



Economics 132: Public Finance

By Dr. Mason Gaffney

Article citation:

Gaffney, Mason. "Economics 132: Public Finance." Various Dates. Syllabi and Reading Lists.

Fair Use Disclaimer

The Robert Schalkenbach Foundation, a non profit private foundation, is publishing this article, at no cost, pursuant to the Fair Use provisions of Section 107 of the Copyright Act which states that under certain circumstances, the fair use of a copyrighted material for purposes of criticism, comment, teaching, scholarship and research is not an infringement of copyright. If you have any concerns about the publication of this article, please contact us at info@schalkenbach.org.

The Robert Schalkenbach Foundation's Digital Collections and Archives is an extension of the Robert Schalkenbach Foundation's Engel Georgist Library. It collects, organizes, preserves, and provides free online access to researchers and the general public of Georgist literature including books, newspapers, pamphlets, scholarly articles and archival materials.

RSF is particularly proud to offer free online access to the works of the late Georgist scholar Mason Gaffney, made possible through the generosity of the Danica Foundation and with the consent of the Mason and Letitia Gaffney Trust.

Robert Schalkenbach Foundation: <https://schalkenbach.org/>

Engel Georgist Library: <https://www.librarycat.org/lib/EngelGeorgistLibrary>

RSF Digital Collections and Archives: <https://schalkenbach.starter1ua.preservica.com/>

W-d. Study Ans.

Thurs. 2 PM, ~~Study~~ Review Session
SYLLABUS

Texts: B. P. Herber, Modern Public Finance, 4th Ed. 1979 (abbreviated as "H")

Jos. Pechman (ed.) Comprehensive Income Taxation 1977 (abbreviated as "P")

Dates

- Jan. 7-11 1, General Principles & Intro.
H, Ch. 5, "Fiscal Principles"
H, Ch. 6, "Distributive Equity"
H, Ch. 7, "Shifting & Incidence"

- Jan. 14-18 2, Another viewpoint on neutrality: land taxation as a standard of reference.

Henry George, Progress & Poverty, 1879 (7 copies of selections below are on reserve.)

Book VIII, Application of the Remedy

Ch. 3, The Proposition tried by the Canons of Taxation

Ch. 4, Indorsements & Objections

Book IX, Effects of the Remedy

Ch. 1, Of the effect upon the production of wealth

Ch. 2, Of the effect upon distribution and thence upon production

Ch. 3, Of the effect upon individuals & classes. (Note. The style of writing is Victorian and will seem "different". But it is clear & organized, and really turned on your great-grandparents.)

- Jan. 21-25 3, Income Taxation

H, Ch. 8, Income Taxation: the personal income tax

P, Ch. 1, Richard Goode. The Economic Definition of Income

P, Ch. 4, James Wetzler. Capital Gains & Losses

(opt.) P, Ch. 7, Brown & Bulow. Definition of Taxable Business Income

(opt.) Richard Goode. The Income Tax & the Supply of Labor (3 copies on reserve.)

- Jan. 28- Feb. 1 4, Income Tax avoidance, loopholes, & related questions

P, Ch. 5, Wm. Hellmuth, Homeowner Preferences

P, Ch. 8, Emil Sunley, Jr., Summary

M. Gaffney, "Tax-induced Slow Turnover of Capital," 1967.

Call it TISTOC. (7 copies on reserve, short version. Long version free, but hard going.)

M. Gaffney, Tax Treatment of Land Income, 1969 (7 copies on reserve).

Stanley Surrey, Pathways to Tax Reform, Ch. 4, Operational Aspects of Tax Expenditures, 1973 (7 copies on reserve).

(opt.) Richard Slitor, The Federal Income Tax in Relation to Housing, National Commission on Urban Problems, Research Report #5, Ch. 2, Major Income Tax Mechanisms Affecting Housing Investment & Urban Development, pp. 12-19, 1968. (3 copies on reserve).

(opt.) A. F. Ehrbar, "Manifesto for a Tax Revolution," Fortune, Apr., 1977, pp. 90 ff. (3 copies on reserve).

(opt.) Susan Agria, Special Tax Treatment of Mineral Industries, 1969 (3 copies on reserve).

Dates

- Feb. 4-8 5, Taxes on Property and Property Income
 H, Ch. 9, The Corporate Income Tax
 (opt.) Carl Shoup, Incidence of a Corporate Income Tax, (3 copies
 on reserve)
 (opt.) H, Ch. 10, Death & Gift Taxes
 H, Ch. 11, Wealth Taxation: The Property Tax
 M. Gaffney, The Property Tax is a Progressive Tax, 1971,
 (7 copies on reserve).
 Albert Henley, Land-value Taxation by California Irrigation
 Districts, 1969 (7 copies on reserve).
 (opt.) Dick Netzer, Is there too much reliance on the local property
 tax? 1973 (3 copies on reserve)
 (opt.) M. Gaffney, An Agenda for Strengthening the Property Tax, 1973
 (3 copies on reserve. In reading this, make allowance for the
 writer's ticked-off mood after 4 years in Washington building up
 to Watergate. He has mellowed some since.)
 (opt.) Henry Aaron, (you thought he was only a ballplayer?) What do
 circuit-breaker laws accomplish? 1973 (3 copies on reserve).
 (opt.) M. Gaffney, Tax Reform to Release Land, 1972. (3 copies on reserve).
 Lowell Harriss, Economic Evaluation of Real Property Taxes, 1968
 (7 copies on reserve).

Feb. 11 MIDTERM

- Feb. 13-15 6, Taxes on sales, consumption, gross output, value-added.
 H, Ch. 12, Sales taxation: narrow-based & broad-based sales taxes.
 M. Gaffney, Alternative Ways of Taxing Forests, 1980 (7 copies on
 reserve).
 (opt.) M. Gaffney, Objectives of Govt. Policy in Leasing Mineral Lands,
 1978 (3 copies on reserve).
 Harry G. Brown, Incidence of a General Sales Tax, 1939 (7 copies
 on reserve).
 Peter Mieszkowski, The Choice of Tax Base: Consumption vs.
 Income Taxation, 1978 (7 copies on reserve).
 (opt.) Charles McLure, Economic Effects of Taxing Value-added, 1973
 (7 copies on reserve).

Feb. 18 Washington's Birthday

- Feb. 20-22 7, User charges
 H, Ch. 14, User charges
 8, Payroll Taxes
 H, Ch. 13, Payroll Taxes

- Feb. 25-29 9, Overview, and the spending side
 (It's leap- H, Ch. 15, The aggregate public sector
 year. Go H, Ch. 16, Fiscal institutions & admin. instruments
 to it, 10, Intergovernmental relations
 girls!) H, Ch. 17, Intergovt. relations, I
 H, Ch. 18, Intergovt. relations, II

Too long - not assigned

End of
syllabus

Dates

- Feb. 25-29 Anthony Scott, Who should get natural resource revenues? 1976
 (7 copies on reserve).
 M. Gaffney, Federal vs. state taxation of energy resources,
 (7 copies on reserve).
 Krause & Dam, Federal Tax Treatment of Foreign Income, Ch. II,
 Problems & Alternative Solutions, 1964 (7 copies on reserve).
 (opt.) Reading on the Multi-state Tax Commission, (MTC) to be selected.
- Mar. 3-7 11, Public sector decision-making
 H, Chaps. 1-4
- Mar. 10-14 12, Aggregate fiscal policy
 A. The traditional established neo-liberal orthodoxy
 H, Chaps. 19-22
 B. The tax limitation movement
 Michael J. Boskin, ...Recent tax & spending limitation movements,
 1979 (7 copies on reserve)
 Alan Post, Effects of Prop. 13 on Calif., 1979 (7 copies on reserve).
 (opt.) M. Gaffney, Recent changes in land policy, 1975 (3 copies on reserve).
 (opt.) George Peterson, Capital spending & capital obsolescence: the out-
 look for cities, 1978 (3 copies on reserve).
 M. Gaffney, An alternative reform, 1979 (7 copies on reserve).
 (opt.) M. Gaffney, Property taxes & the frequency of urban renewal
 (3 copies on reserve).
 C. Taxes & inflation
 N. Tideman & D. Tucker, Tax treatment of business profits under
 inflationary conditions, 1976 (7 copies on reserve).

Friday
Mar. 21

FINAL EXAM. 8-11 A.M.

Review session to be arranged. March 17-20.

Grading policy, weighting.

Attendance and participation	30%
Midterm	25%
Final	45%

SYLLABUS

Texts: B.P. Herber, Modern Public Finance, 4th ed., 1979 (abbr. as "H")

Harry G. Brown, The Economics of Taxation, (abbr. as "Brown")

Dates

I.----- Goals of Public Finance; criteria of policy evaluation.
(The goals and policies referred to are those dealing with revenues, borrowing, and spending. These three major aspects of public finance are treated separately below under headings II, III, and IV. Here in Heading #I we treat generic goals and criteria. Because of the Quarter System, there is not time to treat all three major aspects adequately, so we will spend more time on II, Revenues, and do the other two aspects once over lightly.)

4-7 A. ---- Survival of the polity

4-9 B. Role definition, and micro-economic efficiency

H, Ch. 1, Resource Scarcity and Intersector Allocation, pp. 16-21 mainly. (You may review the material on production possibility curves and indifference curves, too, if you wish, but I do not use this apparatus much.)

H, Ch. 2, The Concept of Public Goods

H, Ch. 14, User Charges. This complements the public goods chapter, since the essence of a public good is that no user charge is called for. (Musgrave, by the way, refers to these as "social" goods.)

H, Ch. 5, Fiscal Principles and Concepts

Herber overlooks one standard concept of tax neutrality, developed more than two centuries ago, and most vigorously expounded by Henry George. George's style of writing is Victorian and may seem "different". But it is clear and organized, and really turned on your great-grandparents. George's book remains the best-selling economics book of all time.)

4-14 Henry George, Progress and Poverty

Book VIII, Chaps 3,4

Book IX, Chaps 1,2,3

Cannan criticizes heavy property taxation at the local level on the grounds that it will distort locational incentives, and create a kind of "tragedy of the commons."

4-16 E. Cannan, "The Proposed Relief of Buildings from Local Rates."

Colin Clark proposes a scheme for pooling revenues at the national level

C. Clark, "Land Taxation."

(opt.) M. Gaffney, "Tax Reform to Release Land."

C. Equity

4-21 H, Ch.6, Principles of Distributional Equity in Taxation.

M. Gaffney, "The Property Tax is a Progressive Tax."

M. Gaffney, Handout on measures of concentration among the FORTUNE 500, with implications for the meaning of "progressivity" in taxation, "Horizontal equity," and the statistical idea of "regression fallacy."

OPT. Knut Wicksell, A New Principle of Just Taxation, selections. (Note how different is Wicksell's original emphasis from the use made of this classic work by Herber. Musgrave, too, changes the original emphasis. They do the same thing to Hotelling, we will note later. This makes an interesting story in the vulgarization of great thought by later borrowers, and an object lesson in why it pays to consult the originals. Textbooks, particularly, are doubly vulgarized, because the publishing house editors work them over later, more concerned with maximizing their markets than citing sources truly.)

OPT. H.D. Simpson, Historical Development of the Property Tax from a Legal Viewpoint.

OPT. M. Gaffney, Containment Policies for Urban Sprawl

OPT. M. Gaffney, Land Planning and the Property Tax.

(The last two discuss dissipation of urban rents in the quest for equity among central and peripheral landowners, with resulting spatial cross-subsidies. They recommend optimal taxation as an alternative approach, which achieves more equity, and without waste.)

4.23 D. Macroeconomic optimization

H, Ch. 19, Aggregate Fiscal Policy Goals. This chapter lists some good aspirations. The chapters that follow are based on an obsolescent paradigm of the "demand management" faith, and will be scouted circumspectly.

In this course, we will place more emphasis on structural reforms in taxation as a superior alternative to inflationary finance, for the purpose of arriving at full employment.

II. Revenue and Taxation

A. Some basic concepts, techniques, and methods of analysis and evaluation

4.28 H, C h. 7, Principles of Tax Shifting and Incidence

Brown, Ch.3, Taxes on commodities competitively produced

OPT. Brigham and Pappas, or other book on Managerial Economics, Chapter on basic math of finance. Suggest you review this, if you are not handy with compound interest.

B. Kinds of Revenues and Taxes

1. Property-based

a. Public lands and resources

OPT. M. Gaffney, Objectives of Govt. Policy in Leasing Mineral Lands.

OPT. M. Clawson,

b. Property Taxes

4.30 b-1. Taxes on land

Brown, Ch. VIII, The Incidence of Taxes on Land
Dick Netzer, ECONOMICS OF THE PROPERTY TAX, selections from
Chap. 8, Alternative Forms for the Property Tax

OPT. J.R. Commons, INSTITUTIONAL ECONOMICS, selections from
"The Police Power of Taxation.

OPT. H. Hotelling, The General Welfare in Relation to Problems
of Taxation and of Railway and Utility Rates (whew!) In spite of jaw-breaking
title, this is a classic in the field of marginal-cost pricing, and the
definition of public goods. In the process of vulgarization, however, the
main point has been neglected, namely that public goods should be financed from
taxes on the benefited lands. This position has been adopted and developed in
great detail by Wm. Vickrey, for those interested in pursuing it.

OPT. M. Gaffney, Two Centuries of Economic Thought on Taxation
of Land Rents.

5.5 b-2. Taxes on buildings (and other "secured" capital, i.e. improvements
which are attached to land)

Carl Shoup, pages to be assigned. Shoup's treatment is theoretic-
ally more correct than most others, and follows from an earlier Appendix to
Alfred Marshall's Principles. Unfortunately, Shoup's writing style is a bit
heavy, otherwise we would make more use of him.

L. Harriss, Economic Evaluation of Real Property Taxes.

H, Ch.11, Wealth Taxation: the Property Tax

Brown, Ch.VII, The incidence of taxes on Capital

M. Gaffney, Property Taxes and the Frequency of Urban Renewal

5.7 b-3. Taxes on movables, variously called personal property, unsecured
property, inventories, rolling stock, fixtures and furnishings, etc.

b-4. Taxes on "intangibles"

c. Taxes on the income of property

5.12 c-1. Taxes on land income

M. Gaffney, Tax treatment of land income.

J. Wetzler, Capital gains and losses

S. Agria, Special Tax Treatment of the Mineral Industries

5.14 c-2. Taxes on other property income

H, Ch.9, The corporate income tax

S. Surrey, PATHWAYS TO TAX REFORM, Ch.4, Operational Aspects of
Tax Expenditures.

Surrey coined the term "tax expenditures" to describe preferential tax treatment of this or that -- the idea being that the effect of collecting less taxes from a given activity is the same as taxing it, and then giving the money back as a subsidy. Here, he discusses mainly benefits to income from capital.

OPT. M. Gaffney, Tax-induced slow turnover of capital. This writer believes that income taxation is inherently biased against investments with quicker payback times, and that this factor militates against full employment.

5.19 J. Pechman, FEDERAL TAX POLICY, Ch. 5, The Corporate Income Tax, pp. 123-53 only.

A.F. Ehrbar, Manifesto for a Tax Revolution, from FORTUNE, Apr., 1977, pp. 90 ff. This writer, after venting various feelings, recommends integration of the corporate and personal income taxes.

d. Taxes on resources: severance, yield, net proceeds, etc.

OPT. B. Dorgan, S. Goodman, and M. Gaffney, Nat. Tax Assoc. Symposium on intergovernmental rivalry for resource revenues. North Dakota and Montana have gone to 30% severance taxes on coal, which the consuming states (incorrectly) believe is shifted forward to them. This is causing great ructions, and attempts to have the federal government preempt state tax powers. A similar situation in Canada precipitated a constitutional crisis in 1975, and might do so again soon.

OPT. M. Gaffney, Alternative forms for forest taxation.

e. Special Assessments

J.R.Commons, INSTITUTIONAL ECONOMICS, selections from The Police Power of Taxation.

OPT. Wm. Zion, Special Districts: a Special Tax Limitation Problem. Selection from THE PUBLIC INTEREST, Spring, 1979, pp. 75-80

OPT. A. Henley, Land Value Taxation by California Irrigation Districts. This one is good to read in connection with questions of Equity and Progressivity, because it deals with the historical use of land taxation to break up large concentrations of wealth, and favor small business over large. California Irrigation Districts under the Wright Act are unusual among special taxing districts in that their Boards are elected on the one-man one-vote basis; other kinds of special districts allot votes according to property ownership (you thought maybe that went out with King George III?)

f. Death duties

H, Ch. 10, Death and Gift Taxes

g. Property Transfer

5.21 J.W. Wetzler, Capital Gains and Losses, Ch. 4 in J. Pechman (ed.), COMPREHENSIVE INCOME TAXATION.

h. Inflation and taxation

h-1. Inflation as a tax

Brown, Ch. 1, Monetary Inflation a Species of Taxation

cf. Wetzler, above, pp. 128-30

h-2. Phantom profits, and other phantoms caused by inflation

h-3. Inflation as debt repudiation, and/or a tax on creditors

(The phenomenon of bracket creep is treated later, because it is not a tax on property, our present subject.)

2. Taxes based on work, labor, wages, salaries, and personal effort and service of all kinds.

a. Payroll tax, and involuntary pension, insurance and compensation deductions of all kinds

5.26 H, Ch. 13, Payroll Taxes

Brown, Ch. VI, The incidence of compulsory insurance of workmen

b. Personal income taxes

H, Ch. 8, The personal income tax

Brown, Ch.V, The Incidence of taxes on labor incomes

R. Goode, The income tax and the supply of labor.

Business Week, The underground economy

5.28 3. Consumption taxes

a. Retail sales taxes

H, Ch.12, Sales taxation: narrowbased and broadbased sales taxes

H.G. Brown, The incidence of a general sales tax. This is an article, on reserve, not in his book.

Brown, Ch. III, Taxes on Commodities competitively produced

Brown, Ch. IV, Taxes on Commodities monopolistically produced

b. Excise taxes

b-1. Sumptuary taxes; govt. monopolies of sin or demerit goods (liquor, gambling.)

b-2. Taxes for revenue and neutrality, graduated by inelasticity of supply or demand.

b-3. Taxes in lieu of user charges, to ration scarce resources, protect the environment, etc.

c. Taxes on consumption, and their rationale

P. Mieszkowski, The choice of tax base: consumption vs. income taxation.

C. McLure, Economic effects of taxing value-added

D. T. Smith, Value-added tax: the case for

d. Municipal user charges

Works by Paul Downing, Milton Kafoglis, Wm. Vickrey, M. Gaffney, Steven Hanke, et al. to be cited if there is time.

e. Tariffs

Brown, Ch. X, The incidence of import and export tariffs.

6-2
III. Surpluses, deficits, debt, money, and government lending

A. Surpluses

1. Sources

2. Uses

B. Deficits

1. Rationales

OPT. Brown, Ch. II, Government borrowing

J. Pechman, FEDERAL TAX POLICY, Ch. II, Taxes and Economic Policy

OPT. M. Gaffney, Adequacy of Land as a Tax Base, selection, pp. 182-87, "Land value increments," esp. at p. 184

✓ OPT. Geoffrey Young, unpublished MS on financing public improvements. Young's thesis is that municipal improvements should be debt financed. If taxpayers build up a surplus first to pay for them, they build up an equity in the city's capital plant, which attracts immigrants who have not shared and will not share in the cost.

2. Abuses and criticisms of deficits

a. Misallocating capital by mortgaging the tax base

-- Strong cities vs. weak. The example of water appropriations in California

-- The unique security of federal debt, derived from its power to monetize debt

-- The Federal credit rating as an umbrella for subeconomic investments

Jack Hirshleifer and David Shapiro, article on risk, to be cited.

b. Imprudent public investments; histories of debt repudiations, state and city bankruptcies, etc.

c. Debt used for current expenses (and graft)

d. Favored tax treatment of state and local borrowing: tax free bonds, expensing of property taxes and other local taxes, tax exemption of government land and capital, etc.

e. Deficits and the uncontrolled growth of federal government

3. Debt limits

C. Debts and debt management

D. Federal debt and the money supply

E. Inflation

F. Government as lender and loan guarantor: lending the government's credit

IV. Spending

6.4

A. The proper functions of government (cf. I,B)

B. Priorities and efficiency in government spending

Selections from "The Green Book"

6.9

C. Obstacles to efficiency in spending

1. Regionalism and cross-subsidy

2. Pressure Groups

3. Bureaucratic self-serving

4. Anti-economic ideologies and compulsions

5. Diseconomies of scale

6. Lack of competition

7. Rotating amateur leadership

6. 11 D. Quantitative analysis of budget

1. Military spending

2. Transfers, pensions, welfare, social dividends

3. Other

4. Efforts to cut the budget

E. Intergovernmental relations

1. Division of functions among levels of government

2. Division of revenue sources

3. Subventions vs. payments to individuals -- an amazingly important topic that helps to sum up the whole field of public finance

TOPICS AND READINGS, ECS. 132, F89

Week I: Capital Gains' Taxation

James W. Wetzler, "Capital Gains and Losses". From Jos. Pechman (ed.) Comprehensive Income Taxation, pp. 115-62.

M. Gaffney, "Tax Treatment of Land Income", Congressional Record, 1969.

Week II: Current Issues in Gains' Taxation

M. Gaffney, "Land Gains and Taxation", draft ms from WEA meetings, Lake Tahoe, June 1989.

MG, "Capital Gains' Taxation and Capital Formation", draft ms from address in Philadelphia, August 1989.

Week III: Review math of finance

MG, "Math of Finance, Skeletal Outline", notes for class use, pp. 1-23.

Week IV: Depreciation ccordinated with Capital Gains

MG, "Land Gains, Fast Write-off and Incentives to Build", unpublished ms, 1985.

Week V: Forest taxation, an allegory for the whole economy

MG, "Alternative Ways of Taxing Forests ", in Will Knedlik (ed.), State Taxation of Forest and Land Resources, pp. 5-16.

MG, "Taxation of Yield, Property, Income or Site", unpublished ms.

Week VI: Equity or Justice in Taxation

H.D. Simpson, "Contract vs. Organic Theories of the State"

MG, "Justice in Distribution", notes for class use.

T. Nicolaus Tideman, "Takings, Moral Evolution, and Justice", Columbia Law Review, Dec. 1988, pp. 1714-30.

"Taxable surplus" and equity; adequacy of taxable surplus to support government. Readings to be announced.

Week VII: Income Taxation

Goode, "The Economic Definition of Income", Chap. 1 in Jos. Pechman (ed.) Comprehensive Income Taxation.

MG, "Oil and Gas: the Unfinished Tax Reform", unpub. ms

Form 1040

Week VIII: Property Taxation

MG, "Notes on Property Taxation", for class use.

MG, "Property Taxation and the Frequency of Urban Renewal",
Nat.Tax J 1965

MG, "The Property Tax is a Progressive Tax", NTJ 1971

Edwin Cannan, Colin Clark, and MG on taxation, biases to locational choice, and intergovernmental relations.

To be selected: municipal service charges and user charges, and growth management.

Week IX: Spending and Budgeting

Federal Inter-agency Committee, "The Green Book", selections to be announced.

Week X: Debt

MG, "Notes on Public Debt", for class use.

Readings, Public Finance, F96

Items marked with an asterisk (*) are assigned. Most of these are bound in booklets available from Printing and Reprographics (en route to the Book Store). Two of them are books to be made available in class. The book by Tideman is \$20; the pamphlet by McIntyre is gratis.

Other items are available on reserve. They are optional in three senses: 1) You are encouraged to read them; 2) You may suggest that they be substituted for some other assignment, if you have a special interest (it helps if two or more make such a request); 3) You may use them as the basis for a term paper, for extra credit.

I. Study Aids

- A. Sample exam questions
- *B. "How to Write Better Exams."
- *C. "Key to Marginal Notations Used in Grading Papers."
- *D. "Learning through Vocabulary Expansion: Keywords in Public Finance."
- *E. Fudge words and metaphors
See Clinton's Program (\clintons\prg\promised)
Separate list?
- F. Films to use in case of my absence.
"A Tale of Five Cities."
"How to Revive a Dying City."
- G. Tautologies to avoid - selected short list
- *H. Some Common Fallacies in Public Finance
- I. Form 1040

II. What is Justice in Distribution and Taxation?¹

- A. "Justice in Distribution." Notes for class use.
Concepts of "What is Justice?" are defined. Your ideas of what is fair will be solicited, and used as an input.

¹Obligations, Entitlements, Concentration, Earned and Unearned Wealth and Income, Intergenerational Relations (including inheritance, birthrights (What is Your Birthright?), depletion, capital stock, heritage of technology, education, etc.).

B. T. Nicolaus Tideman, "Takings, Moral Evolution, and Justice", Columbia Law Review, Dec. 1988, pp. 1714-30.

C. Unconscious Class Bias: List of Examples

D. MG, "Equity Premises and the Case for Taxing Rent," 1992. AEA, May, 1992, pp. 274-79.

*E. MG, "Land Reform through Tax Reform," 1993. In Riel Franzsen and Christof Heyns (eds.), A Land Tax for the New South Africa? Pretoria: The Centre for Human Rights, Faculty of Law, Universiteit van Pretoria, pp. 111-26.

F. MG, "The Philippines: Land Reform through Tax Reform." Paper delivered to Conference on Land Reform and Development in the Philippines, World Affairs Council, San Francisco, 20 Oct 87, pp.1-9.

*G. MG, "Theories of Property: What Do We Own?" 1991, pp. 1-8

*H. MG, "Bottling the Air"

I. MG, "Privatizing Land without Giveaway." In Tamara Chystyakova and Mason Gaffney (eds.), 1995, *Russian Land Reform: Land and Property*. St. Petersburg: Ekograd.

J. H.D. Simpson, "Contract vs. Organic Theories of the State"

III. Unearned Income and Wealth

III-A. Unearned Income and Wealth as Taxable Surplus

*1. MG, "Rent in a Tax-Free Society."

2. MG, "Land as a Distinctive Factor of Production." In N. Tideman (ed.), *Land and Taxation*, pp. 38-102

III-B. Taxes on Wealth: The Property Tax

1. MG, "Proposition 13: an Alternative Reform." The Center Magazine, Sta. Barbara, Nov./Dec. 1978, pp. 19-28.

2. MG, "The Taxable Capacity of Land," 1993. Albany: The Government Law Center, pp. 59-82.

*3. MG, "The Property Tax: Outline of Theory and Practice." 1986, pp.1-9.

4. MG, "An Agenda for Strengthening the Property Tax." In George Peterson (ed.), Property Tax Reform. Washington: The Urban Institute, 1973, pp. 65-84.

*5. Andelson, Robert, "Henry George and the Reconstruction of Capitalism."

*6. MG, "Property Tax Reform in the Big Picture." A paper delivered at a Conference on Property Taxation, the J. Levy Inst., 1995.

7. MG, "The Property Tax is a Progressive Tax."

III-C. Taxes on Income from Property, and Their Avoidability

*1. MG, "Income Taxation and the Future of Free Enterprise."

Excerpts on history of U.S. income tax, and its incremental conversion into the present wage tax.

2. MG, "Oil and Gas: the Unfinished Tax Reform"

*3. Citizens for Tax Justice, 1995. *The Hidden Entitlements*. Washington: Citizens for Tax Justice, April. 1311 L St. N.W., Washington, D.C. 20005. 202/626-3780. Has no ISBN number. Personal author is Robert McIntyre. Price unknown, but they give preference to colleges, and may send it gratis.

*4. MG, "Finding Rates of Return after Taxes." 1991, pp.1-2

III-D. Taxation of Unearned Increments²

1. James W. Wetzler, "Capital Gains and Losses." From Jos. Pechman (ed.) Comprehensive Income Taxation, pp. 115-62.

2. M. Gaffney, "Capital gains and the future of free enterprise." Excerpts on capital gains.

²A modern euphemism for Unearned Increments is "Capital Gains." Taxation of such gains was the major **substantive** issue in the 1988 presidential campaign (other apparent issues are largely cosmetic, symbolic, and rhetorical - this is the bread and butter issue). It was the major issue between Congress and the Administration from 1989-93. George Bush lost the election in 1992 by acceding to a general tax hike in a horse-trade to lower rates on capital gains. It is a top issue every year, and will remain so.

- *3. Kinsley, Michael. "A Capital Gains Primer."
- *4. MG, "Notes on Valuation in Rising Markets" - excerpts bearing on Proptax and Capgains
- 5. MG, "The Partiality of Indexing Capital Gains."
- *6. M. Gaffney, "Land Gains and Taxation", 1990, PP.1-15 + Abstract
- 7. MG, "Land Gains, Fast Write-off, and Incentives to Build." Pp. 1-22.
- *8. MG, "Basic Mathematics for Dealing with Appreciation, Depreciation and Taxation." 1984, pp. 1-6.
- *9. MG, "Preferential Income Tax Treatment of Land Gains." 1989, pp.1-6.
- *10. MG, "Rising Rents: Valuation, Carrying Costs, and the Effects of Property Taxation." 1985. Rev. 16 Sept 91; pp. 1-12.

III-E. "Green" Taxes

- *1. Page, Talbot, 1973. "Recycling, Taxes and Conservation."
- 2. Clifford Cobb, Ted Halstead, and Jonathan Rowe, 1995. "Green Taxes ... "
- 3. Rowe, Jonathan, ...
- 4. Roodman, David, 1995. "The Future of Taxes."
- 5. MG, "Analysis of SSHB 200," a tax bill providing for a backstop tax on oil reserves in Alaska. Report to Joint Gas Pipeline Committee, Alaska State Legislature, June 1981. Pp. 1-15.
- 6. MG, "Taxation and Appropriate Technology." Paper presented at UC Conference on Appropriate Technology, sponsored by UC Committee on Appropriate Technology, UC Sta. Barbara, May, 1982.
- *7. MG, "Effects of Severance Taxation on Industrial Efficiency and State Revenues." Invited Testimony, California State Assembly Committee on Revenue and Taxation, Hearings on Oil Severance Taxation and AB 1597, 15 October 1981. Pp. 1-13.
- 8. MG, "Applying Economic Controls to Conserve Air." Bulletin of the Atomic Scientists, June 1965, pp. 20-25.

*9. "An Economic Look at Land Use Planning: the Environmental Perspective," 1994. Published by Urban and Environmental Outreach Program, UCR.

10. MG, "Non-point Pollution." J. of Business Administration 18(1 & 2).

*11. MG, "The Taxable Surplus in Water Resources," 1992. Contemporary Policy Issues 10(4): 74-82, October.

12. "Airport Congestion, Regulation, and Marginal-cost Pricing." 1988, pp.1-3.

III-F. Revenues from Publicly Owned Resources

(Water, Radio Spectrum, Franchise Grants, Minerals, Public Range, National Forests, City Streets, etc.)

*1. MG, "Pseudo-Socialism: Oil and Gas Leasing of Federal Lands on the Outer Continental Shelf." Paper delivered at Annual Conference, Western Tax Association, Long Beach, 1983.

*2. MG, "Objectives of Government Policy in Leasing Mineral Lands." In Andrew Thompson and Michael Crommelin (eds.), Mineral Leasing as an Instrument of Public Policy. Vancouver: Univ. of British Columbia Press, 1977. Pp. 3-26.

3. MG, "Leasing Policy for Oil and Gas, and the Beaufort Sea Lease Sales." Written solicited Testimony, State of Alaska, House of Representatives, Joint Hearings of Committees on Resources and Finance, March 31, 1979.

4. MG, "Marine Resources of Oil and Gas." In Gardner Brown and James Crutchfield (eds.) Economics of Ocean Resources. Seattle: University of Washington Press, 1982, pp. 121-28.

IV. Taxes and Incentives

(to produce, allocate to best use, create capital, work, etc.)

IV-A. Effects on Allocation of Resources to their Best Uses

1. M. Gaffney, "Land Gains, Fast Write-off, and Incentives to Build."³

³This paper uses the "redeemable bond" model for showing the effect of taxes and write-off patterns on RRAT. You'll need to understand enough math of finance to use the redeemable bond model.

- *2. MG, "Alternative Ways of Taxing Forests."
- 3. Walter Rybeck, "The Quiet Tax Revolution."
- 4. MG, "Why Research Farmland Ownership and Values?"
- *5. N. Tideman, "The Economics of Efficient Taxes on Land."
In N. Tideman (ed.), *Land and Taxation*, pp. 103-140.
- 6. MG, "Tapping rents after prop 13"
- *7. MG, "A Test for Tax Bias."
- 8. MG, "Taxation and the Functions of Urban Land Rent."
AJES 32(1): 17-34 (January 1973).

IV-B. Tax Effects on Urban and Industrial Renewal

- *1. M. Gaffney, "How to Revive a Dying City"
- *2. MG, "Property Taxes and the Frequency of Urban Renewal."
- 3. "The Synergistic City: its Potentials, Hindrances and Fulfillment." Real Estate Issues, J. of the American Society of Real Estate Counselors, Winter, 1978, pp. 36-61.

IV-C. Tax Effects on Capital Formation

- 1. MG, "Tax Policy and Capital Formation," pp. 1-46. Pilot Paper, Conference on *Tax Incentives, Capital Formation, Capital Conservation, and Capital Allocation*, August, 1993. The American Institute for Economic Research, Great Barrington MA.

IV-D. Tax-induced Unemployment

- A. MG, "Taxes, Capital and Jobs." Invited Paper delivered to NTA, special meeting, Chicago, August 1978.
- B. MG, "Full Employment through Total Tax Reform." Papers on Employment for All, (ISBN: 0 646 186140), pp. 1-27. Ormond College, University of Melbourne, 27 September, 1993.
- C. MG, "Tax-induced Slow Turnover of Capital." Western Economic Journal, Sept. 1967, pp. 308-23.
- *D. MG, "Abundance," pp.1-24.

V. Current Issues and Events

- A. Kevin Phillips, "Capitalist Blowout," etc.
- *B. Clinton's program
 - A. As of 1992
 - B. As of 1996
- *C. Dole's Program
- *D. Nader's Program

VI. Public Debt

- *A. MG, "Notes on Public Debt", for class use. (referred to in Syllabus, F89; may refer to portion IV of S88 Syllabus)
- B. Robt. W. Service, "The Reckoning."
- C. Phillip Longman, The Return of Thrift, excerpts on unfunded liabilities
- D. MG, Notes on "Accumulation of Social Security Benefits."

VII. Intergovernmental Relations

- *A. MG, "Tax Reform to Release Land." In Marion Clawson (ed.), Modernizing Urban Land Policy. Baltimore: Johns Hopkins Press, 1973, pp. 115-52.
- B. Intergovt. Sharing of Rent, TBS
- C. MG, "Intergovernmental Competition for Energy Revenues." NTA Proceedings, 70th Annual Conference, Louisville, 1978.
(Points are outlined in \clintons\prg\promised, p.5-6)
- D. Case studies: Canada vs. U.S. methods of sharing federal revenues; California vs. Alaska methods of sharing state revenues. What is interregional equity?
- *E. MG, "Revenue Sharing." Good Government, New South Wales, No. 867, December 1986, pp. 19-24. Orig. "Recent Changes in Canadian Fiscal Federalism," Paper presented at Annual Conference, Western Tax Association, Las Vegas, 1984.
- F. MG, "Harnessing the Profit Motive to Make Confederation Work Better," 1975. Paper presented to The Victoria Conference on Natural Resource Revenues, June 5-7. Pp. 1-16

G. MG, "Rent, Taxation, Dissipation and Federalism," 1990, Western Economics Assn., pp. 1-10.

H. MG, "Changes in Land Policy: How Fundamental are They?" Real Estate Issues, J. of the Am. Society of Real Estate Counselors, I(1):72-85 (Fall, 1976).

VIII. Taxes and Concentration of Wealth and Economic Power

A. MG, "Counter-colonial Land Policy for Montana." Western Wildlands 3(3): Winter 1977. Pp. 16-25.

B. MG, "Rising Concentration and Falling Property Tax Rates," 1992. In Gene Wunderlich (ed.), Land Ownership and Taxation in American Agriculture. Boulder: Westview Press, pp. 119-37.

*C. MG, "Economic Aspects of Water Resource Policy." AJES 28(2):131-44, April 1969.

D. MG, "Who Owns Southern California?" Pp. 1-20 + Appendices.

*E. MG, "Land as a Superior Good: Data from B.C."

IX. To be classified

A. Robert T. Gray, 1995. "Blockbuster Tax Reform." Nation's Business, April. Reprint. \$1. (When it arrives (did it?).)

APPENDIX NOTES

Re criteria of justice (AEA Paper etc.). A concept of justice should be rejected if it could be used to justify slavery, or other obvious wrong.

16 March '95, (by radio), Mississippi just ratified the 13th Amendment to the Constitution of the United States. This amendment was otherwise adopted in 1865: it outlawed slavery in the U.S. Mississippi had refused to vote for it earlier because it did not compensate the owners.

1996, in response to Helms-Burton Act and attempts by U.S. to enforce it on foreign nations, Canadian MPs introduced a resolution in Ottawa demanding that the U.S. compensate the descendants of Tory landowners who were expropriated without compensation by the American states, 1776-89.

DRAFT, to be corrected

TOPICS AND READINGS, ECS. 132, W99

Week I: Capital Gains' Taxation

James W. Wetzler, "Capital Gains and Losses". From Jos. Pechman (ed.) Comprehensive Income Taxation, pp. 115-62.

* M. Gaffney, "Tax Treatment of Land Income", Congressional Record, 1969.

Week II: Current Issues in Gains' Taxation

M. Gaffney, "Land Gains and Taxation", draft ms from WEA meetings, Lake Tahoe, June 1989.

MG, "Capital Gains' Taxation and Capital Formation", draft ms from address in Philadelphia, August 1989. (break into parts)

Week III: Review math of finance

MG, "Math of Finance, Skeletal Outline", notes for class use, pp. 1-23.

Week IV: Depreciation coordinated with Capital Gains

MG, "Land Gains, Fast Write-off and Incentives to Build", unpublished ms, 1985.

Week V: Forest taxation, an allegory for the whole economy

MG, "Alternative Ways of Taxing Forests ", in Will Knedlik (ed.), State Taxation of Forest and Land Resources, pp. 5-16.

MG, "Taxation of Yield, Property, Income or Site", unpublished ms.

Week VI: Equity or Justice in Taxation

H.D. Simpson, "Contract vs. Organic Theories of the State"

MG, "Justice in Distribution", notes for class use.

T. Nicolaus Tideman, "Takings, Moral Evolution, and Justice", Columbia Law Review, Dec. 1988, pp. 1714-30.

"Taxable surplus" and equity; adequacy of taxable surplus to support government. Readings to be announced.

Week VII: Income Taxation

Goode, "The Economic Definition of Income", Chap. 1 in Jos. Pechman (ed.) Comprehensive Income Taxation.

MG, "Oil and Gas: the Unfinished Tax Reform", unpub. ms
Form 1040

Week VIII: Property Taxation

MG, "Notes on Property Taxation", for class use.

MG, "Property Taxation and the Frequency of Urban Renewal",
Nat.Tax J 1965

MG, "The Property Tax is a Progressive Tax", NTJ 1971

Edwin Cannan, Colin Clark, and MG on taxation, biases to
locational choice, and intergovernmental relations.

To be selected: municipal service charges and user charges,
and growth management.

Week IX: Spending and Budgeting

Federal Inter-agency Committee, "The Green Book", selections
to be announced.

Week X: Debt

MG, "Notes on Public Debt", for class use.

TOPICS AND READINGS, PUBLIC FINANCE, ECS. 132, Spring 2000

NOTE: Lines preceded by arabic numbers are readings. There are a lot, but many of them will be made optional (to be announced), and many are very short.

I. Power of Taxation to Shape our World

A. State case studies

1. California before and after Prop. 13

B. Industry case studies

2. Alternative Ways of Taxing Forests
 - 2,a. Data on Mendocino County
3. Farming: the Wisconsin 5 and the Florida 5.

C. City case studies

4. Johannesburg contrasted with Cape Town
5. Fortune Magazine: Taxes that Stimulate Development
6. How New York remained #1: excerpts from C.J. Post

D. Theory

7. Gains from Untaxing Work, Trade and Capital
Marginal-cost pricing: the benefits of subsidizing
public goods, and quasi-public goods (decreasing-cost operations)
8. Vickrey lecture from St. Johns
- 8,a. Land and Rent in Welfare Economics, pp.24-33
- 8,b. Is National Defense a "Public Good"?
9. Land Gains, Fast Write-off, and Incentives to Build
10. Property Taxation and the Frequency of Urban
Renewal

E. International, Interregional

11. Recent Changes in Canadian Fiscal Federalism
12. Harnessing the Profit Motive to make Federalism
work better
13. Rent, Taxation, Dissipation and Federalism
14. Intergovernmental Competition for Energy Revenues
15. Is Montana a Colony?

II. Major Taxes by Level of Government

No reading: covered in lecture

A. Federal: Personal Income, Payroll, Excises, Corporate
Income

B. State: Sales, Personal Income, "Business" taxes

C. Local: Property, Sales, "Business" taxes

D. Subventions and tax shifts

The Feds and states collect, the locals spend.
It started with Alexander Hamilton.

III. Current Hot Topics

- A. The Internet as a Threat to State Sales Taxation
 - 16. Why Sales Taxes? Critique by Mikesell; rejoinder.
 - 17. Notes on Leakages from the Sales Tax
- B. Tax Competition among Cities, States and Nations
 - 18. International Tax Competition: Harmful or Beneficial?
 - 19. Taxation of Mobile Capital in a Global Free Market
 - 20. New Hampshire: The Income-stimulating Effects of the Property Tax
 - 21. Tax Reform to Release Land, Section 1
 - 22. Dissipation of Economic Rent
- C. Economic Development
 - 23. Land Reform through Tax Reform in South Africa
 - 24. G. Dunkley on VAT in S. Africa
 - 25. The Philippines: Land Reform through Tax Reform.
- D. Taxes, Energy, Conservation, and Gridlock
 - 26. Wasteful Subsidies to Production and Consumption of Energy
 - 27. Oil and Gas: the Unfinished Tax Reform
- E. Tax Avoidance and Evasion
- F. Urban Renewal; Infilling
 - 28. How to Revive a Dying City
 - 29. Oates and Schwab on Pittsburgh: Excerpts
- G. Green Taxes (Tax Bads, not Goods)
 - 30. Peter Barnes on Global Warming
 - 31. Alan T. Durning and Yoram Barzel on Green Taxes
 - 32. Repetto, Robert, et al., 1992. *Green Fees: How a tax shift can work for the environment and the Economy*
 - 33. Cobb, Halstead and Rowe, "Green Taxes, ..."
 - 34. Full Employment and the Environment
 - 35. Robertson, James, 1994. *Benefits and Taxes: a Radical Strategy*. (On Reserve, one copy, 24 hours.)
- H. School Finance
- I. Untapped Taxable Surpluses
 - 36. Fitch, Robert, 1990. "Money's There -- 5 Ways to Get It." *The Nation*, October 29, 480-82.
 - 37. Robert McIntyre, 1995. *The Hidden Entitlements*.
- J. "Devolution" of tax power from Washington to state and local governments: will it really happen?

K. Current, Recent, and Perennial Proposals for exempting rentiers from taxes, in whole or in part

Flat tax (Dick Armey, Steve Forbes, et al.)

National Sales Tax (Sens. Richard Lugar and Trent Lott, Cong. Bill Archer [Chair of House Committee on Ways and Means], Billy Tauzin, et al., leading bureaucrats and high-visibility gurus from Alexander Hamilton and Andrew Mellon, to Pete Peterson, Larry Summers, Alice Rivlin, Charles McLure, et al.) Even Joseph Pechman, who generally favored a "comprehensive" income tax, toyed with it for a while.

Value-added Tax (VAT)

Downtax or exempt capital gains - a perennial

"Index" capital gains

Expenditure tax, or "consumed income" tax (Senators Sam Nunn, Pete Domenici; economists Nicholas Kaldor, James Meade, Irving Fisher)

Kill or suppress property taxes

Kill estate taxes

Kill the corporate income tax

"Progressive Consumption Tax" (Robert Reich)

Wage tax, exempting all property income (Sen. Arlen Specter)

IV. History

A. History of Taxes, how they keep changing over time

1. Income taxes.

(39.) Short history of U.S. Personal IncTax, 99W (creeping regress)

2. Sales taxes, excise taxes, VAT, etc.

(16.) Why Sales Taxes? (Repeat)

40. Sales Tax Suicides through History

41. Pete Peterson, The Morning After, 1988

3. Property Taxes

42. Thumbnail History of the Property Tax

43. Notes on SIDS, BIDS, IDS, and TIF

44. Excerpt from Economic Aspects of Water

Resource Policy

B. History of Economic Thought and Theory on Taxation

45. Notes on The Physiocrats

46. "Land rent is a taxable surplus", p.67

47. Goode, The Economic Definition of Income

48. Notes on The Ramsey Rule

V. Justice in Taxation: Effects of Taxation on the Distribution of Wealth

49. Theories of Property: What do we Own?

50. Bottling the Air
51. What is Justice in Distribution
52. H.D. Simpson, The Changing Theory of Property Taxation
53. J.B. Clark, The Moral Basis of Property in Land
54. Land Gains and Taxation (Draft MS from WEA meetings)
55. The Property Tax is a Progressive Tax
56. Unearned Income and Taxation, notes
57. Should polluters pay, or be paid to stop? The Coase Theorem, and WTP vs. WTA as basis for evaluating damages
58. The Partiality of Indexing Capital Gains
59. Pseudo-Socialism: Oil and Gas Leasing of Federal Lands on the Outer Continental Shelf
60. Kevin Phillips, "Capitalist Blowout,"
61. Who Owns Southern California?
62. Breaking News: Mississippi Ratifies the 13th Amendment!

VI. Effect of Taxes on Incentives for Efficient Resource Use

A. What comprises a "tax"? Six defining elements (to be presented orally).

B. Taxes on gross sales: consumer taxes, sales taxes, gross receipts taxes, excise taxes, VATs, yield taxes (forests), severance taxes (mines)

63. A Simple Measure of Tax Bias
64. Notes on sales tax loopholes
- (48.) The Ramsey Rule (2nd pass)
65. Invisible Consumption: Preempting scarce time-slots, pp.86-87

C. Taxes on Property and Property Income

- (2.) Alternative Ways of Taxing Forests (2nd pass)
66. Notes on the Property Tax
67. The Taxable Capacity of Land
- (10.) Property Taxation and the Frequency of Urban Renewal (2nd Pass)
68. Land Taxes, from the New Palgrave Dictionary
69. Land Planning and the Property Tax
70. Tax Reform to Thaw Frozen Land, Section 2
71. Taxation and the Functions of Urban Land Rent
72. The Property Tax: Outline of Theory and Practice
73. Rising Rents: Valuation, Carrying Costs, and the Effects of Property Taxation
74. "Uniformity in taxation between land and capital is not neutral," pp.67-69

D. Wage taxes

75. Cobb and Rowe, The Worst Tax

E. Taxes on personal Income

76. Goode, The Economic Definition of Income

Privileged and Invisible Income

- 77. Michael Kinsley, A Capital Gains Primer
- 78. Tax-induced Slow Turnover of Capital
- 79. Capital Gains and the Future of Free

Enterprise

- 80. Denton on Depreciation
 - 80, a. Denton on Land Speculation
- 81. Phantom Income
- 82. Preferential Tax Treatment of Land Income
- 83. James Wetzler, Capital Gains and Losses
- 84. Norton, Rob, 1993. "Our screwed-up tax code." Fortune, Oct. 93.
- 85. "Land income is much greater than the current cash flow," pp.83-86

2. Overtaxed, double and triple-taxed income

F. Green Taxes

- 86. The Taxable Surplus in Water Resources
 - (31.) Durning and Barzel, (2nd pass)
 - (30.) Barnes, 2nd pass
 - 87. T. Page, Recycling, Taxes and Conservation
 - (33.) Cobb, Halstead, and Rowe, (2nd pass)
 - 89. Notes on Taxation and Appropriate Technology
 - 90. Applying Economic Controls to Conserve Air
 - 91. Airport Congestion, Regulation, and Marginal-cost
- Pricing
- 92. Testimony on Effects of Severance Taxation on Industrial Efficiency and State Revenues in California
 - 93. Economics in Support of Environmentalism
 - 94. Norman Myers, Perverse Subsidies
 - (35.) James Robertson, (2nd pass)

VII. Macro Effects of Taxes on GNP and Employment

- A. The Old Demand-side Theory
- B. The TANSTAAFL Trap of 1970s:the Phillips Curve
- C. The Laffer-curve Theory
 - 96. Chap 8, Tariffs for Revenue, and Chap 9, Tariffs for Protection, from H. George, Protection or Free Trade?
- D. Ricardian Equivalence as a New Rationale for Deficits
- E. Supply-side Economics, Sham and Real. The TANSTAAFL Trap of the late 1980s: austerity
 - 97. Notes on Tax Policy and Capital Formation
 - 98. Taxes, Capital and Jobs
 - 99. Taxation to Make Jobs by Activating Wealth
 - 100. Full Employment through Total Tax Reform
 - 101. Abundance

VIII. Appendix: Study Aids

- 102. Sample exam questions
- 103. "How to Write Better Exams."
- 104. "Key to Marginal Notations Used in Grading Papers."
- 105. "Learning through Vocabulary Expansion: Keywords in Public Finance."
- 106. Fudge words and metaphors: Telltale signs of confusion, emptiness, or deception
- Films to use in case of my absence.
 - 107. "A Tale of Five Cities."
 - 108. "How to Revive a Dying City."
- 109. Tautologies to avoid - selected short list
- 110. Some Common Fallacies in Public Finance

TOPICS AND READINGS, PUBLIC FINANCE, ECS. 132, Fall 2000

Class meets MWF, 11AM, in Sproul 2356. Midterm is November 3, a Friday, end of 5th week. Final is 16 December, 8AM. a Saturday! (Sorry about that; I don't like it either).

The listing below is longer than we can cover 100% in ten weeks. We will proceed in order, adjusting the pace to the speed of the class, which I will monitor with quizzes and questions.

A. How some taxes "tilt the playing field," i.e. obstruct the efficient allocation of resources

1. Allocative or "Tilting" effects of a tax, imposed on costs of production and/or improvement, calculated as a residual after taxes.

2. Seidman on Kenya, and how maldistribution tilts allocation

3. Gains from Untaxing Work, Trade and Capital. Includes "A Simple Measure of Tax Bias."

4. Property taxes and the frequency of urban renewal

5. Leakages from the sales tax

- 5-a. The leakage of "Invisible Consumption"

6. "Perverse subsidies" to producing and consuming energy

7. Why uniform taxation is not neutral taxation

8. Notes on The Ramsey Rule

9. Wage taxes

10. Tariffs for revenue vs. tariffs for protection - a precursor of the Laffer-Curve idea

11. Vickrey on "Marginal-cost pricing," public goods and quasi-public goods, and the damage of taxing the products of downward-sloping supply curves (decreasing-cost operations).

12. Alternative ways of taxing forests (or, which kind of tilting do you prefer?)

B. The Personal Distribution of Tax Loads

1. Seidman on Kenya, A-2, rpt.

2. Sales tax suicides through history

3. Why sales taxes? With comment and rejoinder

4. Fitch, Robert, "Money's There -- 5 Ways to Get It."

5. Robert McIntyre, *The Hidden Entitlements*.

6. Bush and Gore tax proposals

C. The Functional Distribution of Tax Loads

1. Revolution and counter-revolution: tax changes in the 20th Century

2. What do we own? Theories of property.

3. J.B. Clark, "The Moral Basis of Property in Land"

4. Bottling the Air - viewpoint on the Coase Theorem

5. Land Gains and Taxation

6. Unearned Income and Taxation, notes

7. Indexing capital gains for tax purposes

8. Pseudo-Socialism: Oil and Gas Leasing of Federal Lands on the Outer Continental Shelf

Syllabus, Ec. 132, ^F~~§~~-2000, p.2

9. Oil and Gas: the Unfinished Tax Reform
10. Preferential treatment of forest assets

D. Property Taxation

1. The Property Tax: Outline of Theory and Practise
2. Rpt A-4. Property Taxation and the Frequency of Urban Renewal
3. Rpt A-1. Allocative or "Tilting" effects of a tax, imposed on costs of production and/or improvement, calculated as a residual after taxes.
4. Rpt 5-a. The "Invisible Consumption," or imputed income: it escapes from sales and income taxes, but not from the property tax.
5. The property tax: outline of theory and practise
6. Notes on the property tax (Thumbnail History of the Property Tax)
7. The taxable capacity of land
8. Effect of property taxation on the market functions of urban land rent
9. The Property Tax is a Progressive Tax?
10. Prop. 13 and its effects on California
11. Fortune Magazine: Taxes that Stimulate Development
12. C.J. Post, How NY broke its housing deadlock, 1922-32
13. New Hampshire: The Income-stimulating Effects of the Property Tax
14. California Irrigation Districts (from "Economic Aspects of Water Resource Policy"). More income-stimulating effects of the property tax.
15. How to revive a dying city
16. Magnetic tax policies
17. Notes on inheritance taxation

E. Taxes on personal income

1. Michael Kinsley, A Capital Gains Primer
2. Capital gains and the future of free enterprise
3. J.H. Denton, Abuse of Depreciation (Overdepreciation, repeated depreciation, accelerated depreciation, etc.)
4. Phantom income
5. Survey of Form 1040

F. Green Taxes

1. The taxable surplus in water resources
2. Charles Durning and Yoram Baumann
3. Peter Barnes
4. Cobb et al.
5. Conserving air
6. Severance taxation: oil and gas
7. Economics and environmentalism
8. James Robertson
9. Rpt A-6, "Perverse subsidies" to producing and consuming energy

G. Tax Competition among Cities, States and Nations

1. International Tax Competition: Harmful or Beneficial?
2. Taxation of Mobile Capital in a Global Free Market

3. Tax Reform to Release Land, Section 1
4. Dissipation of Economic Rent
5. Recent Changes in Canadian Fiscal Federalism
6. Harnessing the Profit Motive to make Federalism work better
7. Rent, Taxation, Dissipation and Federalism
8. Intergovernmental Competition for Energy Revenues
9. Is Montana a Colony?

H. Taxation and economic development

1. Land Reform through Tax Reform in South Africa
2. G. Dunkley on VAT in S. Africa
3. The Philippines: Land Reform through Tax Reform.

Gaffney

TOPICS AND READINGS, PUBLIC FINANCE, ECON. 132, Winter 2002

I, Some basic economic ideas, tools, principles, and vocabulary

- A, Questions to be raised and answered in this course
- B, List of basic economic ideas and tools, useful in any course
- C, Vocabulary for Public Finance, including specialized terms
- C-2, Words to shun
- D, Key to marginal notations I will use to comment on your exams, and other papers
- E, Some common fallacies in public finance literature
- F, (Reserve desk) Tautologies I have known
- G, (Reserve desk, Faulty reference, list of memorable examples

EACH OF THE READINGS BELOW IS NUMBERED. TITLES ON THE READINGS ARE NOT ALL IDENTICAL WITH TITLES GIVEN ON THIS LIST, SO **RELY ON MATCHING THE NUMBERS.**

II, The Power of public finance to shape our world

- 1, California after 1978 (Prop. 13)
- 2, A simple measure of tax bias against good resource use
- 3, How NY City remained #1, 1920-40
- 4, What's worth subsidizing: Vickrey on public goods
- 5, What's not worth subsidizing: consuming and producing oil and gas
- 6, Benefits of military spending: is it a "public good"?
- 7, Keeping capital current: taxes and the frequency of site renewal
- 8, Fiscal cross-subsidy: example of recent changes in Canada (not yet available)
- 9, Tax cartels (OECD, EU) to suppress inter-sovereign tax competition
- 10, Tax-induced unemployment: Cobb and Rowe on "The Worst Tax"
- 11, Full employment and the environment: dematerializing growth (ON RESERVE)
- 12, Severance taxation: oil and gas in California
- 13, Taxable surplus in water resources
- 14, Taxation and "appropriate technology" (not yet available)
- 15, Tax-induced slow turnover of capital (opt., on reserve)
- 16, Neutrality and uniformity: ideals, or false idols?

III, Equity in taxation and spending

- A, Concentration of wealth and income among persons and corporations and regions

- 17, "The Property Tax is a Progressive Tax," Part 1
- 18, "Gini Ratios" translated into top deciles
- 19, Rising concentration of farmland
- 20, Who owns southern California?
- 21, Who owns Scotland?
- 22, Coastal vs. inland California
- 23, Consumer sovereignty as a norm, reconsidered

B, Functional equity among different sources of wealth and income

Theories of Property: What do we Own?

Bottling the Air

Notes on unearned income and taxation

Pseudo-socialism: mineral leasing on offshore public lands

C, Wealth effects

IV, Some hot current issues

A, Tax competition among sovereigns

Tax reform to release land, Part I

The profit motive of local government

Changes in land policy: how fundamental are they?

B, The bias against internal trade, and internal equity

Is Montana a colony?

Immobile taxation in a world of mobility

Dissipation of Rent

C, Taxing consumption

What is consumption?

Why sales taxes?

Leakages from the sales tax base

Sales tax suicides, through history

The Income-stimulating Incentives of the Property Tax.

D, Can cities come back?

How to revive a dying city

Taxes, and the frequency of urban renewal

E, Growth and jobs without pollution and resource-exhaustion

Full employment and the environment

Jobs, growth, and progress on a small planet

F, Green taxes

Applying Economic Controls to Conserve Air

Prices that don't lie – Alan Durning

Recycling, Taxes and Conservation - Talbot Page

Tax Shift. - Durning, Alan, and Yoram Bauman, 1998

Redefining Progress – reading to be selected

Who owns the sky? – Peter Barnes

Green Fees. Repetto, Robert et al. (opt.)

“Green Taxes.” Cobb, Halstead, and Rowe

Benefits and Taxes: a Radical Strategy. James Robertson

G, Economic Development

D. Proposals to exempt property income
Hall and Rabushka, The Flat Tax, notes by M.G. on website
How expensing exempts property income - lecture with some basic math
of finance
Imputed income of owner-occupied recreational and residential property
The Partiality of Indexing Capital Gains

E. Proposals to exempt work income

Unit V, Property Taxes, Resource Taxes, Leasing Public Lands, and Estate Taxes

A. Basic descriptions of how property taxation works
Notes on the property tax
Math of capitalization and the property tax
Leasing public lands
Pseudo-socialism: Oil and Gas Leasing of Federal Lands on the
Outer Continental Shelf."

Natural resource taxation
Alternative ways of taxing forests
California forest taxation: Mendocino Cnty example
Water resources, taxable capacity
Alan Durning and Yoram Bauman, 1998. Tax Shift. Seattle:
Northwest Environmental Watch
"Effects of Severance Taxation on Industrial Efficiency and State
Revenues."

B. Property taxes and urban renewal
"Property Taxes and the Frequency of Urban Renewal"
"How to Revive a Dying City"
NYC article, and excerpts on other cities, etc.

C. Property taxes and economic development
Riel Franzsen and Christof Heyns (eds.), A Land Tax for the New South
Africa? Pretoria: The Centre for Human Rights, Faculty of Law, *Universiteit van
Pretoria*, pp. 111-26.
"The Philippines: Land Reform through Tax Reform."
Pete Wilson and Russia (this is just a fragment, but with a powerful idea)

D. The property tax and income
"The Property Tax is a Progressive Tax"

Unit VI, Payroll taxes

Halstead and Rowe, re wage tax

Unit VII, Government Spending

A. Public goods

Federal Water Policy (ed. by Haveman and Hamrin)

Benefits of Military Spending, excerpts

Water Policy (from Challenge Magazine)

B. Spending for special interests

C. Welfare

D. Wasteful spending by govt., causes and solutions

"Why I recommend a "No" vote on the Peripheral Canal"

E. "Fiscal Federalism": Intergovernmental transfers

"A Cannan Hits the Mark." Edwin Cannan and others on the limits of local taxation and spending

Unit VIII, Government Debt

Davenport on debt, from AER

Public Debt, MG notes on

Unit IX, Wrap-up

"Abundance"

Foldvary, Fred, "Poverty and the Theory of Wages"

"Tilting" (advanced, comprehensive, optional)

Syllabus, Ecs. 132, Spring 2004. Revised May 5, 2004

Midterm is Friday, April 30

Final is Friday, June 11, 11:30 AM

Unit I, Equity

What do we own?

Equity Premises

"Privatization without Giveaway"

Intro. to Address to Russian Duma

Unit II, Taxes, Excess Burdens, Tax Incidence, and marginal-cost pricing

Lecture: Understating excess burden via "Harberger Wedges"

Quantum leap effect, "Raising output by removing tax bias"

Optional: "Tilting". This is longer, more comprehensive and complete, and more difficult. For the most serious students.

Lecture: Hotelling's Bridge, appropriate rating and taxation for decreasing-cost and increasing-cost operations

Vickrey on $P=MC$ ("Marginal-cost pricing")

Physiocratic theory of tax incidence, from "Land as a Distinctive Factor of Production," pp. 55-56, 67-69, 83-87. (Note: this is NOT on my website yet, hence is optional for Econ. 132. The hard copy is in Tideman, Nicolaus (ed.), Land and Taxation.)

Unit III, Retail sales taxes

Why sales taxes?

Exec. Summary of Why Sales Taxes

Mikesell v. Gaffney on origin of sales taxes

Gaffney answer to Mikesell

Sales Tax Suicides through History

Leakages in the sales tax

Sales taxes in cascade (No reading: lecture only)

Unit IV, Income Taxes

A. Personal Income Taxes

History of the income tax

Form 1040

B. Corporate Income Taxes

No reading, only lecture

C. Holes in the income tax

Income Tax Loopholes for Land Income

Johnston, David Cay, 2004, Perfectly Legal. On sale in book store.

Chap. 1, pp. 5-19

Later chapters to be selected and assigned. Meantime, dip around for what interests you.

Notes on Rhodes, B.F., The Thirsty Land
Henley, Albert, California Irrigation Districts
Land reform through tax reform in South Africa
The Philippines: land reform through tax reform
Economic aspects of water resource policy, excerpt

V, History and evolution of policy on taxes, spending, and debt

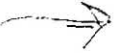
Taxes by level of government
Perversion of the income tax, 1913-date
A capital gains primer
Invisible incomes
Overtaxed incomes
The partiality of indexing capital gains
The property tax
 What it is
 Valuation
 In general
 When rents are rising
 Timber and timberland
 Its history and perversion, 1920-date
Rise of sales taxes, 1930-date: Mikesell and Gaffney, reply and rejoinder
 Sales tax biases vs. turnover, marginal goods, marginal locations
 The Ramsey elasticity Rule
 Invisible consumption, excerpt from pp.86-87
 Other Leakages
 Sales tax suicides from Philip II to date

VI, Taxes, capital, and jobs

Ec. 132, Fall 2010, List of Readings by # and Title

Revised and COMPLETED as of NOVEMBER 6, 2010

1. Kinds of economic numbers
 - 1-A. Kinds of imputed flow values
 - 1-B. Annual increments to land values, and common stock values
 - 1-B-i. Unearned increments as rents
 - 1-B-ii. Price/rent ratios when rents are expected to rise
 - 1-B-iii. Reading aid to 1-B-ii.
 - 1-C. Kinds of cash flows
2. Excess Burden: Quantum leap effect of taxes on choice and intensity of land uses
 - 2-A. Excess Burden of Shiftable Taxes
 - 2-B. Numerical example of 2-A, with leverage
 - 2-C. Simple test for tax bias (Gauging excess burden)
 - 2-D. Components of any tax
3. 3-A. Why sales taxes?
 - 3-A-i. Highlights of 3-A
 - 3-B-i. Mikesell criticizes 3-A
 - 3-B-ii. Gaffney defends 3-A
4. 4-A. Leakages from sales tax base
 - 4-A-i. Land where sales tax is not collected
 - 4-A-ii. Buying land is not taxed as consumption
 - 4-B. Consuming land – what does it mean? Is it taxed?
 - 4-B-i. Defining Consumption
 - 4-C. Tax bias against domestic trade
 - 4-D. My ms on Turgot (the second part, on Faustmann, is not assigned)
 - 4-D-i. Assigned sections and pages from Turgot, for Final
 - 4-E. Sales tax suicides through history
 - 4-F. Parenthood as capital formation
 - 4-G. The sales tax: a noxious idea
 - 4-H. What's the matter with Michigan?
 - 4-H-i. Highlights of 4-H
5. The payroll tax
6. SCOTUS and the corporate income tax
7. Outline for The Income Tax. Real income vs. Recognized or Taxable Income
 - a. Housing and income
 - i. Outline of #7-a
 - b. What are capital gains?
 - i. Two parts of land price: current use value and resale or re-use value
 - ii. Partiality of indexing capital gains
 - ii-a. Summary of ii
 - c. Hudson-Feder on fabricating capital gains by depreciating buildings too fast, and then serially repeating and RE-depreciating the same building
 - i. Selected pages from (c)
 - ii. Sequence of learning the math of finance
 - iii. Capitalization in perpetuity and the Discounted Cash Flow Factor (DCFF)
 - d. How land loopholes bias firms to substitute land for labor

- e. Plugging land loopholes
 - i. Oil and gas taxation: the unfinished tax reform
- f. How to reform the income tax
 - i. Employing labor fully, WHILE ALSO cleaning the environment, by tax reform
- ~~g~~ g. History of subverting the income tax, 1913-date
 - i. Getting mean with girls and women: the income tax on imputed tips
- ~~h~~ h. The good side of abating taxes on capital
 - i. (eye) Capital Theory, with land treated separately
- 8. Measures of Inequality
 - ~~i~~ a. The property tax, progressive or regressive?
 - b. History of the property tax in America, rise and fall
 - i. Corporate loopholes under Prop. 13 crippling the property tax
 - c. Gauging excess burden, sales and property taxes
 - d. Replacing sales tax with property tax, geographical effects
 - e. Tilting allocation by taxing buildings
 - i. Taxing new buildings defers site renewal
 - ii. Full employment and the environment, static analysis
 - ~~+~~ iii. Temporal excess burden of taxing new buildings
 - f. Stimulating effects of the property tax, interstate comparisons
 - i. Best copy of (f)
 -  g. The macro magic of turnover and replacement to generate payrolls
 - h. How to mismanage capital – the sick Celtic tiger
 - i. Mainstream economists and bankers: case of Larry Summers
- 9. Words
 - a. Words undefined in both vulgar and professional usage
 - b. Empty words #1
 - c. Empty words #2
 - d. Common fallacies in public finance
- 10. Minerals and timber and water
 - a. Mineral leasing on public lands, overview from British Columbia
 - b. OCS leasing in the U.S.A., example of pseudo-socialism
 - c. Severance tax on oil and gas in California – not!
 - d. Token timber taxation in California
 - e. Taxing timber so as to make more jobs
 - f. Taxable surplus in water resources

Syllabus, Econ 132, Public Finance, Fall 2012

Venue: SPROUL 1340

Days: MWF

Hours: 8:10-9:00 A

First day: Friday, 9/28/12

Last day: Friday, 12/07/12

MTM: Friday, 11/02/12

Coverage of MTM: Weeks #1-#5

Final Exam, date and hour: Thursday, Dec. 13, 3-6PM

Coverage of Final: Entire course, weeks #1-10

Professor: Mason Gaffney

Textbook: Readings will be posted on iLearn, in chronological order

Sequence of readings: Each will be labeled and posted by week, and sequence in the week. For example, 3-4 means Week #3, Reading #4. Also note that 2-3, OPT, means Week #2, Reading #3, OPTIONAL.

"OPTIONAL" means I recommend it for your edification and delectation, but will not cover it on a quiz or other exam

Outline of course by week:

1. Overview, Basics, etc. Are you the screwed generation, taxwise?
2. Sales taxes: effects on allocation, turnover, jobs, distribution
3. Taxation for more jobs using less land $\downarrow K$
4. Definitions, distinctions, terms of art, semantics, algebra
5. Revenues from property and property income
6. Revenues from public domain
7. Income taxes, corporate and personal; federal, state and local
8. Public debts
9. Concentration of wealth, income, market power, political power
10. Summary and recap: Taxation to make jobs by activating wealth

Basis of grading:

Weekly quizzes, using clickers, 25%

Pop quizzes, using clickers, 10%

MTM, 20%

FINAL, 45%

EXTRA CREDIT papers. These are optional. Topics are suggested under "XC topics, questions".

You may also pick your own topic.

Read and heed carefully what it says there about kinds of topics to choose. This is a course about big ideas, so pick a big topic and handle it in a big way. Big ideas in economics are "immanent", that is they apply to a sales tax on men's trousers as much as to a sales tax on women's skirts.

Criteria for amount of credit are quality, relevance to course, originality, and length, in that order. 2 x malarkey = malarkey, so do not assume that long-windedness warrants a higher grade. 4-5 pages is plenty, as a rule. Two or more papers will be counted the same as one paper of greater length. You can get a high grade in this course without any XC paper, just by excelling on exams, so don't feel you need to write one. A good one can raise you from a B- to a B; an outstanding one, from a B to an A, for example. Do not recycle papers from another course. You may quote some article to comment on it, that is fine, but don't pass off someone else's work as yours, that is usually obvious and will lower your grade, sometimes even from an A to an F.

Some people distinguish themselves by participating in class with especially good answers to my questions, or questions that may stump me, or catch me in error. That is good for XC, but be sure I get your name, in writing.

Syllabus, Econ 132, Public Finance, Spring 2013

Venue: SPR 1340

Days: MWF

Hours: 1:10 – 2:00PM

First day: Monday, 4-1-2013

Last day: Friday, 6-7-2013

MTM: Friday, 5-3-2013

Coverage of MTM: Weeks #1-#5

Final Exam, date and hour: ????????????

Coverage of Final: Entire course, weeks #1-10

Professor: Mason Gaffney

Textbook: Readings will be posted on iLearn, in chronological order

Sequence of readings: Each will be labeled and posted by week, and sequence in the week. For example, 3-4 means Week #3, Reading #4. Also note that 2-3, OPT, means Week #2, Reading #3, OPTIONAL.

"OPTIONAL" means I recommend it for your edification and delectation, but will not cover it on a quiz or other exam

Outline of course by week:

1. Overview, Basics, etc. Are you the screwed generation, taxwise and benefitwise?
2. Sales taxes: effects on allocation, turnover, jobs, distribution. Europe's fatal affair with VAT.
3. More on Europe's fatal affair with VAT.
4. Definitions, distinctions, terms of art, semantics, algebra
5. Revenues from property and property income
6. Revenues from public domain
7. Income taxes, corporate and personal; federal, state and local
8. Public debts
9. Concentration of wealth, income, market power, political power
10. Summary and recap: Taxation to make jobs by activating wealth. Taxation for more jobs using less land, protecting public places and the environment.

Basis of grading:

Weekly quizzes, using clickers, 25%

Pop quizzes, using clickers, 5%

MTM, 20%

FINAL, 50%

EXTRA CREDIT papers? You can get a high grade in this course without any XC paper, just by excelling on exams, so don't bother writing one. If there is something you want very much to say, I am happy to comment on your paper, but not for credit.

Some people distinguish themselves by participating in class with especially good answers to my questions, or questions that may stump me, or catch me in error. That is good for XC, but be sure I get your name, in writing.