

Ec 132 W99 Current-2

Wed

#

1. Changes in S&L taxes.
2. Business Keynesianism.
3. March on ROBAT
4. Ups & downs of fast write off.
5. '86 & uniformity (level playing field)
6. Uniformity only good for things that are mutually compatible.
7. M&C - bldg. model.
8. Cap. gains
9. slowbacks

Prof. tax, land income.

1. Long list of excluding 50% or 60% of gains from tax base, to 1986.

Convert only inc. into capital gains

2. Cap. assets include:

Land (except for dealer in land)

Bldgs (when sold ~~for~~ more than basis)

Minerals (G. Bush)

Livestock

Timber

Corp. stock (+ some bonds?)

Art works, antiques, yachts - toys of the rich.

Patents - ?

Licenses, franchises

3. 1986 compact broken 1989, - Bush pays in price.

4. Oratory says untaxing gains will rev. up ec.

Is only true if induces net new investing.
Sometimes does, but if so, only obliquely, & w. fairly distortions.

a. Gains on timber fairly encourage planting

b. " " corp. shares encourage plow back — but distort investing, promote mergers, dilute venture K, etc.

c. Gains on breeding stock here in too much K.

Mostly goes to boost price of investment, old assets

5. '86 repealed provisions that encourage investing,
but saved & reinforced the other kind.
Loopholes for land.

A. Defined

$$\underline{A}: [1 + .072(1-.5)]^{60} = \$8,$$

$$\underline{B}: [(1 + .072)^{60} \text{ ~~(1 + .072)~~ - 1}] (1-.5) = \text{~~\$43~~}$$

$$[\$64 - 1](1-.5) = \$32.50$$

Tideman, cont. (from J.S. Mill)

Mill, concluded

1. p's ok to change land for new p.w.

(Contract thg. of state, then. rec'd.)

* Even if land buyer antic. others wd. pay for p.w. Nic says, so long as gov. has option of not bldg. bridge, also has option of bldg. it, and charging landowners.

(How about not maintaining & replacing old p.w.?
Nic's treatment is marked by selective philosoph. quibbling)

I'd say, so long as anyone is taxed w/o regard to ben. rec'd, is ok to pick landowners. E.g.

- sales tax for BANT

- hotel tax

- U.S. payroll tax to compensate victims of terror in Guatemala.

2. H.G.

a. OLLP, most land stolen by force & fraud, i.e. dirty politics.

b. Land misallocated, generally underused.

c. Tax wd. result in better use. Like Murphy's - but HG stressed + effects of taxing ~~on~~ land, as much as the benefits of maintaining work, trade, & improvement.

d. Nic says Murphy's put more stress on gains to landowners from ATCOR. Maybe, but

- 2
- a. 1) It was only a diff. of stress - they basically agreed.
2) They changed over time, as all do.

e. ALTB? OK, if ATCOA. Recall p. 10 of Moscow paper.

f. Level of govt?

It G worked at city + nat. levels

3. Chap. 3, p. 121 "Income Effects." (These are distinct from "substitution effects.") Is assuming "onious" taxes $\oplus$,
a. Taxing land lowers value of entitlement.
This makes owners work harder - join the labor force.

b. Also makes owners save more.

c. Xfers. wealth to future gens. - Reason not clear.
Certainty equalizes xfers. to future. World inhabited by succeeding generations, ... New form of racism - lowering prop tax.

d. Skip pp. 122-23. Too much "acad. pomposity."
but doesn't tell us until #4.

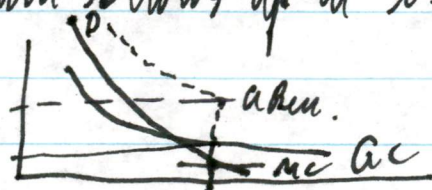
4. ALTB

Now considers beneficial taxes.

a. Benefit depends on proximity, hence ~~you~~ goes into l.v.

b. When $MC < AC$, gain shows up in l.v. served.
(If demand is there.)

Skip pp. 125-29



5. The Ethics of Taxing Land

3 sources of rent.

a. Nature. Equal rts. vs. vested interests.

b. PW. Ben. rec'd.

c. Spillovers. Same as nature.

"Benthamite approach." It works better.

Rowe + Cobb

1. Work bears 75% of fed. tax load.
2. It all on labor - int. bus.
E.g. ~~At~~ Mobil: \$20k per worker
Exxon, \$1.5m p.w., ca. 75% as much.
3. 1930s, income tax hit wealthy
1918, 80% of prof & corp. income came from top 1%.
Andrew Mellon favored taxing work less.
4. Go to Payroll tax & green taxes.