

NO FOLDER

LOOSE FILE

Dictate, as quick article for Sta. B.

Call O. Robinson

p. 1

"Using Prop. Tax to achieve Tax Equity."

1. Wis. '62, case of Prof. X. To set precedent, open gate.
2. Likewise, J. enlisted the anti-tax ideologues. Took them into camp.

Laffer, Friedman

J. avoided discussing P-13. Attached, ^{symbolic & mythical waste:} limos., Congressmen's salaries, teachers' integ. -- never any specific program except symbolic issues of busing & abortion, - like Cong. who never voted for a tax bill or vs. an appropn. ~~(Phil Watson, "demagogue" That's what his friends call him)~~

That's why the "Message" of P-13 is so different from the text, & so confused & ambiguous. It was sold by ~~a demagogue~~ talking about other issues; making promises that haven't, or won't, come thru. (over)

Also, Cal. had a surplus, so J. cd. play Sta. Claus, promise voters a free lunch -- w. backing of Chicago cops, whose motto is Tanscratch.

I conclude, shifting tax from prop. to other ~~tax~~ bases is not a viable issue, alone. Has a definite constituency, but has to be diluted & disguised. After all, it lost before, under Phil Watson. Watson calls J. a "demagogue"

Jarvis promises:

- a. Schools have first call. Turned out to be police.
- b. Rent pass thru
- c. Bldg. & business boom (renew bottleneck)
- d. Cheaper housing
- e. Lower prices of everything
- f. Jarvis new initiative vs. sales & inc. tax
- g. Reduce state power
- h. Roll back assets to '75, if bought '75-78.
- i. Wd. be a tax reduction, not a shift. But inc. tax keeps rising automatically. Muni. service charges.

Cal. got overpublicized, bcs. J. is typo-genic, like Huey Long. But nat. movement is better exemplified by Tenn. & Colo., more balanced spending limits, by no means rifled vs. prop. tax on local govt.

Another special factor in Cal. is hi % of retirees. Used to vote for Ham & Eggs. Now own mobile houses.

3. Wd. prop. tax be more acceptable if adjusted. Maybe. I respect Mannon's good intentions. But Cal. already had adjusted a lot.
- a. Δ other taxes. Prop. % dropped, 38% to 34%
 - b. Rate only moderate, way below n.e. & midwest. 2.2% allegedly, but my obs'n. is half that.
 - c. 6% annual limit on school Δ s.
 - d. T.O. virtually frozen for other purposes (tho not a.v.)
 - e. 2/3 vote for local bonds
 - f. Owner exemption, \$7,000.
 - g. ^{Circuit breaker} ~~Extra relief~~ for low inc. & elderly. (Petris wanted more.)
 - h. Deferral option for elderly, 7% int. Bluff-calling.
 - i. Farms, timber, golf, &c. pref. assmt.
 - j. Personal. half exempt
 - k. No doubt many others. Could well argue there were too many, so homes bore more than their share.
- But property never sleeps; prop. rampant is insatiable.

All this merely ^{a taste of blood} whetted appetites for more. ~~like~~
~~letting~~

4. Way to go.

a. Stop badmouthing prop. tax. Petris & CTRA
 Confusion of Mc Govern, Wurf, who tell people
 prop tax is bad, then object when voters finally follow
 them.

What they really meant was, lets raise inc. tax,
 not lets lower prop. tax. But now that
 voters are in a mood to lower taxes, better change
 that line, get out together.

b. Marshall arguments for prop. tax

1. Land fat. Non-functional.
 Put. for doing nothing.
 "Public Value". Nose in public trough -- more than policemen,
 firemen.

2. Ownership highly concd. Get & publish data.

3. Hi % of base is land. 40-45% in Cal.

4. Hi % of ownership is absentee, alien.

~~But~~ No on 13 leadership failed to capitalize on
 this vital point. They ^{talked about "Business"} ~~kept their gloves on~~ trading on that. But
~~that don't fight~~ ~~in the gloves on~~
 people aren't so dumb to be just "vs. business", indiscriminately.

Maybe half the value of taxable prop'ty. in Cal.
is absentee. Treating corps. as absentees. But don't forget
Arabs in Beverly Hills.

Long says Don't tax you, ... me.

Don't ... me
unregistered
Tax non-resident absentee.

I say Don't tax yr. voters, ^{they could retaliate} ~~that's not so great~~
Tax those guys outside the state.

(Note session ff. on fr. & corp. ownership)

Add other leakages, & their multiplier effects.

- Fed. inc. tax
- " matching grants, & match. of effort grants
- Reduced sales of mun. bonds. Reduced? Exterminated.
- Higher i.v., if do sell any.
- " fire insurance rates
- " prop. to import by pvt. than public spending.
- Maybe, reduced inflow of pvt. invt., bcs.
w/o new infrastructure, services, can't build w/o sewers & schools.

5. Prop. undertaxed by inc. & sales taxes.

6. Prop. ~~is~~ has duties, obligations.

Black man says, "I may not own v.c.; & the way
prices are, I never can; but I am a human being."
You who've cornered all that owe me something.

Prop. pay for services to prop. Who's to pay for welfare - the cripples?

Who's to pay for schools - children?

7. ~~11~~ The "dictator countries" have had Prop. 13 for centuries.

Eng. has no prop. tax as we know it. "Eng. disease" is hi tax on earnings, not on holding property.

8. ~~11~~ Demand documentation & data on people in real distress from prop. tax. So easy to allege, but show me! J. said 3 m. But no one was using deferral at 79%; the bluff-caller.

9. ~~11~~ Demand consistent treatment of distressed renters. Now total double think. Hearts & flowers for widow w. r.e.; but crack down hard on welfare bums. Considering that double standard, I must agree w. those who say this is class legisln.

10. ~~11~~ Play on guilt. Note vigorous denials that this is class legisln. They really are trying hard not to face it.

But guilt is dynamite, watch it. I have better solution. (LVT)

11 c. Marshal arguments vs. freezes. They are can of worms.
(19, 21, 24, 37). ^{In 10 yrs. homeowners will pay 2/3 of prop. tax.}

They cumulate. B.C. tried, abandoned.
They ~~put~~ overtax capl., undertax land. Fruit tree e.g.

d. Keep l.v. stable. Xfrs -- what is a xfr?

Prop. owners shd. be grateful for huge unearned Δ .
Instead, turned angry vs. incumbents for small Δ taxes.
a tiny % of huge Δ wealth. "Trouble w. you guys is, you never had it
so good."

So, keep values ~~down~~ stable. Avoid locking up
land, in Coastal Zone, Winson Act, Timber Act, etc.
Cost is enormous, & no gratitude from main beneficiaries.
Change unsettles people, spooks them.

e. Explain how system works.

Esply, as moved to Serrano, "slippage"
came in, no one understood. Made schools look bad.
In this, as Behr Bill, Cal. Legisl. talked too much to ea. other, became alienated.

f. Build no surplus. Distribute fast.

"Propty. never sleeps." f. wandered in the
wilderness for 20 yrs., but he was always geared up
bes. Apt. assoc. kept him going.

g. If net voter demand is to lower ^{or change} prop. tax,
do so by removing bldgs. from the base.
Make it a land tax.

Many advantages.

0. The only tax both progressive and favorable to incentives. ^{stimulates effort & invt.} Was lyrical.
1. Cuts only fat, no ~~fat~~ muscle or bone. Public value = more in ~~trough~~ ^{trough}.
2. Satisfies need to reward people for saving & accumulating capital. _{need shown by double standard reward welfare bums.}

Cultural need - evidence of good, responsible life. (Puritan)

Ec. need. Creating capt. is functional. Encourage
invt., employment, improvement

3. Avoid all the disincentive effects, distortions & inequities of Prop. (3).

4. Gets landowner to: support govt., produce goods, and employ people.

~~4. Enormous subject - enormous list~~

5. Doesn't reduce rev. nearly as much as appears - C.L.T.B.

Counterarguments - p. 8.

h. Watchdog govt. spending. Avoid waste. Avoid initiators.
This yr. avoid symbolic & visible waste -- Yahoo stuff
that Know-nothings seize on.

Over long term, we est. will let you go for the
real waste. C.G.R.B., found where prop. tax hi.

Objections to land tax.

1. Too great a tax shift. Forget it. Voters are ~~in~~ demanding big changes.

2. Too late -- people have bought at hi prices. Forget it. a) We're talking bldg. exemption, not really a land tax.

b) P-13 came & was justified, not for sake of those who bought at hi prices, but the revenue.

c) People who do pay more can benefit by improv. and/or dividing their land.

3. Farmers. Mostly forget it.

a) Farm & city both heterogeneous. Farmers & towns. And towns can subdivide. This is how we got family farm system in first place.

b) Reapportionment. Not everything has to be esp. good for "farmers".

4. Fiscal ~~gain~~ deficits attracted. They get in under the radar anyway: that home trailers, old houses, conversions. Problem must be met some other way.

Final word. Distinguish 2 fns. of business: wealth-creating and resource-holding. Good tax system will not make people pay for creating wealth, but holding res. Most taxes shoot anything that moves, spare those who just hold. If want to revive work ethic, put U.S. back on top.

better change effect of taxes on incentives.

Now, legsl. act as tho person w. energy & talent
for serving needs of others had committed some shd. be punished for
pre-natal crime vs. humanity.

mountains

Cannot study tax laws w/o inferring legsl.
regard giving & receiving, enplmt. to be
an offense vs. the state, to be taxed &
discouraged by all means not inconsistent w.
the rts. of property.

No wonder ~~etc~~ natives are getting restless.
But tax people for holding res. rather than
creating wealth & serving ea. others needs,
will take a giant step towards creating a
good & healthy society.

TO: Interested George students and allies
FROM: Mason Gaffney
RE: "All-devouring Rent": what did George say?
DATE: Whenever you get it

"... without any increase in population, the progress of invention constantly tends to give a larger proportion of the produce to the owners of land, and a smaller and smaller proportion to labor and capital.

"And, as we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce. For, if labor-saving inventions went on until perfection was attained, ... Wages would be nothing, and interest would be nothing, while rent would take everything. ... there would be no use for either labor or capital, ...

"... the absolute perfection of labor-saving inventions, ... is a point toward which the march of invention is every day more strongly tending. ... where one may ride for miles and miles ... without seeing a human habitation, there are already suggestions of the final goal toward which the whole civilized world is hastening."

P&P, pp. 252-53. Emphasis supplied.

Yes, ipse dixit. Look it up, check the context. He got carried away in the symmetry of his dispute with Mill. Mill had said the problem is people, diminished by progress in the arts; George said the problem is labor-saving progress, diminished by adding more people.

Elsewhere, George was more temperate, but at this point he let journalistic hyperbole take over. Probably this shock effect contributed a lot to the initial impact; the price was paid later when the implied result failed to occur.

Ground Rent

$$\text{Rent} = \text{Cash flow} + \overset{\text{Imputed}}{\text{Service Flow}} - \text{User Cost of } K$$

I. What it is?

A. Cash flow.

1. No deprec. - land doesn't wear out
(exceptions - serious pollution.
- apprec.

Forecast only { Apprec. is a strange animal
Pvt. parties cap, it like other cash flow
Socially, no service flow
Tax wise, ^{inc.} tax is deferred; prop tax is not

2. Examples.

Agric. w/o bldgs

Parking lots

i. Simple case

ii. Complex, to stores, factories, offices,
churches, gas stations, - est. area of Md. + Delaware.
Add residences + their driveways.

B. Imputed service flow.

1. Most resid. land. To measure, infer from
v.e. sales, esp. on eve of demolition - Rev. Hills.
95% or more of

Accts. write of imputed inc. of 0-occ.
houses, which to most people means the house. This
misses the target. Gross Service flow of house is > inc.,
bec. houses deprec., obsolesce, & require upkeep + maintenance.

Service flow of land is pure inc.

Vast areas reserved as pure playgrounds.
 Campgrounds; Bullshires; Tournaments; country clubs;
 campuses; stables; shooting grounds —
 Not limited to ~~Hydros Valley~~: NM! Napa Cty,
 Sonoma Cty, Sta. Barbara + SLO Co.; North Woods

2. Measure? Pleasure is subjective. Ted Turner
 My brother. Only more is o.c.
 Enormous total. Missing from NIPA — designed
 for war effort, never changed.

C. Spreading K costs: "user cost"

1. It's a poor name, bcs. it includes
 time-deprecn. As so often in econ., we accept it
 bcs. it's in common usage.

2. Combine 2 elements
 - full of value
 - inc. on remaining value

3. $IPF < (i + d)$, but $> (i + \frac{1}{n})$
 E.g., $i = .06$
 $n = 50$
 $i + d = .08$, but $IPF = .06 \times x$

D. Rent & price
yield, & P/E ratio

E. Rent, appraiser, & price

Σ series

actual & imputed s.f. are both invisible.

but often $\$V$ shd. not be part of sorter & arrange -
Major wk't. failure.

~~(P+1A)~~
8

$$V = a \left[1 + (1+q) + (1+q)^2 + \dots + (1+q)^{\infty} \right]$$

$$V = a \left[\frac{1}{1+i} + \frac{(1+q)}{(1+i)^2} + \frac{(1+q)^2}{(1+i)^3} + \dots \right]$$

$$= a \left[\frac{1}{1+i} \cdot \frac{1}{\left[1 - \frac{1+q}{1+i} \right]} \right] = a \frac{1}{\frac{1+i - 1 - q}{1+i}} = \frac{a}{i-q}$$

$$V_i - V_f = a$$

$$V_i = a + V_f$$

$$V = \frac{a + V_f}{i}$$

$$(V_f = \Delta V)$$

$$a \approx V_i - V_f$$

By contrast, ~~for~~ with land, $luc. > \text{gross service flow}$, bcs. inc. includes ΔV , or gV .

$$luc. = a + \cancel{gV} \quad gV$$

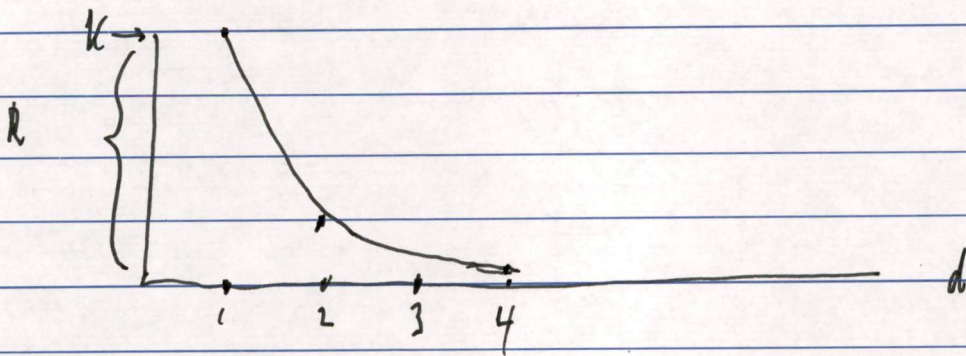
~~Both~~ gV is silent & invisible.

So is a , when a repr. service flow. No cash changes hands.

Rent & distance.

Rent varies like gravity, or magnetism, w. the
inverse square of distance from pole of attraction.
"Gravity model."

$$R = k d^{-2}$$



This is bcs. the area of supply rises w. sq. of d .