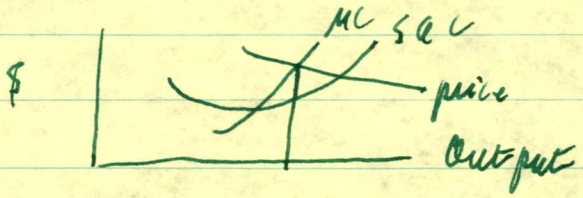
Ec. 132 Old Notes

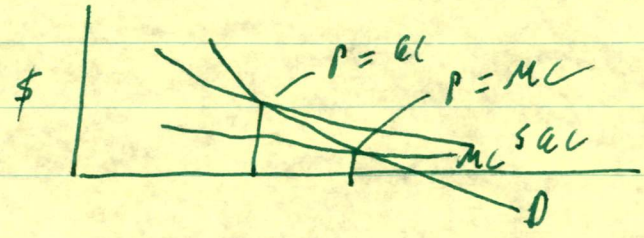
Wed, 29 Jan. 02

Vickrey

1. ~~Econ of scale~~ The Rule: $P = MC$



2. Ecs. of scale. (or overcapacity)



3. Temporary o'capacity, + peak load pricing
   - The Q/
   - BC ferries
   - New bridge, e.g. Richmond - San Rafael

4. Example of LR decig cost
   - Pipes
   - 6/10 rule: $MC = .6\,AC$

5. Meeting deficit
   a. Vickrey says tax land
   b. Libertarians say price discrim.
      - E.g. Value of service vs. cost of service

6. Fire protection

7. Must carry mains + streets part empty lots
   Cost of spread. (e.g. commuting part Irvine lands)
8. Telephone: peak load pricing
   avoid expansion

9. Transit

10. Street use
   Doesn't tell us how - until "hyper comp. networks (this # 10)

11. Air pollu.
   Effluent charges - but only deals w. cars.
Nothing on tradable permits.

Mon. 28 Jan 02

NYC. Grew by 33%, 1920-40

1. Value of 10-yr. exemption

$$\frac{\frac{1-I^{-40}}{i}}{\frac{1-I^{-40}}{i}} = \frac{1-I^{-10}}{1-I^{-40}} = \frac{1-\frac{1}{2}}{1-\frac{1}{16}} \cong \frac{1}{2}+$$

2. No overlapping jurisdictions

3. Anti-convergence
   - destiny, determinism
   - regression toward mean

4. Superior public services
   CCNY

5. Other cities: Cleveland, Detroit, Jersey, Toledo, Milw., Chicago

6. New d.w.'s

	1920		1923	
	1-fam.	Tenems	1-fam	Tenmts
NYC	11,000	3,000	56,000	53,000
Brklyn				

7. Assess. method: bldg-resid.

8. Land boom results

~~Fri~~ 1 Feb 02

Mon. 4

Energy – subsidies to produ_

Depl'n. allowance

Expensing: (tax exemption) $r = \frac{a(i-t)}{k(1-t)}$

Lease acqn. (by abandonment)

Exploration

"Intangibles" in drilling

Plowed-back profits

Etc.

Cap. gains trtmt. of leaseholds that appreciate

(RRA showed this to be major source of inc.)

Deferral of tax

Lower rate

No S+L tax on OCS

No city tax in Kern City, town of ?

Oil is outside city limits. "Sovereignty."

Profit-shifting by shady x-fr. prices.

For. Tax Credit

Unrepatriated profits.

Oil tankers w. flags of convenience

Collector pipelines – x-subsidy

Premature learning, due to vacuity

Milking old fields to subsidize new ones. by combo of price caps, & melding

Vertical integr. – no pooling of reserves. no mkt. for crude.

Nukes – no public liability.

Pollu. easements, e.g. to refineries

Utilities invest in their own reserves, to raise rate base.

BMS

Ecs. 132

I. Intro

A. Qus. to be answered in this course
B. List of ~~Econ~~ ec. basics
C. Vocab. for pub. fnce.
D. Words to shun RBR
E. Key to Marginal Notations
F. Terminology (Reference) RBR
G. Faculty Reference RBR
H. Common Fallacies in P.F.

II. Power of Pub. Fnce to Shape our World

~~Cutbacks~~ after Prop. 13
~~How~~ NYC remained #1, 1920-40
~~Gains~~ from outsourcing Work, Trade, & K
~~What's~~ Worth subsidizing? Vouchers on Public Goods
~~Pros~~ Taxes & Freq. of Urban Renewal
~~Education~~ Fiscal Federalism recent changes in Canada
~~Tax~~ Cuts - OECD, EU, etc.
~~What's~~ not Worth subsidizing - products & concepts
D & G

IV, E { Income & Benefit
" { T. Page
~~Cobb, Halstead~~ Ec. Controls to Conserve Air
~~Env. Tax~~
~~Simple~~ Move of tax bias
~~Cobb & Rowe~~ Wage+Tax
~~PST~~ TOC (opt.)
~~Taxes~~ & Approp. Tech.

C. Urban Comeback
How to revive

D. Harmonizing growth, employ. & the envt.
F-E
O & G (opt.)
Claremont paper

E. Green Taxes
~~J of Gt, Sci. paper~~
~~Bernard, & Barzel~~
~~F. Page~~

F. Ec. Dept.
23, 25. Heubey, Rhodes

V Evolution of ~~the~~ U.S. policy on taxes, spending, & debt
39, 42, 16

VI. Taxes by level of govt

III Justice in Taxn.

A. Concn. - distrib. among persons & corps.

PTPT, pp. on concn.

WOSC?

Scotland, article

B. Functional

Theirs & prop.

Bottling the air

notes, uncanned inc. & Taxn.

& Pseudo-soc.

IV Hot Topics Tax Compn.

A. ~~OECD~~ - Wagner (Intl. Tax Compn.)

~~Montana~~ a colony?

~~Why Solve Taxn?~~

~~Leakages~~, ...

S.T. Suicides

~~Diss. of ec. rents~~

~~Compn. among sovereigns~~

~~Urban renewal - comeback~~

~~FARL~~, early pp.

B. Taxing Cows

~~Alt~~

Wed.

1. p.1, public good
2. Nat. govts role: acquire, distrib, protect land
3. Some lands more at hazard -
   e.g. cu in Chile
   oil in Mexico, Iran
   bananas in Guatemala
4. Resource owners in <u>outer-mer</u>
   a. Caciques - p. 4
   b. Foreign firms p. 6
   c. MNCs p. 7
5. Sources of value p. 16
6. Curr. K flows are a small part of total value p. 11

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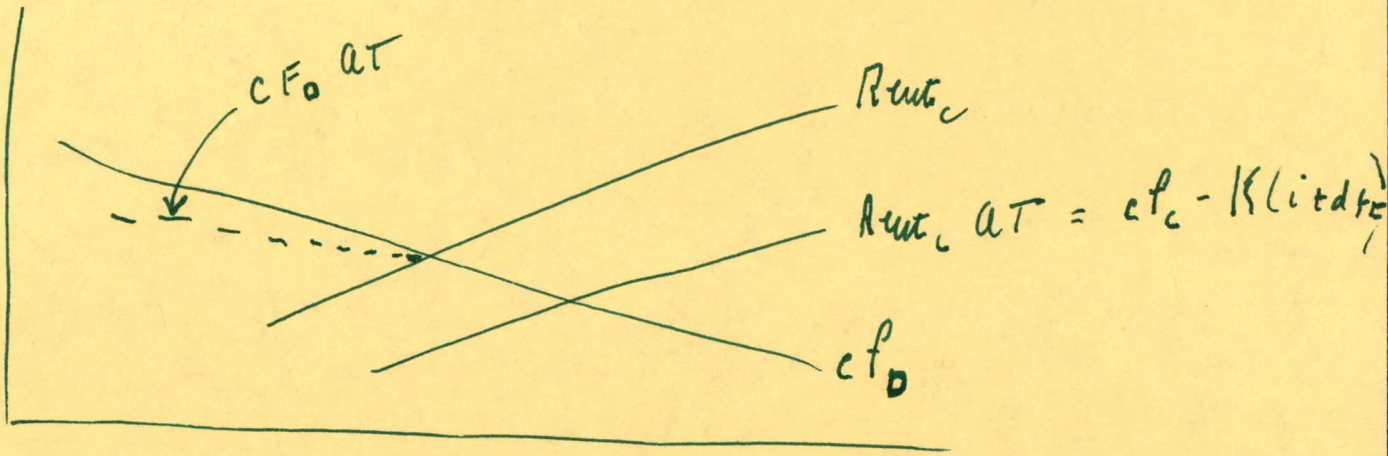
$$\frac{(1+i)^{n+1}}{(1+i)^n} = (1+i)$$

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

			rate
10	-10	0	-
11	-10	1	∞
12	-10	2	$\frac{2-1}{1} = 100\%$
13	-10	3	$\frac{3-2}{2} = 50\%$



$$\text{Rent} = cf - K(i+d)$$

List of economic basics useful in public finance, or any course: ideas, tools, principles, vocabulary. (Experience has taught me that most students were never taught, or never learned, or have forgotten these basics, and stumble when they need to use them.)

A, Measurements, mathematics, and statistics

1, Commensurability and trade-offs

The dollar, a way to reconcile otherwise dissonant values

The interest (or discount) rate, for intertemporal trade-offs

Dollar equivalents, imputed values, service flows, and measurement bias

Fungibility of dollars

2, All economic values are of 2 kinds: point and flow

Conversion rates between them: discounted cash flow (DCF), and price/earnings (P/e) ratios (aka "capitalization")

2 kinds of point values: funds (aka stocks) and perpetuities

3, Elasticity (ε), a ratio of 2 fractional changes: ε of supply, and demand; ε of commodities, and factors of production; ε of production (= MP/AP)

ε and mobility;

ε and taxable surplus

4, Rates as ratios. 2 kinds of "growth rates," absolute and fractional

5, Leverage: raising a fractional growth rate by subtracting a constant from the variable that grows

6, "Regression fallacy" in correlations, a common and mischievous error

B, Government and law

1, Sovereignty

2, Federalism, and division of powers

"Fiscal federalism" = intergovernmental transfers

3, Competition among sovereigns – it takes many forms

4, Property

C, Entitlements and Distribution

1, Factors of production

2, Factoral income vs. personal income

3, Cash flow vs. income vs. rent

4, Dissipation of rent

5, Rentiers

6, Distribution:

Personal vs. factoral incomes

Wealth vs. income

Origins of wealth: earnings, findings, savings, and stealings, not necessarily in that order

Concentration and its measurements (cf. "regression fallacy," above)

"Redistributive" taxation – from what base?

Functional vs. non-functional incomes

D, Allocation, and social efficiency

1, Consumer sovereignty (but ask, which consumers?)

2, Highest and best use of factors – before and after taxes

3, Factor proportions – they vary extremely, unlike chemical valences. The 3 stages of production. Optimal factor mixes.

4, Factor substitution and trade-offs

5, "Public" (non-congestible) goods

6, Artificial scarcity, the essence of monopoly

7, Mobility and Arbitrage – equalizing marginal rates of return after taxes (MRORAT). Labor arbitrage: equalizing wage rates. Immobility of land.

8, The equimarginal principle of optimal allocation of a factor

E, Some dynamics

1, The 4 different "Re-"s: Recovery, Replacement, Renewal, and Revival

2, Investing: net vs. gross, creative vs. acquisitive, active vs. passive, individual vs. aggregate

3, The "wealth effect"

4, Depreciation and appreciation

What factor does which?

Effects on income

5, Fungibility of recovered "capital consumption allowances" (CCA's). "Protean" nature of capital as it turns over.

6, Rent-seeking (racing).