



Sabbatical Leave Plan

By Dr. Mason Gaffney

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Sabbatical Leave Plan, Mason Gaffney
Submitted 6 February 1998

a. History of project, etc.

An eleven-page outline of the book has been prepared, and is available for inspection.

I received financial support for one quarter of released time last year from the Robert Schalkenbach Foundation. Massive data have been assembled and organized, although more needs to be done.

I have published several papers on this topic over many years. Note that "this topic" comprises land and resource revenues from several sources. These include property taxation, severance and yield taxation, income taxation, and leasing and auctioning of public lands and other resources. The present project is the capstone of decades of research, consulting, editing, and testifying in this field.

Several unpublished papers are also included. These are to be used as "modules" in the proposed book.

The material, published and unpublished, is presented below in reverse chronological order.

1998 Six chapters in Harrison, Fred, (ed.) 1998, The Losses of Nations (London: Othila Press). This book is prepared for use by a committee of the House of Commons with which Harrison is in contact. The presentation is to be on Feb. 18, in the Council Room of the House of Commons. My chapters deal with the following:

- definition of land rent as a tax base;
- the Physiocratic Doctrine of tax incidence;
- false measures in common use that tend to sequester resource rents and values;
- the correlation of property tax levels and measures of well-being in 50 American states;
- an comprehensive inventory of natural resources (economic "land") other than the simple land surface evoked by casual usage;
- unrealized land-value increments as current income.

I expect to receive a copy of the book this month; meantime, my chapters are available for inspection.

1997. "What Price Water Marketing? California's New Frontier." Am. J. of Ecs. and Soc. 56(4):475-520, October. (Further develops thesis in 1992, "Taxable Capacity of Water.")

1997 "A Simple General Test for Tax Bias," 1997. Develops Physiocratic Doctrine of tax incidence in quantitative form, by

application of modern financial mathematics. Submitted to Land Economics.

1997 "Land Value as a Fraction of Real Estate Value, B.C. 1996." Analysis of data from B.C. Assessment Authority for entire province, showing land value to be 71% of the tax base in Vancouver, shading off to lower fractions in outer regions.

1997 "Who Owns Southern California?" Accepted for publication in Kenneth Wenzer (ed.), reprint of Henry George, Our Land and Land Policy (orig. 1871), as an epilogue bringing George's 1871 data on concentration up to date.

1996 "Land Rent in a Tax-free Society." An address before a Special Congress on Land Policy (i.e. privatizing land), The Duma, Moscow, 5/21/96. Dealt with the taxable capacity of natural resources (including minerals, timber, water licenses, fishing licenses, radio spectrum, landing rights, pollution easements, etc.) when these revenues are used in lieu of orthodox tax sources.

1995 "Property Tax Reform in the Big Picture." Paper Delivered at the Conference on Land, Wealth, and Poverty, The Jerome Levy Institute, November 3, 1995

1995 "*Privatizatsiya Zemli*" (Privatizing Land). In Tamara Chistyakova and Mason Gaffney (eds.), 1995. *Rossiskaya Zemelnaya Reforma: Zemlya y Sovstrennost* (Russian Land Reform: Land and Property). St. Petersburg: Ekograd. Pp. 4-27.

1994 "Land-value Gains and the Capital Gains Tax." Pp. 1-49. An analysis for income-tax loopholes for land income, ready for incorporation in present book.

1994 "Land as a Distinctive Factor of Production," 1994. In Nicolaus Tideman (ed.), *Land and Taxation*. London: Shephard-Walwyn (Publishers) Ltd., pp. 39-102 (constituting about 1/3 of the book). (Introduces concept of "land-consumption" as part of the base of a consumption tax.)

1994 "Identifying and Taxing Rents from Exhaustible Natural Resources." One of two papers presented at Workshop, The Jerome Levy Institute, October 24-25, 1994. Workshop theme: "*Public Revenue from Natural Resources and Environmental Use in Russia and the U.S.*" Dimitri A. Papadimitriou, Chair. (I also served as rapporteur.)

1994 "Leasing Public Lands for Oil and Gas Revenues under Capitalism and Socialism." Paper presented at *Workshop on Public Revenue from Natural Resources and Environmental Use in Russia and the United States*, (Dimitri Papadimitriou, Chair), The Jerome Levy Institute, October, 1994. (Russia was represented by Konstantin Gofman, Dmitri Lvov, and Yuri Bocharov; The Levy Inst. by Hyman Minsky, Anwar Sheikh, Dimitri Papadimitriou, and many

others.)

1994 "The Neoclassical Stratagem," 1994. In M. Gaffney and Fred Harrison (eds.), The Corruption of Economics. London: Shephard-Walwyn Publishing Co., pp. 29-164. My contribution is being translated into Russian by Dr. Tatyana Roskoshnaya as of December, 1997, with preface by Dmitri Lvov, Russian Academy of Sciences. Full book is being translated into Spanish under the auspices of Fernando Scornik Gerstein as of December, 1997.

(This work develops the thesis that academic economists have molded the discipline in specific ways that tend to understate the taxable capacity of land.)

1994 With Dmitri L'vov, Russian Academy of Sciences, *Strategicheskii kurs Vozrozhdeniya Rossii* (Strategic course for the Rebirth of Russia). *Otkritoye obrashtcheniye rossiiskikh zarubyezhnykh spetsialistov kakh prezidentu pravityelstrui Fedyeralnomy sobvaniio Rossii* (Open Statement of Russian and Foreign Specialists to the President, Government, and Federal Council of Russia.) **Nezavisimaya gazeta** (Independent Gazette), 6.06.94. ("One of the most widely read and respected of the serious newspapers." - Prof. Arch Getty). Also signed by the following Russians: Benjamin Sokolov, Konstantin Gofman, Vera Radina, Mark Klimenko, and Valentina Kapashkina.

1993 "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. [Originally an invited paper, "Land Reform through Fiscal Policy," at conference, A LAND TAX FOR THE NEW SOUTH AFRICA, 20 March 1992, presented by The Centre for Human Rights Studies, Faculty of Law, *Universiteit van Pretoria*.]

1993 "The Land Fraction of Real Estate Value in B.C." Analysis of data from B.C. Assessment Authority, showing correlation of land value fraction with total value of residential properties, by taxing jurisdiction.

1993 "Labor Productivity and Farm Intensity," 1993, pp.1-4. (Similar purpose as 1981, "Fortune's 500.")

1993 "The Taxable Capacity of Land," 1993. In Patricia Salkin (ed.), Land Value Taxation, Background Papers for a Conference sponsored by The Government Law Center of Albany Law School, The Senate Environmental Conservation Committee, and the New York State Division of Equalization and Assessment. Albany: The Government Law Center, pp. 59-82. (There is also a Proceedings, with discussion, that the Albany Law School published separately: Land Value Taxation, pp. 60-74).

1992 "The Taxable Surplus in Water Resources," 1992. Contemporary Policy Issues 10(4): 74-82, October. (Provides rationale and some data for a severance tax on water

withdrawals.)

1992 "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.

1992 Organizer, Chair and Discussant, Session on "Federal Tax Policy for the 1990s," Annual Meetings, American Economic Association, New Orleans, January 1992. (President William Vickrey, Alan Auerbach, and Joseph Minarik gave papers; Emil Sunley, Joseph Stiglitz and I were discussants.) Papers by Vickrey, Auerbach, and Minarik published in Annual Papers and Proceedings, pp. 257-73.

1991 "The Partiality of Indexing Capital Gains," 1991. Proceedings of the 83rd Annual Conference (1990) on Taxation, NTA-TIA, published Columbus, Ohio, September, 1991, pp. 49-53.

1991, rev. 1994 "The Decline of Ground Rent and Value-gains in the Base of Federal Income Taxation". This ms of 64 pages will be used in the present work.

1991 "Rent, Interest, Tax Rates, and Land Prices." Pp. 1-16. A paper delivered and discussed at The 19th International Conference, International Union for Incentive Taxation and Free Markets, Session on "Fiscal Policy and the Theory of Rent," London, 23 March 91.

1990 "Revenue Potential of Taxes on Coal." An address delivered at Conference, "Prospects for Appalachia," Charleston, WV, December 1990. Dialogue of ensuing conference published in Walter Rybeck (ed.), From Poverty to Prosperity by 2000, 1990. Kensington, MD: Center for Public Dialogue, pp. 6-60, passim.

1990 "Dissipating Land Rent." A paper presented at annual Meetings, Western Economics Association, San Diego, July 2, 1990.

1990 With William Vickrey and Nicolaus Tideman, an open letter to Premier Gorbachev on how to integrate privatization with tax policy for the restructured Soviet Union (or Russia, as it turned out). Signed by fifty professional economists, including four Nobel Laureates (Vickrey's award came later). 1990.

1990 "Indexing Capital Gains," 1990. Am. J. of Econs. and Sociology 49(4):399-400, October.

1990 "Rent, Taxation, Dissipation and Federalism," 1990, Paper delivered at annual meetings, Western Economics Association, 2 July, San Diego, pp. 1-10.

1990 "Land Gains and Taxation." Paper presented at 13th Annual Conference, Western Tax Association, San Diego, June 29, 1990. Pp. 1-15 + abstract.

1988 "Tapping Land Rents after Prop. 13." Western Tax Review (annual), 1988, pp. 1-55.

1988 "The Role of Ground Rent in Urban Decay and Revival." Invited Lecture, St. Johns' University, September 1988. Distinguished Papers No. 89F-1, November 1989, Business Research Institute, St. John's University. Pp. 1-15.

Republished and abridged as "How to Revive a Dying City." The Office of Real Estate Research Newsletter, University of Illinois, Fall 1989, pp. 1-7.

1987 "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.

1987 "Land Tax." In Eatwell, John; Peter Newman, and Murray Milgate (eds.) The New Palgrave Dictionary of Political Economy (London: The Macmillan Press, Ltd., 1987).

1985 "Megabucks for Negabucks: turning Treasury Leaks into Treasury Sources." Seminar led at Conference on Economics and Ecology, The Foundation for Basic Economic Education, San Diego State University, 20 April 1985.)

1985 "Why Research Farmland Ownership and Values?" In T.A. Majchrowitz and R.R. Almy (eds.) Property Tax Assessment. (Chicago: U.S.D.A., I.A.A.O., in cooperation with The Farm Foundation, 1985), pp. 91-109.

1985 "Land Gains, Fast Write-off, and Incentives to Build." Paper delivered at the 23d Annual Conference, The Committee on Taxation, Resources and Economic Development, Lincoln Institute of Land Policy, Cambridge, Mass., Sept. 1985. 22 pp.

1984 "Recent Changes in Canadian Fiscal Federalism," Paper presented at Annual Conference, Western Tax Association, Las Vegas, 1984. This was published later as "Revenue Sharing." Good Government, New South Wales, No. 867, December 1986, pp. 19-24.

1983 "Tax Exporting and the Commerce Clause." In Charles McLure and Peter Mieszkowski (eds.), Fiscal Federalism and the Taxation of Natural Resources. Lexington: Lexington Books, 1983, pp. 199-203.

1983 "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.

1982 "Two Centuries of Economic Thought on Taxation of Land Rents." In Richard Lindholm and Arthur Lynn, Jr., (eds.), Land Value Taxation in Thought and Practise. Madison: Univ. of Wisconsin Press, 1982, pp. 151-96.

1982 "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.

1982 "Oil and Gas: the Unfinished Tax Reform". Paper delivered at 20th Annual Conference of TRED, The Committee on Taxation, Resources and Economic Development, Cambridge, 1982. Pp. 1-54. (Documents the high untapped revenue potential in oil and gas.)

1981 "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.

1981 "Fortune's 500, Analysis of Rankings, with Implications for Tax Policy and the Understanding of Economies of Scale." 8 Pp., 1981.

(Develops data on asset value per worker, to evaluate thesis that taxes on property income might substitute for taxes on labor income.)

1981 "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. 15 pp.

1980 "Alternative Ways of Taxing Forests." In Will Knedlick (ed.), State Taxation of Forest and Land Resources. Cambridge: Lincoln Institute of Land Policy, 1980, pp. 5-16.

1979 "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.

1979 Land as a Fraction of All Wealth, Los Angeles County (Analysis of a Ph.D. dissertation by Wm. Trueheart, Claremont Graduate School, analyzing assessment rolls.)

1978 "Proposition 13: an Alternative Reform." The Center Magazine, Sta. Barbara, Nov./Dec. 1978, pp. 19-28. (Originally a paper, "Tax Limitation and its Alternatives," presented at a meeting of the Center for the Study of Democratic Institutions, Sta. Barbara, August 1978.

1978 "Fiscal Impact Analysis: Evolution and State of the Art." In William Dutton, Martha Hollis and Kenneth Kraemer, Fiscal Impact Budgeting Systems: a Technical Assessment, A Report to NSF, Division of Advanced Productivity Research and Technology, March 1978, Appendix A.

1978 Review of Henry Aaron, Who Pays the Property Tax?, in JEL XVI:131-33, March, 1978.

1978 "Intergovernmental Competition for Energy Revenues." NTA

Proceedings, 70th Annual Conference, Louisville, 1978.

1977 Oil and Gas Leasing Policy: Alternatives for Alaska in 1977.

A Report to The State of Alaska, Jay S. Hammond, Governor; Alaska Department of Natural Resources, Guy Martin, Commissioner; and Alaska State Legislature, Interim Committee on Oil and Gas Taxation and Leasing Policy. Juneau, 1977. Pp. i-ix, 1-132, plus Technical Appendices A-K, 8 of them by myself. Others by Michael Crommelin, Richard Norgaard, and Robert Rooney.

1977 "Effects of SCA 12 (Rodda)." Testimony, Committee on Revenue and Taxation, California State Senate, February 1977. (SCA 12 was a property tax measure sponsored by Senator Albert Rodda, Chair, Finance Committee, Senate of California.)

1977 Series Editor, 5 books on natural resource revenues published by UBC Press, 1975-77. An example is Anthony Scott (ed.), Natural Resource Revenues: a Test of Federalism. 1977. Vancouver: UBC Press

1977 "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.

1976-date "Rents and Land Values in Southern California, 1976-95." About 50 pages of primary data gathered, accumulated, sorted and reproduced for student use, continuously updated.

1976 "The Many Faces of Site-Value Taxation." Report of Proceedings, 27th Tax Conference, Canadian Tax Foundation, Quebec City, 1976, pp. 749-63.

1973 "In Praise of the Property Tax." The Washington Monthly, February 1973, pp.1-18

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

1973 "Taxation and the Functions of Urban Land Rent". AJES 32(1): 17-34 (January 1973).

1972 "What is Property Tax Reform?" AJES 31(2):139-52, April 1972. (Originally a paper presented at Conference on Property Tax Reform, December 12, 1970, sponsored by Public Interest Research Group, George Washington University, with Ralph Nader, Sen. Edmund Muskie, Gov. Milton Shapp, Mason Gaffney, Ferdinand Schoettle, Pierpont I. Prentice, and John Rackham. Gaffney paper published by Cong. Les Aspin in The Congressional Record, March 16 1972, pp. E 2672-75.)

1971 "The Property Tax is a Progressive Tax." Proceedings, NTA, 64th Annual Conference, Kansas City, 1971, pp. 408-26.

Republished in The Congressional Record, March 16, 1972, pp. E 2675-79 (Congr. Les Aspin.) Republished in Local Taxation (abridged), January 1972. Republished by Resources for the Future Inc., The Property Tax is a Progressive Tax, Reprint No. 104, October 1972.

1970 "Tax Treatment of Land Income". Economic Analysis and the Efficiency of Government. Hearings, U.S. Congress, Joint Economic Committee, Subcommittee on Efficiency in Government, Part 2, pp. 405-15. Washington: USGPO, 1970.

1970 "Adequacy of Land as a Tax Base" (1970), in Daniel Holland (ed.), The Assessment of Land Value (Madison: Univ. of Wisconsin Press, 1970), pp. 157-212. (Holland was Editor of The National Tax Journal then, and for some 30 years overall.)

1970 "Land Rent, Taxation and Public Policy". Papers of the Regional Science Association Volume 23, 1970. Pp. 141-53. (Abridged).

1969 "Land Planning and the Property Tax." JAIP 35(3):178-83 (May 1969). Republished in Richard Andrews (ed.) Urban Land Use Policy: the Central City. New York: The Free Press, 1972, pp. 253-59. Republished in M. Stegman (ed.), Housing and Economics, Cambridge: M.I.T. Press, 1970, pp. 186-97.

1969 "Use of Land Rent to Finance Minnesota Experimental City." A Report to The Directors, Minnesota Experimental City, July 1969. Pp. 1-28, + v.

1968 Consultant to Bruce Ricks on his "Economic Goals, Treasury Policy, and Real Estate Investments." This is based on my "Tax-induced Slow Turnover of Capital" and develops a theoretical foundation for the Ricks Report to the U.S. Treasury, "Real Estate Investment and Federal Tax Policy," 1968. [Ricks became Assistant Director of HHFA under Preston Martin, 1968-72.]

1968 "A Tax Tool for Meeting Urban Fiscal Crisis." AJES 29(3):253-58 (July 1968).

1967 Extractive Resources and Taxation (ed.) Madison: University of Wisconsin Press, 1967. Includes 79 pages of "Editorial Findings" plus Introduction to the volume and to each chapter, with summaries. Reviewed by Peter Pearse, CJE, 2-69; Peter Steiner JEL 6-69; F.P. Hall NRJ 1-69.

1965 "Soil Depletion and Land Rent." NRJ 4 (3):537-57 (January 1965).

(Deals with effect of property taxation on soil conservation.)

1965 "Applying Economic Controls to Conserve Air." Bulletin of the Atomic Scientists, June 1965, pp. 20-25. (This and the 1965 AAAS chapter are some of the earliest applied works on what are

now called "green taxes," although the concept goes back to A.C. Pigou, ca. 1925.)

1965 "Economic Analysis and Air Conservation." In Air Conservation, The Report of the Air Conservation Commission, A.A.A.S. Washington: A.A.A.S. Publication #80, 1965, pp. 281-304 (these pages are my part of a jointly-authored chapter).

b. Significance of project as contribution to knowledge, etc.

In 1920, 90% of local revenues in California came from the property tax, and 50% of State revenues. Since then the trend has been sharply downwards. There were two decades of modest revival, 1960-78, accompanied by a flurry of academic and research interest. The downturn that followed 1978 was accompanied by a loss of academic interest, so the topic has been relatively neglected since then, except as a postmortem case. Meantime the income tax, too, has evolved more and more so as to exclude property income from the base. Severance and yield taxes have fallen in relative importance. Revenues from the public domain in its various forms have not been aggressively pursued, either, except in a few states.

Meantime the value of this abandoned tax base has risen manyfold. It is timely, therefore, to survey and analyze its taxpaying capacity.

Among economists, the general posture is that taxes on land have many ideal qualities (and some not so ideal), but "there is no money in it," hence little interest. The present work tests the question, is there much potential money in it? The hypothesis is that yes, there is enough to meet a substantial fraction of our needs for public revenues. This entails, among other tasks, explaining why the national income and product accounts (NIPA) as published by the U.S. Department of Commerce contain such a low estimate of land rent. It entails analyzing studies of consumer budgets, that yield data grossly at odds with the NIPA. It entails analyzing property assessment data that give some breakdown between land and structures. It entails evaluating the "Physiocratic" Doctrine of tax incidence, which has it that to abate the kinds of taxes currently imposed would tend to raise the taxpaying capacity of land and resources per se, by an equal or greater amount. For an acronym, this is called the ATCOR thesis (All Taxes Come Out of Rent). All those tasks, and more, constitute a large chunk of work that needs to be done, and integrated with the work already finished.

The contributions to make are theoretical, practical and empirical. They entail defining land rent and addressing those theorists who question its clarity and its uniqueness. They entail theories of tax shifting, to evaluate the ATCOR thesis.

They entail practical questions of how best to define the tax base, and the appropriate "taxable events," to give the tax its allegedly ideal properties. They entail empirical questions of measuring rent and land values. They entail relating the present research to past work by myself and others, to integrate it with the extant professional lore.

c. Locations. The bulk of the work will be done in my office, the UCR library, and larger regional libraries within easy reach.

I contemplate one or more trips to Washington, D.C., to confer with personnel in Commerce, the Census, and the U.S.D.A. I will draw on previous work and contacts there made by myself, and by my co-worker Dr. Michael Hudson of New York. I will finance these trips either by myself, or with aid from the Robert Schalkenbach Foundation of New York, which has already put some funds into this work. I will use email to tap my extensive network of colleagues doing related work in the various states, Australia, South Africa, Great Britain, Argentina, New Zealand, Korea, Taiwan, Russia, Canada, and around the world.

d. I have received assurances from President Nicolaus Tideman of the Schalkenbach Foundation, and leading members of its key committees (Executive and Appropriations) that supplemental funds will be available as needed.

e. I expect no financial support other than that mentioned above. I will devote my full time to the research specified.