (1+i)^{-n} (1 - (1+i))$$

$$= -i (1+i)^{-n} \left(F_n - \frac{a}{i} \right) \quad (2)$$

To Prove: $P_i \stackrel{?}{=} a + \Delta P / \Delta n$ when we
reduce n by one, (so $\Delta P / \Delta n$ is > 0)

From (1),

$$P_i = a - (1+i)^{-n} (a - F_n i) \quad (3)$$

From (2)

$$a - \Delta P / \Delta n = a + (1+i)^{-n} (F_n i - a) \quad (4)$$

But the right sides of (3) and (4) are identical, Q.E.D.

Ec. 210, April 30, 1982

$$P = a \frac{1 - (1+i)^{-n}}{i} + F_n (1+i)^{-n} = \frac{a}{i} + (1+i)^{-n} \left(F_n - \frac{a}{i} \right) \quad (1)$$

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Ec. 210

Walras rdg.

1. Walras is not what you thought.
Was a radical, son of same, exiled, "excommunicated".
Took refuge in abstract specus.
These were co-opted later by the very people he disliked.
cf. Lawrence Klein today!
Moral: stick to policy impls. of what you do.
2. Land is prop. of State
French Law = Eng. Law, feudal.
(The other kind is Roman)
a matter of intergenerational equity, natural law.
3. Can't divide land equally, $\therefore$ ancient systems based on taxing it.
4. Evolution of govt. relieved owners of duties, but state forgot to take revs.
In Revn, had a chance to recoup, but sold too cheap (cf. Hanks today).

5. On utilitarian basis,
needs of prodn. are better served w/o indiv. landed prop.
On natural law basis,
~~can~~ try to justify prop. by "personality of man";
which requires saying it has ^{intrinsic} value: Bastiat.

His counterparts are Chr. school, prop. & free
exchange solves all problems.

(Cf. Nancy Moore of Rand Corp.)
They have no theory of property at all.

6. Land is collective property - this reconciles
individualism + Communism.

Plan to implement ("schemes" if you oppose)
from James Mill, + Gossen.

James Mill wd. take future Δ to rent.
(I.e. the same). Alas. too easy!

$$P = \frac{a}{i} + \frac{P_1}{i}$$

"Innocent purchaser" has also bought Δ .

(James has shown that it is more salable to his new buyers

harder. Old settlers weren't expecting hi tax, etc.)

Gorman said State has lower d.r., $\therefore$ can buy + amortize. (ok, but shd. 1st pay off nat. debt, a higher priority.)

1 unit long math. section. W. shows Gorman plan won't work.

7. Wahman plan:

Create rent Δ s by better p.w. planning; etc.
accelerate progress of indy.; etc.

So he is finally an unrealistic dreamer

8. Fillebrown ~~is~~ rationale: tax capn. + tax exemption.

$$P = \frac{a}{i + t}$$

$$P_i = a - P t$$

Will not assign Eldman et al. - allude to.

9. Remainder of Wahman. Tax is co-ownership.

1

turn-4.

- turn-4.

- c. Edgeworth fears "forcing the mkt." Anticipates Ely.
But contradicts self, bcs. next says that rent is needed to help build.
- d. Borrowing. Rent as basis of credit rationing.

i. If nat. K is fixed, then this says rent reallocates it. Tucks it into rent-sources: big cities, oil firms, etc. A tragedy of commons for K ? a distortion of location anyway.

ii. Can rent as security "pull K out of the air?"

a. Dir. m.u. of assets, says no.
(Note false variant on this argument, Keynes on "spec", modern critics of mergers etc. The pipe has 2 ends & Ec. is closed system, w. zero-sum of K & frs.)

b. Can rent cause K import?

An open gm. cuts to heart of what kind of society you want, & who is to own it.
Foreigners will buy land; will also lend on it.

Put on rent; En. Ownership article.

An ultimate trickle-down theory.

c. If govt. gets rent, will it use its borrowing power wisely?

(e) Relation of rent to credit, to bank $\pm \Delta M$, greatest unrolled story in Macro. 13

5. Heij

a. Wn. Canada, R.E. men pushed LVT. They perceived it correctly as pro-debit.

Today, most people see it that way, too.

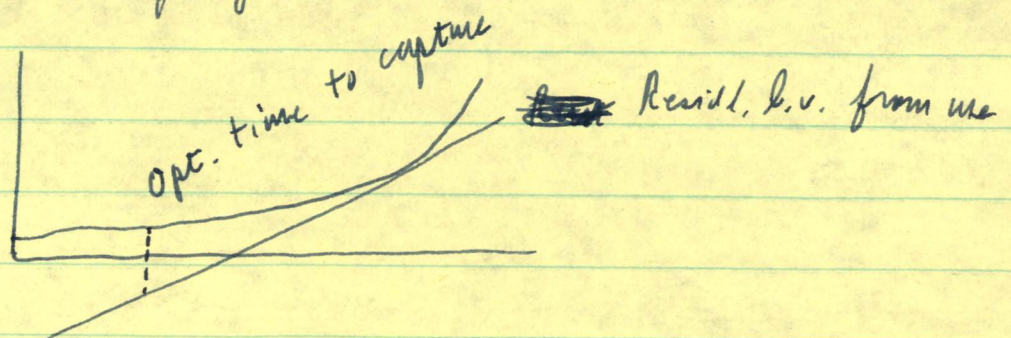
b. Banks wait land on van land.

$\therefore$ some owners must build to borrow; ~~that~~ they must borrow to hold van land, for the Δ .

Present land taxes force the wk't, as Edgeworth said; but future, credit, ones may depress it by reducing line of Δ .

Thus, he has banks in a role of imposing a kind of rule of capture, use-residence regmt.

If so, this is hyper stimulus. Not all incentives are eq'ly. good.



One of most exciting, neglected areas in macro
is the role of this stimulus in boom & bust.
Inc. incentives.

Plus its effect on banks.

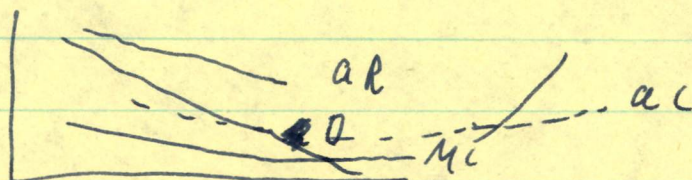
Problem of frozen K.

Wed. May 12. '82

Ec. 270

1. Hotelling,

a. Neg. rents from $P = MC$



$P < MC$ is ~~the~~ ^{solvable} problem, if $AR > a$

Tap by land tax on rents. (priv. utils. use price discrim. Less effective.)

b. This served as rationale for p.w., in '38, coupled w. Keynes. Heavy ideological undertones. Supported by ideologues of left; attacked by ideologues of right.

Our job is to rise above paranoid ideologies & analyze pure facts.

c. Idea of Du Puit. Also found in Wicksteed, New Thy.

Also in Walras's mind, when he spoke of govt. creating rent by good policy. Bad govt. policy, almost by defn, is that which dissipates rent, so good policy is it. French are leaders in ec. princ. of utilities.

2

d. Attacks by Frisch, Little.
Quibbles, of Nihilistic bent. Such quibbles are
not always bad - e.g. vs. Gungy "Real Men",
like Turing; or Potter/Christy romance
optimists. But the charge never stuck vs.
Hotelling.

e. There was an earlier lit. English,
in a vacuum, confused. Marshall, Piggon, Chaplain.
Ellis + Fellner never understood, totally confused.

f. But Hotelling in his shy, cowardly
way, prevailed -- + opened Pandora's
box. Failed to foresee pervasions of his
principles, mainly 4:

1. Territorial expansion. Urban sprawl.
Need for limits. See LRWE, disaggregate systems, #
2. Δg costs in prodn. Need for conservation.
3. Folly of low i subsidies.
4. Pork

Integrate Δg cost + design cost.

Ec. 270, Fri, May 14, '82

1. Tax cap.

Filletbrown's proposal

Marling Comm. N46, 1916. Argument fairly used.

Seligman unhampered.

Dawsonport resolved.

2. Arbitrage: everyone buys free of taxes, all assets

Meaning?

~~Let~~ Let i = before tax

r = after tax

r is equalized by arbitrage, all assets.

~~But~~ But asset values are differently affected.

A. Open economy, $r = i_0$
 $\hat{i} = r/(1-t)$

Reproducible Cap, C remains same

Land,

S falls, 2 reasons: less rent;

higher cap. rate

B. Closed economy, if fully borne by cap.

$$r = i_0(1-t)$$

C remains same

S

"

"

Same rent; same cap. rate

(assuming land taxed at same rate as cap)

$$\text{If } r = i_0(1 - \tau) = i_0 - i_0 \tau$$

$$r + i_0 \tau = i_0$$

Ec. 210, Mon. May 16, 1982

Henry George. But selling exist. of all time. A new phenomenon, self-funded, beholders to no one.

1. Attacks W. f. doctrine.

Never understood cap. thry. Major weakness.

Saw K supply as infinitely elastic. Labor "seizes" whatever it needs. Ec. recover quickly after wars.

Labor produces K — as opposed to K ~~sup~~ advancing subsistence to labor. Either way, saw labor + capl. as vertically intd., harmonious.

Complementary? More like neutral. He saw both sides of this. Labor + K

compete for land. Enclosures, timber, livestock, machines — like Marx, George was struck by enclosure movement. (16 th c. sheep; 18-19 th c., "corn", aided by corn laws.)

2. Attacks Malthus

But also uses him, to focus atten. on land.
(note difficulties of Knight w. dim. rents)

Malthus, Ricardo, Mill, Senior — a disused
lot. Dim. rents, condemned man to suffer.
(cf. new dismal scientists, degenerate Keynesians, all choices bad.)[‡]
George changed their ideas.

a. Aggreg. of returns. Group synergism,
finding highest expression in cities, captured in
urban rents. Also in higher farm rents, as
specialize to real ~~productive~~ yields of farm land,
also in all rents.

Late Georgists Translated this into ~~an~~
a mechanical ratio of pop / l.v., missing point.

b. Looking up good land by specs.
Was greatly impressed by how
wages rose when wage-slaves moved out to the

[‡] All revolutionary ideas evolve so, from optimistic originator
to crabbed, gloomy, dismal

gold fields. Wages determined on margin.
Anticipated marg. product theory - Clark
credits him. Overemphasized extensive marg.,
but the intensive marg. is there, Mungrove
has to bend over backwards to miss it,
(+ maintaining posture of condescension to upstart
journalist.)

3. laws of distribn. Antics. product exhaustion
theorem, they must all fit.
Credits Ricardo, but much broader.

4. Expectations raised

Solution: Tax land, into full use.

5. Why reject?

Barham-side esp. spec. creates inv. outlets.

Other rent socializers.

Mon., May 24, 1982 Ec. 270

1. A. Smith

a. Land is stable & permanent. Has been historically the mainstay of kingdoms.

b. Sell public lands - then tax rev.

USNF are badly run. Lazy land & cap, locked up, sterilized.

Smith vs. Watt -- Smith wd. sell OCS, but tax revs. Our oil indy. is virtually tax exempt. Our leases lack portability.

Our grazing lands are let out to political favorites.

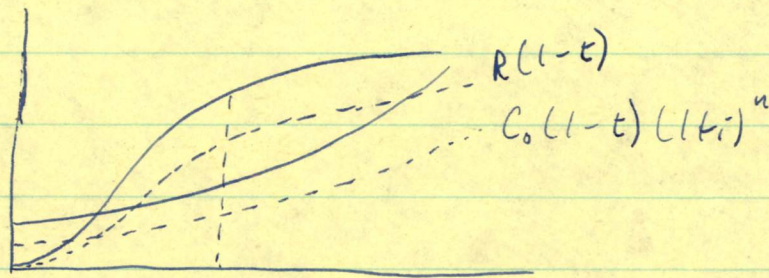
c. Tax shd. be fixed

Eng. tax was absolutely fixed, in use of deprec. value. Out of date.

Physios. were alleged to favor tax on ex post rent. (Smith's weakness was to be little predecessors, he may have misrep.)

Smith wants tax to vary w. time, but not w. use. Public register of lease terms, a la Venice, as data bank.

Pigou later explicated his "announcement effect" idea.



Q. ~~1~~ 2 ways of taxing rent.

1.
$$a = \frac{R - C(1+i)^n}{C(1+i)^n - 1}$$
 levy annually on notional a

2. Tax R, ~~deduct~~ ^{expense} C
Removes tax on C_0 ; full tax falls on stored up rent.
f. R. common.

d. Opposes tithes

But sees excess burden shifted to land.

Due to S + D. Marshall didn't invent S + D.

Ricardo had tithes shifted fwd.

e. Favors tax on ground rents under

houses. No decline of supply. No shifts -
owner was charging, ~~at~~ the mkt. anyway.

f. Rent is a fund that owes its existence to
good govt. -- shd. $\therefore$ pay for govt.

Critics. Marshall, "public value"

g. K can be concealed or removed.

i.e., an open ec.

Today, U.S. o'seas invt. has output
= 4x our exports.

$\frac{1}{4}$ of U.S. corp. profits are o'seas.
Worth thinking about.

F4, invt. in U.S. Only the in
rem prop. tax can tax it.

Wed, May 19, '82

George, II.

1. Rationale for taking land

as. Compensate those excluded, 3 ways

a. Provide public services

b. Produce goods

c. Offer jobs. Immigration as compensation.

Lemmas

Avoid waste in other methods of distrib. rents, viz.

a. Max. price control.

Cite Schwartz
cf. Marx

b. $P = AC$

- no profit on public agencies

- max. profit on priv. utilities.

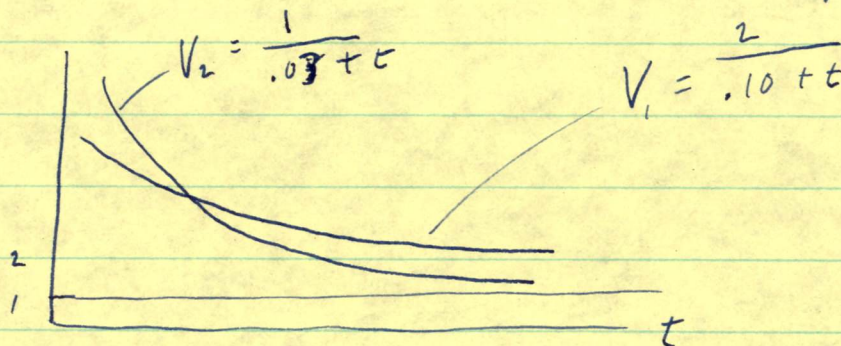
c. Pork barrel

Log-rolling. French equity.

Encourage K factor.

" " immigration.

Allocate land better. "Stop" land specn."

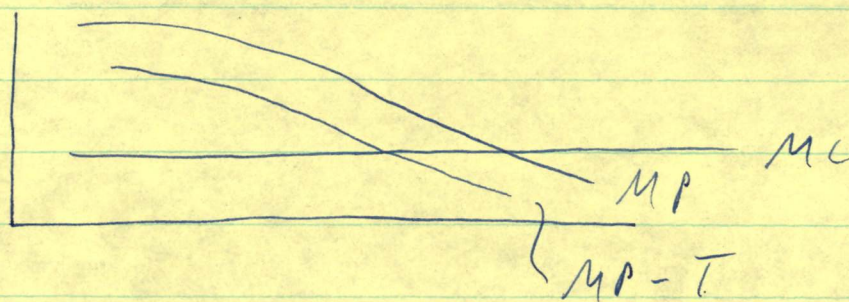


$$V_1 = V_2 \quad \text{when}$$

$$.10 + t = 2(.03 + t) = .06 + 2t$$

$$.10 - .06 = .04 = t$$

Reduce other taxes, which have "wedge effects" (even tho shifted to lower rents)



Problems w. rent socializer.

a. Demand-side eff. Shuttled into.

Land spec. is good,

- Reduces supplies. Soil bank e.g.

Support for keeping "dead land" dead.

- Δ inv. opp. in urban sprawl.

George + Keynes finally coalesced in DAB & TC etc.

b. Tragedy of commons. End of growth ethic. Need for user charges.

c. Pol. leadership.