Notes Ree Presentations
hlw

Rochester, Aug., '72

Propositions about the Prop. Tax

1. Prop. tax not regressive

2 men - one a millionaire, the other a taxpayer. So I asked the millionaire how. Easy, own propty. Is now proposed to combat snob zoning by shifting to sales or inc. tax -- on grounds that then poor people won't dilute tax base so much. But that says prop. tax is more progressive.

So antagonism to prop. tax is because it is more progressive, not less. Is ok, but let's not muddy the waters by giving wrong reasons for what we do.

James Madison etc.

Cf. propty. & inc.

Abstract from Bulkeaucracy & regr. assmt.

A. Propty. more concd.

Stores in Rochester; Kodak, Xerox

Date

The bias in partial inventories -- e.g. housing

B. Not shifted forward

Land a high share, whereas reassess. Also:

- Share that is land rises w. wealth

- " " " " lowest in o-occ. resids, where shifting assm. makes no diff. High in retail, very concd.

- Land tax has + supply response

- headlines
- 2 old friends
- ~~the~~ not enough controversy,
- I ~~can~~ share a quality w. ~~today~~ great prophets
- Am covering more than can absorb. Don't panic

Cf. African head tax — made labor work, to pay tax. Land tax makes land work, to raise money to pay tax.

(Ironically, this is what some people mean when they say tax is not based on "ability to pay" — they mean cash in hand based on past activity, a very immediate concept of ability that overlooks incentives & of taxes, latent ability and ability to liquidate.) And this more than prevents forward shifting — causes land to lose bargaining power.

And creates jobs — right now. (Lord Give me Patience -- & I want it Right Now!)

Bldg. tax not largely shifted fwd.

Tenants are mobile, like the waters of the sea, seek a common level of real wages or well being. Elastic supply — well being determined in national markets.

Capital even more mobile.

So land pays, at least in part.

(Land is the equity interest; land not the bottom line.)
Also, the poor have low V/Rent ratio, so if tax is shifted, they bear least.

C. Which top 10%?

Regn. fallacy, or allen Wallis Effect.

When correct for it, Mgt. Reid found housing outlays rise faster than inc. $\frac{\%\,\Delta\ \text{hsg}}{\%\,\Delta\ \text{inc.}} = 2$

I.e. as inc. rises 10%, housing outlay Δ 20%.

Actually, std. rank by propty. Top 10% have e.g. 70% propty & 20% inc. No cfsn.

feelings if tax propty.

No guilt, Fed. govt. has abandoned taxn. of propty. inc. (Even in worst case, tear-jerking old widow, cf. what inc. & sales taxes do to ~~the~~ the ~~[illegible] has — one was a millionaire, the other a taxpayer.~~ & earned inc. of comparable power widow who ~~has to work.~~ tries to support herself by work, gives up welfare (unlike the non working widow) & pays inc. tax.)

Un preempted tax base, propty is.

If go to a city. inc. tax, piggyback, use AGI --- what's left over after loopholes; that of which R. Reagan has none, & H. Hughes $50,000.

Propty. is used regressively, so any activity tax hits enterprise as vs. inert wealth.

D. Inc. & Wealth def.

AGI. after shelters. Shelters came from owning propty. Reagan effect.

And AGI omits much propty. inc.

Def. of wealth: The poor have low ~~"P/E ratio"~~ Value/Rent ratio (analogy: P/E ratio). So even if taxes shifted to tenants, cap. value is low relative to rents.

There may be drawbacks to propty. tax: if causes snob zoning. But not bcs. regressive. Bcs. local, & progressive. Solution is to make it State

2. Need assmt reform.

Land assmt. is #1 priority 7 reasons.

1. Taxing land encourages good use; bldgs. doesn't.

Even tho bldg tax shifted to land, is differential. Heavy improvements shift more

Biases owner for highest taxed use.

Can minimize impact by going to gas stations, parking lots, & old bldgs. vs. new. Hits height, quality, renewal; subdivn & small parcels; & timely succession to higher use.

2. Land is underassd. U.S. Census of Govts.

E.g. Md., land at ~~[illegible]~~ 42% of parity; resid. at 117% of parity, or 3 × too high by cfson.

It's even worse — acreage & farms. Census of Govts. omits acreage inside SMSAs. Is the most underassd. class of land. E.g. in Milwaukee. Tax on subdivn.

Ask assr. why. If he's wearing his official hat he'll tell you it costs so much to subdivide. If he's in a candid mood — i.e. out of town — he'll tell you he is afraid of diluting tax base, raising school costs.

So land assmt. becomes a tax on subdivn. "Health-tax" approach — make tax a form of

$\frac{300,000}{10,000} = 30 \text{ mi}^2$

school tuition.

(Also incidentally encourage suburbing, which avoids subdivn. And encourage sprawl generally)

Mich. looks fairly good on acreage & farms, by Census. But Fusfeld showed acreage inside SMSAs was way low.

Southfield brought acreage up to parity, 1962-68. ~~Boomed~~. Multiplied assmts. several fold. Boomed — so values rose again, assr. chased them up, boomed more. Those who fear growth brings more costs than benefits should visit Southfield. Attracted more offices & nat. hg. than school kids. (But maybe its eligibility for office demand is what made it willing to foster growth.)

Rosslyn, same.

Re industry, underassmt. of ~~growth is~~ acreage is bias pro indy., bcs. much indl. land is acreage, esply. large indy. Not a bias attracting indy., bcs. indl. bldgs. are hit hard. This is regressive w/o being constructive.
This modifies common belief that indy. is

overassd. Beloit -- land at 1/10 of what same land across street was assd. at.

3. Land a large share of r.e. value —

— when land brought up to parity.

Miles. — assn. had 23%, I found 50-60%.

Cal. - 43%

D.C. - 43%.

Use of bldg. resid. method brings land up higher. Keys to land valuation are:

a. Current sales data

b. Unit basis — no wholesale rates (but maybe bit plottage)

c. Annual review — presume a rise, not stasis, based on experience.

d. Mapping — bldg. residual method ("Opp. cost")

e. Objectivity. Assess the land, not the owner. In rem.

f. Assess the fee, unencumbered.

g. Don't believe zoning unless the market does.

h. Land is 100% or more on eve of demo.

~~h. Set plottage.~~

Do these things & land will be > 50%.

Too much attn. paid to Pittsburgh, Ha. Assmt. practice is equally important. It is right here at home.

4. Land ownership more concd.

Tudy: 626 indl. firms in Milw. Top 10%, ⅓ of n.c. was l.v., and they had more for expansion.

Reidl: Slums — land has no value. ~~Kaiser Report~~. 23% or 3% of land area, and land of low value.

Neighborhood a superior good. The poor think shelter; the rich think nbrhd.

So to make propty. tax more progressive, hit land. Get away from heavy tax assmt., where the d.u. is assd., rather than the resources that go into it.

5. Land is more regressively assd.

Wholesale rates go to large acreage — yet no plottage Δ is recognized.

Bldgs, large ones should get wholesale rates psf,

bcs. of ec. of scale in bldg. But some assrs. overemphasize no. of sq. ft. Or, in an apt., they overemphasize the no. of d.u.s. And so are prone to overassess large bldgs.

Also, large bldgs are conspicuous. You can't miss Kodak Bldg. on State St.; but easy to overlook parking lots that surround it; & undeveloped land in Greece, etc.

The only large land assembly overassd. is that under apts. But it is the subdiv. into apts. that is being assd.

6. Easier for citizens to check on assr.

Land share shd. be 100% when demos. come.

7. Need land assmt. right to close tax loopholes.

Now, owners of your old junkers are depreciating land, using your assrs. values to justify. That's why they hang on so long, & you can't get them to renew.

3. Prop. tax for schools needs move to state level.
Either that or remove zoning power, and all other powers that may be used in an exclusionary way, but even that is less desirable.

4. Land uses complement each other
a. Save distr. costs -- Downing data
b. Urban synergism. Access is mutual.

5. You can do what you want.
Assmt. reform
City. prop. tax

to discount buckpassing statements. (I think I heard one on TV last night.)

"Absentee Ownership"

U. of Ia., Dec. 2, 1980

Roman philosopher Cato — of whom of course I am a dep student — said "A wise man can learn more from a fool ..."
This no doubt helps explain the continued viability of higher edn. & I hope it will inspire you to listen carefully.

One such fool was T. Veblen. Cd. have been a great asst. if he wasn't such a smart-ass — kind of perpetual grad. student, nihilistic. (Like a Scand., he secretly wanted to be an Irishman. Berger sublimated via Charley McCarthy.)

I came by my appreciation of him by accident of marriage. I acquired a new father-in-law 8 years ago, a firm Republican — the sort who ~~thought Nix~~ ~~comma~~ thinks Nixon's farewell address will rank with Washington's. Loyal to a fault. In fact he was visiting us on that occasion, ~~&~~ spoiled my gloating at ~~obs~~ an event I had been looking forward to. I had to hold his hand & listen to his lamentations

Anyway, feeling guilty about my joy in his sorrow, I tried to atone by ~~over~~ drawing on all my conservative breeding, & this led me into a slighting remark about Veblen.

"Just stop right there" -- my uncle.

Later, I read author's copy of Absentee Ownership, 1923. Veb. helps us define our subject.

"The gt. American game, they say, is Poker. Just why Real Estate shd. not come in for honorable mention is not to be explained off hand"

Ahead of his times. Monopoly succeeds Poker. (also businessmen monop. compn. here.)

"Land Spec." not easy to define w. precision. That is where a man like Veblen is useful — not troubled by precision. We know there is something there, & we know that Frank Knight's Templars won't help us find it, bec. of their Chicago compulsion to rationalize what's so perfectly there is no unearned income.

Older usage, speculator keeps land from highest use. Newer usage, spec. is the reverse. In Canada, most spec. is an owner who comes from America.‡ Common theme, a spec. is an owner you don't like.

In Riverside Cty. he is an Orange Cty. developer.

The essence of ~~the~~ land spec. is captured by Veblen's "Absentee Ownership". A more sophisticated concept than you might think. We often think an Austrian is an econ. who flunked Calc. ~~Econ.~~ – who can only think in discrete blocks & classes, not in a spectrum of continuous variation or differentiable functions.

The farmer is "an absentee owner by so much as he owns land which he works w. hired help." It is ownership where the emphasis is on the "free income" (rent + Δ) "at the cost of the rest of the community" rather than on the land as a medium for the owner's workmanship, livelihood + vocation (in the ~~same~~ sense of giving service.) Land as an investment, ~~rather~~ where that conflicts w. land as a means of vocation + livelihood.

Veblen finds faults w. this:

1. They occupy more land than they can well take care of. "Cultivators of the worst chance" more than of the soil.

2. "Spiritual effect". For a man as cynical as Veblen, & as atheistic, to be concerned about spiritual effects confirms the adage, "Scratch a cynic & you'll find an idealist". Caustic, sadonic, scathing, he was really protesting the absence of community spirit.

also, protesting low respect for labor + workmanship.

Decline of work ethic. Discrediting of entitlements basis of distribution

3. Δ credit needs.

Anticipating & formulation of "front-money bias"

4. Δ equipment needs.

Most ecosts. "explainers". need to rationalize the system, see cause & effect the other way: ecs. of scale, a techn. imperative, require more land. The engineering mind requires materialistic rationalizations. Concrete ‡

Veblen sees ~~the~~ investors acquiring excess land as absentee owners, as the & original cause, the moving force. This is the bed of Procrustes — then technology adjusts, provides large-scale machines.

There is much evidence to support Veblen. Raised, ranked farms by size, largest ones reported net losses.

Houthakker; Welch & Evenson.

5. Scattered settlement

Δ g distances over which farm people & ~~&~~ mtrls. must be moved.

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‡ "Concrete reasons for concrete minds".

Isolation. Writes v. feeling on loneliness of farm wives -- subject on which no history relates, he became a leading authority.

Low quality of roads. So what today, state blacktop has pulled farmers out of the mud.
a) X-subsidy b) Age of dirt roads is dead; age of triple-digit gas prices has arrived. Now we have the roads, but can't afford to use them. God just doesn't want us careening around so much. He's trying to tell us something — this is not the Garden of Eden. You were expelled, remember? Every time you pretend there is no scarcity, I will punish you.
+ Thorstein didn't help you any, either.

Also, bad rail service — even then! What wd. he say today?

Confines the cultivation of crops to those that will bear crude carriage over long distances.

This was in 1923, & sprawl was a rural & continental affair. Urban sprawl was just getting up a head of steam. Same came — the ~~owner~~ "absentee owner" who bought more than he needed, held for the rise, forced settlement to

pass around + beyond him, leapfrogging. All clearly foretold in Veblen, as in H. George. In spite of original sin, Veblen was allowed to be a Prophet.

Urban sprawl + oversized farms — two of the great energy sinks that cost us so dearly today. There are twin results of land speculation or absentee ownership, the engrossment of more land than one needs for livelihood

Negabucks! This vastly inflates infrastructure needs.

The system underuses good land. Same time, puts. developable (over)

6. Monopoly

Country towns have mopy. bcs. of long distances. Limited choice. Cultural poverty. Like so many midwestern intellectuals of the time, he rebels at the cultural poverty, + the mindless conformity of small towns.

But he does not stop at mopy. He goes on to anticipate Chamberlin's thy of monop. compn. -- more + more interlopers, more small towns trying to make it. Resulting in ~~the~~ monop. waste w/o mopy. profit, the worst of all worlds. The fragmentation midwestern rural problem, too many county seats.

Land in hands of huge specs. who dominate politics

They cultivate the main chance by steering public spending their way.

Sometimes this means damming the last whitewater rafting.
" " " land outside the U.S.

Extend mtg. umbrella.

Reminds one of Tiffin's extended aphorism.
~~Grat~~
(I wd. tell you who extended it, but modesty forbids.) "Excess profits ...."

? Spiritual effects again. Open-ended needs.

✓ By habituation, people begin feeling at home in this eerie world, get on a treadmill of acquisition.

✓ In Veblen's ideal, acqn. limited by workmanship. There is a saturation point. (as owner of a large home, I can relate ~~to~~ to this. Man doesn't own the house, house owns the man. – Emerson.)
But w. absentee ownership of land, no limit.

✓ Am. farmer wants more than his fair share of the soil, not bec. driven by a felt need of doing more than their fair share of work, or giving the community more service, but w. a view of earning more than their share of the community's indispensable means of life, getting something for nothing.

✓ Sounds like the Prophets Jeremiah & Isaiah. Sounds like Pliny – latifundia.
Sounds like critics of Roman Law, – the law that let those latifundia develop & eat out the heart of Italy, & send the displaced peasants

out on wars of conquest, to wipe out native cultures, bring them under Roman Law, to create still more great estates — until the whole system collapsed.

✓ It sounds a bit like imperialism, at the national level. Unlimited drive to gain control of more land, ~~crossing~~ not stopping at the water's edge.

+ what is this Roman Law?

✓ As to r.e. doctrine that land is pure article of commerce, w/o any special community responsibilities. May be engrossed w/o let or limit.

Doctrine expressed by H. Jarvis, propty. pay ~~etc~~ for services to propty — + only few of those.

Doctrine implicit in Alfred Marshall "onerous" vs. "beneficial" taxes — onerous ones are those that tax propty. to pay for welfare + schools.

Doctrine implicit in Garret Hardin's lifeboat philosophy.

Doctrine implicit in payroll taxes — tax workmanship, so we can lower tax on absentee ownership.

Puritans fined people for idling. ~~We, working~~ Like Veblen, that closet Puritan, they respected

There is reason to believe it may be.
When land loses its feudal trappings, & assumes a purely commercial character, outsiders begin to buy.
Europeans, Arabs, Persians, Orientals ---
multi-nationals. Calif. has more of it, but Iowans are more sensitive to it.

Only one way to tax these outsiders — their r.e., firmly in your local control.

Recap -- why does absentee ownership keep land from highest use?

1. Unequal fncl. strength
   c.c. of land = i.
   also, term of loan
   " amt " " - credit rationing

2. Add factor of Δ

$V = \frac{a}{i - g}$

3. Add factor of preferential tax on g

$V_i = a + V_g$

4. Add factor of pol. infl. on p.w. Leapfrogging, waste of K; slow payback.

5. Rent-seeking behavior. Boosterism. " "
   Approp. doctrine

Athens address. 11-9-61

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Intro.

Pearls & swine

p.8, herein, on storage & timing, has some good stuff, was omitted from talk

Out of place here. Some imitation pearls, but when learned how many lawyers here, more like waving red flag to roomful of bulls.

My detractors accuse me of having, peculiar unhappy penchant for irritating members of the bar, but not true. ... almost every member of human race.

Not proud of that. Tragedy is, really try's to compliment them. If attack cherished concepts, bec. hv. confidence lawyers are big enough give me fair hearing.

If suggest radical revision in instns. are needed, have confidence they are sufficiently masters of their profn. to achieve them.

If suggest some laws constitute WPA for lawyers & society might benefit by reduc's input of valuable legal talent in petty squabbles, it is to release talent for higher uses — & you will agree, when hear my proposal, calls for much legal talent — & I have hi enough opinion of lawyers to think they wd. prefer that.

Also feel displaced regionally. My exp. largely western. First time ever spoke from same platform w. Stans & Bens. Will draw from w-n experience — no apologies. High prediction value. Prof. Greenman - look ahead. Dr. Young - where no vision, people perish. See a vision of yr. own future by studying past in arid west.

Future may come sooner than think. Detected note

learning has no ~~age~~ limit

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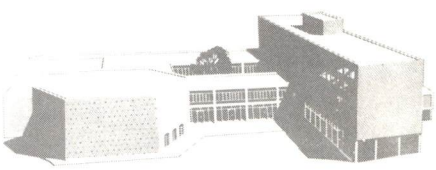

of complacency. View w. alarm. Time to solve wtr problems is before you make costly irreversible errors. Time to intro. flexibility into systems is before shortage, when still free & easy, before people get anxious & grasp like drowning men — when they do that, shortages worsen themselves, over a hump, suddenly.

I'm told problems are different here. Are, but many & wd it be very interesting to cf. 2 things that were just alike similarities.

Pollution — Mr. Agnew — return flows.

Provincial — Cal. yields nothing to Ga.

Integon? —

Contrast: lawyers & s-e, uphold old traditions
ecstc & wmr, innovator

But obscene citrus & aircraft, right at home

Do feel like mosquito in midst camp.

Going to run over ½ hr. cough up all imitation pearls

learning has no ~~age~~ limit

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I. Alternative systems allocating w-t.

A. Appr., ripn., correlative — assume familiarity (archaic residual doctrines, from earlier pd. of history)

B. Internal alloc'n, p.u. or munic.

~~Free xptn.~~ Uniform rates & service over some area (detd. by no ec. criterion)

C. ~~Empire~~ Empire-bldg. — at a loss for better name. Not opprobrious but descriptive. When I think opprobrium called for I'll give reasons.

Big systems, distribution agencies, preside over interregional xfrs. SFWD, EBMUD, MWDSC, BR (in Calif. & Tx., Colo., N.D. Garrison, etc.); Cal. DWR. [KCLC]

E.g. from West. No authority on s.e. Only 11; intrstn. pushed by Fed agency; locally resisted.

Grow like nat. gas cos. today, or pwr cos. in '20s. May originate as ~~city~~ customer look's for w-t, or w-t. supply look's for customer. Haphazard discontinuous service areas. Like ice cracks in thaw time.

Allocate by contract, individ. bargaining. Apply various criteria, but priority of contract is basic.

D. The price system. Make people pay a price, [& be able to sell for a price], & make sure is a mkt price. Usually regard w-t as free at source, & charge for xptn service, not w-t.

1. Not approp. shares. Gen'l. impression they are easily xfrd, not supported by fact. (Esp. as wh gets scarce.)

2. MWC shares. Interesting but limited

3. An ec. price system. Ec. norm — [as seen by one ec~~on~~er]. Useful to help us plan real systems — price system been little used.

Take a moment to sketch system

Not compn. Natch. mnpy. / Ec. analysis lets us distinguish mnpst. exploitation from legit. pricing, use price system anyway. Presupposes conscious public control, some intelligent thought at public level. (Some wd. say it is foredoomed ∴ to failure, but I'm not ready to give up. ? If ~~people~~ profit. people sold on policy, great collectn impact — otherwise why study public affairs?)

Contribution of price system is take many heterogeneous values & resources, make commensurable, reduce decisions to one common msre of value. That is what must do. E.g.: $560 per duck.

Arbitrate. "Balance the convenience of parties." E.g.: Quaker & mule.

Price system affords solutions.

Harvard man w. MA on the ent.

Choose betwn use A & B. Differ re nature & quantity of product per acre foot; assoc. costs per af; distance from source, & elevn, & terrain; time-distribn of costs & benefs & demand for wtr; probability of future demand; etc. Only way to reduce to common msre, weigh & balance, apply logic of man's ability to manipulate numbers — is by price system.

Msrmt is science; msrmt is ecs, & our msr is exch. value.

Simplest form, problem divides in 2 parts: allocation at a central point;

New idea: 3 stages

a. Central point. Assume State asserts ownership. McBride.

xptn cost.

Assume have priced xptn correctly. Demand filters back, FOB price. There is mkt. Let adm. set price clear mkt.

Not two diff. from what wtr master does today. Only now uses fixed price, doesn't usually clear mkt. by price.

Problem of inadequate storage, uncertain supply. Highly flexible price (the ultimate in flexibility) may be obtained by getting schedules, q. take at various prices.

Wave flag. Applies to much besides wtr.

b. Pricing & sizing distrib. net. How price xptn? P = MC. Cult, ? subscribe. But MC pricing. Decrg costs — at a pt. raise excess by fixed charge on land levels differ w. fellows: a. grad. pricing: b. findg c.s. — they have damndest time, psycho-analysis common. But Ag as more out. Graduated rates for use. Pumpg uphill is obvious e.g.

[Bl. Bk. gets Ag cost bec. is lengthening pipes. But at any pt., decrg]

+ grad. rates, probly negly grad. quality of service.

Also [negly ? grad.] fixed charge on land. (agree w. Talley)

1. To cover +C, permit MC pricing
2. To assure participation, rapid devmt. Mandatory, injunction. + containment.
3. To compensate for preferential rates to better lands. Make pol. g. feasible.

Limits of system: where TB = TC (= MC + land charges). Shown by

no Δ of rents.

are several other aspects, mention!

c. Price on underground w. ? alternatives

No secret, ? prefer price system. Bur. accused of feeding lawyers, not so. ? do find less of way of cutting down unwise inputs of valuable legal talent, but only to release for higher uses.

~~In this case I think higher use wd. be work out kinks in pol'd system - wd be necessary~~
~~appr. doctrine of WPA for Europe, as syst. wd be a ... to jobs. I think chap wd prefer 50?~~

II. Cfsons of systems.

A. Initial allocn.

Bears close analysis bes so little later flexibility. ~~has hop... plaus...~~

1. Rip. — only rip. lands, obviously unec. limitation. Reserved in perpetuity, whenever gets to ir. inside watershed
Prorate if scarce — not ec., only accidentally wd. needs full source.
2. Correl. — only overlyg lands. Like rip., but not reserved, table drops.
If scarce, may fall back on hists of use, makes a virtue of withdrawal. Element of approp.
3. Approp. —
Prior use &/or claim.
If scarce, fall back on histories of use, ~~prop~~, sometimes the largest ever;
on capac. of diversion works (so on Kuh. is surplus. ~~Hall~~ double max. flow ever).
Very little distinction of grades of use — only most patently absurd
ludicrously factitious uses fail to qualify — drowning gophers, pleasure-in-prospect, etc.
But no distinction of 12 afa on rice vs. 1½ on citrus — each is a
full fledged beneficial use, & reasonable. So history-conscious, like Harry Truman. Want hist. to note they used Hall of a lot of wtr.
No prorating (save ~~Ut~~ Mormon states). all risk, all shortage, carried by ir.
Opposite fault from rip. -- was reaction to it, overreacted. Premium on use,
~~Evidence~~ or appearance of use. Tle a claim (like any suit) for nothing, paper
or dry claim. But when pressure on, dry claims n.g., spend more for a wet claim,
still just a claim-staking gambit. Analogous to factitious residence under
Homestead Act, or taken intn. of schools. Result: too much, too soon.
like Diana Barrymore.
Seeds of overexpansion & collapse. 1920s, racing for wtr rts. Much more
interestg than rip — stagnation vs. boom & bust. But still a fault.
Opposite from rip? More complex. Not enough to be vs. sin (
for motherhood, sometimes takes one to achieve the other. Approps. also
leaves play dog-in-manger. Many ways now to prolong pd. betwn
when first say "dibs" & actually divert.
Esp. T.Ds, exempt from diligence. Many formed to hold unused rts.

Skim!

4. P.U. Interim allocation

— ✓ a. Uniformity regardless of location, bad.

b. Non-price rationing, by acres or use

acres bad, overlooks 1, need per acre; 2, location

Usually reps. system w. surplus wtr., want to promote use, no need to save, but need some gesture toward 1, uniformity if shortage; 2, Ease on undersized distribn. system, which is limiting factor.

"Use" bad, profound semantic fallacy in assuming homogeneous.

c. Price rationing

Step in rt. direction. Dramatic results from imposing price.

But enthusiasts go overboard. Often wrong price.

— ✓ Too low — pump system, price is to ease on pump wtr, not on wtr at source.

Good feature — forces higher reliance on land tax.

— ✓ Too hi — wtr. rt. secure, use as tax source. S7, Raleigh, Columbia.

Not that no charge is in order, but in wrong place. S7 holds surplus wtr. wtr. free. So if that is norm, shd. charge citizens only m.c. Or if p is charged, S.F. shd pay State, wd. release wtr. wtr.

5. Empire bldg.

i. Price too low. Variation on no price. Betrays desire to encourage use to get history. ~~Some pumping districts, e.g. [illegible] be [illegible] as to be concerned what history will [illegible]. But Modesto [illegible] as [illegible] history to [illegible] [illegible] [illegible], too, but it [illegible] all the time.~~ [illegible].

ii. Price too hi. To make money, subst. for collecting taxes. S.F. (7-13-1 story) Raleigh. Columbia.

Price in wrong place. If free at source, no reason to charge consumer (more than decent cost). State shd. charge there But so long as is free there, no ec. sense to

iii. Price (& service) uniform.

b. Rating by taxable acreage.
Again, uniform, overlooks location; & ~~variability~~ differences of land demand
(Taxes are sometimes ad val., or approximate it, but with alloc. by acres)

c. Rationing by "use"
Profound semantic fallacy, a "use" is a homogeneous categ.

5. Empire bldg. Basis of initial allocation
Contract betw. empire bldr. & local distrib. agency. Criteria vary.

✓ — a. Priority of contract. Is much like approp. system. First to meet the terms. And those terms are:
✓ b. Willingness to pay — improvement over approp., but often heavily subsidized: BR, Cal. State. Contractee gets not just water but much free poured concrete. So may be getting more for nothing than approps. (depends — S.F. charges too much)
✓ — c. Willingness to accept qual terms. 160 a. law e.g. B.R. with need studies.
✓ — d. Polit. needs, wide enough to get adequate support. E.g. Oroville Dam. Is surely no location criterion. Wholesale agency needs bdng power & so bgns over wider area than has wtr to serve. (This may also enhance pwr to demand more wtr in future, like MWDSC). Scattered service area results. Landholders want bdng power & develop rival agencies. Overlapping, duplication, cross-hauling, etc.
& Service to unec. subsqnt areas, made part of project to get pol. support.

6. Interstate

If both approp, price approp.

If one or more ripn., indeterminate, Riffkind's "interstate equity" now.

7. MWC shares serviceability from fixed div. in pt. Willingness to pay for extensions.

8. The ~~water~~ price system

Willingness to pay, for

a. Nodal wtr: quantity & time choice (also underground)

b. MC of xptn to ~~outlet~~ delivery point.

c. MC of storage

~~d.~~

Fixed charges covered by fixed costs, no individual option (but ad val., so bad land near center gets break)

Limit of service detd by $TB = TC$. Max. ben. by $\Delta = mc$, where $mc = \Delta ob$ exemplified by pumping. Then extend until no Δ rent of land served.

~~Limited~~: wtr rent; storage rent; xpt cost, graduated;

Gen'l. commensurability. E.g. wtr dropped for pws. in winter is lost for irr. Shd. be taxed if irr. willing to pay for price differential + storage

Is one criterion not single factor

B. Constraints on use.

1. Rip.

None, unless forbid consumptive use; or prorate, by rip. acres. Not ec.

2. Correl.

None on withdrawing grnd. wtr. Pump cost is just enough to have you ecze on power etc. (~~Often~~ sometimes less than that bec. of ~~cost~~ uniform rates, city subsidizes counting); sometimes more, approximates ec. charge)

If hist. of use is to be used, + incentive on use.

3. Approp.

Opposite of constraint, withdrawal is a ser. to individual.

No common standard. If wtr imported at great cost, local wtr assumes rent, needs ecgg.

4. P.U. Interior Approp. law fails to. Some put hope in "reasonable use", concept evolves w. time, standards get higher. Doesn't, & wd. go vs. whole concept of priority to do so.(?)

Low price, inadeq.

Hi price, too much

Uniform price (by ~~gross~~ area), too much here, too little there

Occasionally taxed

~~By acreage~~

~~By use~~.

5. Empire builders

L. ec approp; premium on premature devmt & factitious use. Wtr is free.

Effic. disadv., as to foraging for supplies, & to lesser extent in finding customers.

Male & female rulers

4 7/8

5. Empir blems. (cont.)
Hard to change & collect mkt price when wtr made apprtt, cannot discontinue servs.
Shown by MWC experience, crediton can't withdraw wtr.

6. Price system.
Way to get people to exercise wtr is make them pay for it.

Ec. Price, set to balance supply & demand.

Flexible price, by seasons, by wet & dry yr., by storage carryover, by stage of devmt. of demand. Low at first, rise as wtr assumes rental value.
Not change every minute, but as often as wd. repay trouble of changing.
Great adv. over other systems. Law does not recognize rent, location value. Price system puts local wtr at disposal of all w-in easy commuting distance, bids up price to equate s & d.

No logrolling, unec. mgmt. extensions. Not Eve nor serpent, but apple.
Gentlemen, sometimes I think we let the age of a custom ~~[illegible]~~ lend it a dignity its essential character does not merit. Give away liquor licenses to pol. favorites, recognize it for what it is.

C. Cf. Cf. re xferability. However foresighted the forefathers of nation were & daughters, ...
Also serves as constraint on waste — o.c.

1. Rip.
Not, save by forfeiture. [Part & parcel. (in Cal.) Can sell air & mineral rts., can lease periodic rts., or sell not after 50 yrs (future time-dimension), give easements, sell hunting rts, etc.]
[But not rip. rts.
? if one sells agreement not to assert rts, quitclaim, can't bind others.
Area of rip. land can only get & keeps getting smaller, never bigger.
Among ripns. a limited xferability when don't use.]

2. Correlation
Surly. no export from overlying lands. Certainly not by sale.
[? some xfer when heavy pumper creates cone of depression, imports from underground.]

3. Approp.
Xfr. in legal thy., not surly. in practice. ? find no cases. Solicit legal aid, to explain. Xfr weakens rt., sensual reasons optional, if time
? is a critical point, xfr gets sticky enough, all grab, cumulate.
Transit Desperate drowning man principle. also lions pens effect. Maybe lions are in wrong cages, but who wants to turn them loose.

4. P.U. interior. Surly quite good, s.r. — but l.r., fixed, no withdraw.

a. By price
Complete xferability, w-in limits of pipe capacity.

b. By acreage
Xferability by sale often possible, multilateral, in ID office.
Limited by inadeq. capac.

c. By use.
Limits xfr, except as uses are biased to fit favored defs.

5. Empire builders. Large interregional xfrs, but not to be confused w. flexibility, which implies continuous change. Even in initial thrust, big xfrs cannot work out swaps.

Limited flex. Become p.u., cannot withdraw service. Nor can "trustee" for approp. rt.
There is flex. during dev. pd., but seller is committed, w- tied up
Courtship: boy chases girl until she catches him. He's irresistable, but she's irreversible.

BR 9e contracts were effort, had plans for great flexibility but show little signs of prevailing.

~~6. Interstate~~

7. MWC shares

Xfrble as far as ec. extend lines from fixed diversion pt. No divert yr. share elsewhere.

8. Price system. No frantic drowning men grab — they have to pay. No avaricious grabbing from all sides -- no bargaining.

Like p.u., freely xfrble w-in service perimeter, w-in capac. limits.
Xfrble from minute to minute, much higher degree of xfrblty. than other kinds, which take years of haggling.
Xfrblty grows less at outside of system, less excess capac. In this peripheral zone probly less xfrblty than p.u., w. uniform service

Too xfrble, no security? a misconception. Those who have sunk fixed costs can pay more. Is an irrational anxiety comes from piecing together worst of all systems -- flexibility to lose, not to get back.

End 3 clergymen. Skip to p. 9 if time.

For

Wembley

Rubin is in humid area, has price system

Won't practice law w/o a license

Gertel

Price system is not same as mkt. E.g. pollution

Reasonable use — evaluation

~~Oregon case~~

~~Half-way~~ between -- adm. discretion

~~For~~ security in Eng.

~~1119~~ Shreve Rd

~~Falls~~ Church

D. Conveyance & containment of service area, & rationalizn of distrib. syptem.

1. Rip.
Every man for himself, but can join in MWC.

2. Correl.
Scattered pump'g. excessive pump'g. Necessitates recharge over too great an area, doubles or triples vol. of wtr must be permanently sunk to support pump lifts for given acres.

3. Approp.
Frightful. No thought to compactness of service area. Responds to pseudo-demand; overlooks crypto-demand.
Principle of oftv. disadv., so some streams are raided by remote takers passing over nearer sources.

4. P.U. Interior
Good, esp. if heavy land taxes for compact devmt.
But uniform; & no ec. principle to det. service limits. Central lands true ec. value is suppressed.

5. Empire Bldrs.
Like approp.; frightful.
Uniform area rates, free xptn. by BR. State is a step ahead, graduating rates FOB delta pool.

6. Price syptem
Graduated rate principle, coupled w. neg. by grad. fixed costs.
Assure compact devmt.
Wd. also graduate pumping withdrawal charges, consolidate pumpers over rechargable aquifers.

This page was omitted from talk

E. Devmt. of storage; control of timing; allocation of variability; (or uncertainty & risk); intertemporal choices

1. Rip.
   No store

2. Correl.
   No save for future
   No use for storage same for overlying lands

3. Approp.
   Some premature preclusion devmt.; some dog in manger
   Kwh., srs. didn't need storage, jrs. too weak. Divides community.
   Is aggreg. vkalty.

4. P.U. interior
   [Inadequate capac. in ags., often, so individ. has poor timing altho utility has excellent rts.]
   ground wtr storage – use cheap wtr in lieu of price to discourage pumpg.

5. Empire bldrs.
   Like approp., preclusion, premature.
   (BR, Cl. I & II. Fund. weakness for black & white rigidities,

6. Price system
   Nodal prices serve as indices how much ~~water~~ worth to dev. new wtr.
   Flexible prices simul. solve problem of alloc'g quantity & vkalty. - they become one.
   Flexible prices esply useful guide decisions re storage. Storage is monthly seasonal, flexible price tells seasonal differential — & entire demand schedule.
   Also minimizes need for storage by Ag use when cheap, concentg when dem.... incentive to provide & use storage on farm, e.g.
   Re ground wtr, price = o.c. which may rep. future.
   Re resr. opn., means to choose between alternatives, all commensurable.

III. Allocative effic. and distrib. equity

Price system superior here bec no giveaways, of wh. No favored class.
Favors central lands, by low variable charge but compensates by heavy fixed charge.

Others not so good.

Rip. in same class w. entail, primogeniture, property an end not a means, belong on same scrapheap
small privileged class shd. control all privileges. Bfr. anyone but landholders
land. comp. sts.
App. at first appears diff., emphasis on use, but evolves into another privileged class.

P.u. uniformity principle, species of dist. eq., but primitive. Before med. of exch. etc.

Free choice missing? Not on persons, but lands. Creates more freedom than it disrupts: freedom of men to cooperate in community projects; freedom of flexibility & free choice of wh use; freedom that comes from using res. well, having wide choices.
free choice is a spareless concept. Nature has denied us free choice of moving lands about. (Ricardo)
Pol. feasible? I think so, but thanks goodness enjoined from discussing.

IV. Conclusion

Wh flows. Fixed prop. concepts obsolete. Some price system concepts obsolete.

Some principles never obsolete. Essentials of economizing. Trick of adapting to new conditions, seems to me, is sift things that obsolesce from those that don't.

---

3 clergymen & their vices.

My vice is talking whole hr. when asked for ½

How accomplish legally? Ad Lv. to lawyers — not going to be accused of practicing law w/o a license. Confident com. dr. Rip. evaluated, in Cal.: w constraint, to bear. use to reasonable use -- why not ec. use?

Distrib. nets are available to them on basis of location.

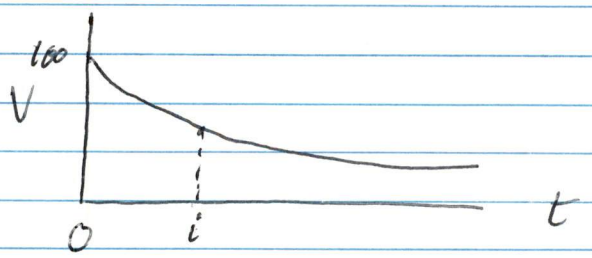
Ex. system gives individ no choice but carry fixed cost. If not explicit will become implicit. Ser capd in l.v. Explicit better.

Talk to D.C. assrs. pp. 642 are good

1. Differential Capitalization

A. Capn.

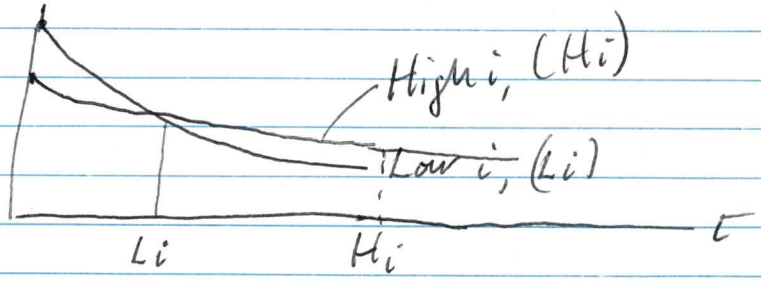
$$V = \frac{a - tV}{i} \; ; \; Vi + Vt = a \; ; \; V = \frac{a}{i+t}$$



B. Diffl. Capn.

Poor pay more. Regressive i

1. Constant a.



The values are halved when $t = i$, and for Hi that comes slower.

L and tax substs. t for i. No increase of burden. $CC = V(i+t) = \frac{a}{i+t}(i+t) = a$

2. Rising a.

$$V = \frac{a}{1+i} + \frac{a(1+g)}{(1+i)^2} + \frac{a(1+g)^2}{(1+i)^3} + \cdots + \frac{a(1+g)^\infty}{(1+i)^\infty}$$

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

Subtracting g adds leverage to regressive i.

Say $j > i$

Then $\frac{j-g}{i-g} > \frac{j}{i}$

E.g. $\frac{.08-.04}{.05-.04} = \frac{.04}{.01} > \frac{.08}{.05}$

So when land is rising, gravitates to strong hands.

$V_1 = \frac{a}{.01}$; $V_2 = \frac{a}{.04}$

Here, effect of tax is even more pronounced

$$V_n = V_0(1+g)^n$$

$$PVT = t\left[\frac{V_0}{1+i} + \frac{V_0(1+g)}{(1+i)^2} + \frac{V_0(1+g)^2}{(1+i)^3} + \cdots + \frac{V_0(1+g)^\infty}{(1+i)^\infty}\right] = tV_0 \frac{1}{1+i} \frac{1}{1 - \frac{1+g}{1+i}}$$

$$= \frac{tV_0}{i-g}$$

So after tax

$$V = \frac{a - tV}{i - g}$$

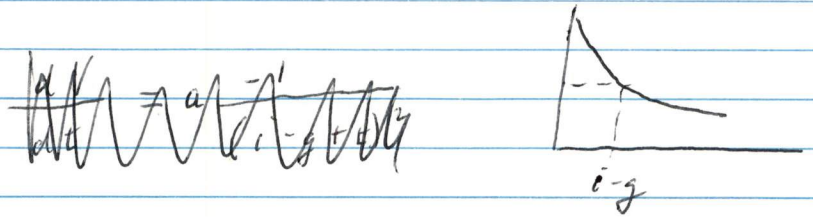
$$V(i - g + t) = a$$

$$V = \frac{a}{i - g + t}$$

Where g fortifies i differentials by leverage, t dilutes them by adding a constant.

Now, to cut V in half, only need for $t = i - g$.

So V becomes much more sensitive to t



And differential capn. works faster. Thus land taxes tend to cause strong hands to release land.

Bldg. taxes, g is neg. and it works the other way. $V = \frac{a}{i + g + t}$

Bldg. values are less sensitive to differential capn. g and t work together to dilute the effect of i on value.

2. How great a share of r.e. income do property taxes take?

Not much, at high i and high g.

If $g = 0$, inc $= a$, $V = \frac{a}{i + t}$

Owner gets $i \cdot V$

Public gets $t \cdot V$

Public share is $\frac{t}{i + t}$

If land is appreig, does public get higher share?

No. Taxes rise relative to ordinary income, but now there is accrual income, too.

If $g > 0$, $\Delta V = gV$, and that is an income to owner.

Proof $\quad V = \frac{a}{i-g}$

$$V_i = a + V_g$$

Then, to pay interest on V, V_g $(= \Delta V)$ must be regarded as income, current income in the present year.

So income is $\propto V$, even when V is high relative to ordinary income.

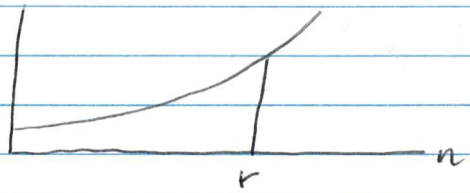
Prop. tax based on V thus takes a cut of ΔV, as well as a.

The public gets a share of ΔV. Public share remains $\frac{t}{t+i}$

Is even clearer when $a = 0$

$V_0 = V_r e^{-ir}$ (r = ~~Annual~~ ripeness date)

$\Delta V_n = V_n i$



How important? Data from Milwaukee.

I found:

a. Assr. said land was 23%

b. Correcting, using sales: assmt. ratio studies, would bring land up ~~around 40%~~ some.

c. Correcting using mapping technique, brings land up around 70%. The extra 30% or 40% is very rough index to increments, because mapping forces us to recognize spec. value in land now earning low income.

Assessors have guilty conscience about assessing rising land at market value. They shouldn't. It is a way of taxing accrued cap. gains, which is the most undertaxed form of inc. and the most taxed.

Taxes on bldgs.

a. If assume they lodge in i, then ~~income~~ income shared with i. At nat. level, partly true.

b. At local level, taxes have no effect on i.

So incidence lodges in l.v., Look on bldg. tax as asserting public equity in the site (& excepting interest) $\frac{B}{B+S}$

And if ~~$\frac{B}{B+S}$~~ is large, say .90, then bldg. taxes take a large share of land income.

$\frac{t(B+S)}{t(B+S)+iS} = \frac{t(B+S)}{(t+i)\cdot S + tB}$ ~~same~~ is now the share going to public,

— ~~prop~~ it $\propto \frac{B}{S}$.

— Public share of land income is over half on new bldgs.

— Owners avoid by lower $\frac{B}{S}$

If $B=0$, public share falls back to $\frac{t}{t+i}$

If land is appreig. & assr. undervalues by basing assmt. on only income alone, public share falls even lower.

~~E.g. if Haig. Simons inc. = $V_i = a + V_g$~~

~~but assd. value $A = \frac{a}{i}$~~

~~then public gets $t\frac{a}{i}$ and pvt. gets~~ out of total of V_i

3. Taxes and ripening.

Do ad val. taxes cause premature ripening?

a. Bldg. taxes cause postmature ripening.

$MPV = MPVR - MC$

b. Is doubtful if land tax causes premature ripening.

Argument for it is that $\frac{\Delta MPV}{MPV} = i + t$ now.

But that overlooks that land assmts. should continue to rise after bldg. is built, and this would punish a premature bldg., so MPV rises faster, offsetting t as a carrying cost.

Land taxes do ~~tax~~ pay loose land in strong hands, ~~but~~ by differential capn. but that is different.

4. Prop. tax is progressive.

a. Ownership more concd. than income.

- Data from my paper, p. 8
- Brodsky on D.C., p. 20
- D.C. could collect data this way, as Same City does.

b. Tax not shifted forward

1. Land is high share

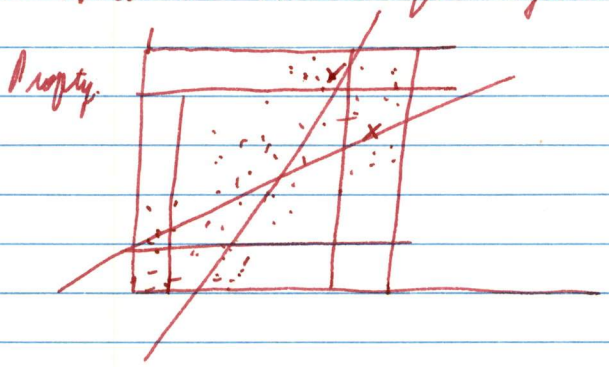
Land share rises w. value of holdings

Land share highest in commerce, where shifting assm. is what makes tax regressive.

Land taxes have positive effect on supply, by diffl. capn

2. Bldg. taxes shifted downward, more than forward.

c. Need to correct for regression fallacy



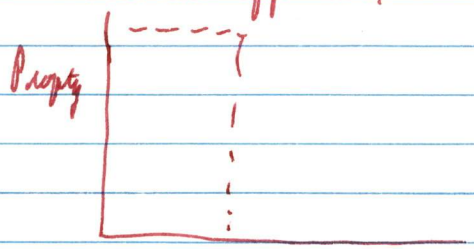
i. Narrow the scatter of points – Reid.

Steepens curve.

ii. Rank by property.

Tax becomes very progressive.

iii. Neutral approach. Cf. means of dispersion



d. Watch defns. of inc. & wealth.

Studies use AGI. Reagan Effect.

Property is paramount tax shelter

∴ yields income not realized.

Defs. of r.e. value.

Prop. taxes & rents. If they were, prop. tax might be regressive. But cap. value is the base. Rich have a time advantage in waiting for future inc.

$$V = \frac{a}{i - g}$$

Rich live in appreciating neighbds, cap. value is high relative to current rent or service flow.

So how to adapt value as base, make tax more progressive.

Workshop on LVT

I. Topics that need not be discussed.

A. Is it administrable?

B. Will it have any effects?

C. Hard calls. Think big.

D. Dogmatism – Fallacy of absurd over interpn.

II. E. "Bus.-as-usual": The new S.A. Again, think big.

A. Higher share from prop.
Avoid all taxes on upward mobility.

B. Higher share from land.

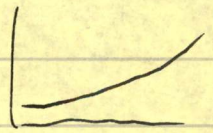
1. Land broadly construed
Pkg, radio, etc.

2. Capl. & cons. goods
When it serves to preempt common land.
Cig. taxes + eff/ment changes
Petrol

C. Capacity to serve vs. actual service
1. Net, not gross
2. Current, not future
3. Zoning (over + undergoing)
4. Can't + stick
5. Mkt. value includes imputed inc, + "g".

D. Succession premium

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

alternatively, 

E. Universality, uniformity
1. all uses (tacit) K can never be uniform
2. Nat. level

F. Frequent revaluation

G. Philosophic rationale
Not contractual thy.
Public value of land.
Productivity thy of distribn.
Compensate for exclusion from common rts.
- support govt.
- hire people
- produce goods

Rex Ahene

Franzsen - knows L. Harris

Rev. potential Vink. Water

High potential - but is already being taken.

Peter Meekin

Strasma

Valuation

1. Ban subdivision.
2. Privatize council houses.
3. Lower xctions cost.
   U.S. Fed. xfr tax, .1%.
   S. Afr. high xfr. costs. "conveyancing."
4. Charge for wtr.
5. " " airwaves.

43 Regional Service Councils.

$V = a \frac{1}{i+t}$ $\frac{V}{a} = \frac{1}{i+t}$

Jolen has 580 acs. in Ill.

Judge Tringo

Dennis Davis. Needs egalitarian taxes.

L. Loots

Van Blaak

Dunkley

Van Meeren

Create more wealth, rather than redistribute. Against.

Khoza (ANC land commission)

a. We are one country

b. Land claims: 3½ m. evictees. Want restitution.

c. Landless " "

d. Where does compensation come from? ANC favors compensation. Use land tax for this.

Ahene.