

Re: von Mises Institute on Henry George

Source: <http://sci.tech-archive.net/Archive/sci.econ/2004-08/1361.html>

royls_at_telus.net

Date: 08/24/04

Date: Tue, 24 Aug 2004 08:56:01 GMT

On Sat, 21 Aug 2004 06:27:34 GMT, Grinch <oldnasty@mindspring.com>
wrote:

>On Fri, 20 Aug 2004 21:54:35 -0400, "RueTheDay" <ruetheday@outgun.com>

>wrote:

>

>>"Grinch" <oldnasty@mindspring.com> wrote in message

>>news:katci0hpjcdbahm0nsf340chdq6rkl66rr@4ax.com...

>>> On Fri, 20 Aug 2004 17:21:39 -0400, "RueTheDay" <ruetheday@outgun.com>

>>> wrote:

>>>

>>>> "Grinch" <oldnasty@mindspring.com> wrote in message

>>>> news:c6mci0p1beu2qlnd2dln4dltec2f37c42i@4ax.com...

>>>>> On Fri, 20 Aug 2004 10:48:09 -0400, "RueTheDay" <ruetheday@outgun.com>

>>>>> wrote:

>>>>>

>>>>>> BUT NOW let us imagine a 100% profit tax is imposed on the seller on

>>>>>> all transactions, so no profit is possible.

At this point, I wonder if you even realize that a Georgist 100% tax on land rent is not a 100% tax on the proceeds or profits from land sales or rentals, but rather a periodic tax whose effect is to reduce market prices for land to zero. You are just not describing a tax that is analogous (or even very similar) to the Single Tax.

>>>>> Imagine, say, an auto dealer with a big inventory of new cars on the

>>>>> lot at the time a 100% tax on all profit from the sale or lease of

>>>>> cars is imposed.

A pseudo-Georgist tax would be on potential revenue, not profit.

>>>>> Now his profit motive to bring cars to market is gone. *poof*

>>>>>

>>>>>> Right. Cars have a production cost, land does not.

>>>>>

>>>>>> Cars *in inventory* have no production cost.

>>>>>

>>>>>> But they certainly have a carrying cost.

>

>Are you trying to imply that carrying cost forces the car dealer to
>put the cars on the market, and work to get their highest market
>price, in spite of the 100% tax on their sale????

Well, it's that or lose even more money.

>More like if he's incurring carrying cost every day and can't get any
>of that cost back from sales due to the 100% tax, he's got a growing
>incentive to abandon them, or if he must, sell them for the giveaway
>price of \$1, or "take what you can drive".

Right.

>That way he ends the carrying cost and also avoids incurring sale
>costs he can't recoup due to the 100% tax, right?
>So he does the best he can.
>
>And you imagine that is going to produce the same market price as if
>there was no 100% tax?

Of course not. But your claim was that it would yield no market price, a clear falsehood.

>>> The question is what happens to the market price of the cars in
>>> inventory?
>>
>>That depends on market demand and the rate at which they are deteriorating
>>in the parking lot.
>
>And whether or not they are actually **brought to market** in spite of
>the 100% tax specified on them eh?

They are all on the market anyway. Carrying cost, remember?

>Do you think the car dealer is going incur any costs to do that -- and
>to whip up the best market price for them -- for \$0 in return?

He has neither motive nor means to "whip up" prices -- fortunately.

>So if he doesn't, what's their market price going to be again?

Not much, whether he does or not.

>BTW, when the owner can get only \$0 from selling the cars after tax,
>how much do you figure their "deteriorating" in the parking lot really
>costs him?

Nothing, same as for land (the difference being that land doesn't actually deteriorate and become less useful, as cars do). But at some point, if he doesn't sell the cars, for \$0 or whatever, he's going to

have to pay to get rid of them.

>>> >> *Is he going to pay to advertise the cars to find those potential
>>> >> buyers and lessors to whom they are worth the most, and who would be
>>> >> willing to pay the highest price? Is he going to pay marketing costs
>>> >> for those cars? Is he going to make an effort haggling to get the
>>> >> price up?*

>>>

>>> *Answer please?*

>>

>>*Of course he is. He's racing against the clock as the cars are depreciating
>>on his lot.*

>

>*Let's make *very clear* what you have just said:*

>

>*1) The owner is going to seek out the buyers and lessors to whom the
>cars are worth the most, and who would be willing to pay the *highest
>price*, the *best market price*.*

No one's going to pay much anyway, because they know he needs to find somebody who wants a car.

>*2) He's going to incur a *loss* doing this because he must incur costs
>to get that highest price -- advertising, effort, time to find the
>best buyers (while the carrying cost runs), etc., -- but he can't
>recover those costs due to the 100% sales tax.*

Right. All he can do is avoid increasing his carrying cost by giving them away.

>*3) He makes all the effort and incurs the loss in #2 to avoid the loss
>that would result if he holds the cars while they depreciate on his
>lot.
> Except *no*, there is no depreciation, as noted above, so lets
>stick with carrying cost. He does #2 to avoid the carrying cost of the
>cars...*

Right. Depreciation doesn't really enter into it, as he would just as soon give the cars away as sell them and pay the tax.

>*4) Because he is so *stupid* that he doesn't realize he could avoid
>the losses in both #2 sales costs *and* the carrying costs by
>abandoning the cars or giving them for \$1 to anyone who would drive
>them off (or give him "trade" under the table).*

It's not stupidity, he just has no alternative. It's cheaper for him to give the cars away as fast as possible than to try to get any money for them.

>*THUS, the 100% tax on sales does not affect the actual market price at
>which the cars are sold,*

?? Huh? What are you talking about? It sends the price to near zero. Duh.

>being that the quantity of these cars is
>inelastic

Are you saying the dealer can't get any more, or fewer?

>and demand has not been changed by the tax.

No. Demand changes because buyers also know they cannot sell at a profit.

>And **this** is the logic of modern-day Georgism.

No, it's just your silly strawman.

>>> >> *Isn't it a little bit naive to think the *market price* of these cars*

>>> >> *will be unchanged? ;-*)

>>> >

>>> >*Of course it would be naive. The supply of cars is elastic.*

>>>

>>> *The supply of cars in the dealer's inventory is NOT elastic.*

>>

>>*You're creating an artificial restriction. If you really want to stretch,*

>>*you can say that any good, once it is produced, will be supply inelastic for*

>>*a discrete period of time (from the time it is produced until the time it is*

>>*fully depreciated) because its quantity will be fixed.*

>

>*An 1870s insight! Huzzah!!*

>

>*Yes, supply of everything is inelastic in some time frame. And every*

>*such thing collects rent just like land does, more or less, it's only*

>*a difference of degree.*

No. Elasticity of supply refers to the supply of equivalent things, not individual objects, because the elasticity of supply for each individual object is always zero: it exists, and no amount of money will buy another of the same thing. Even if the 10,000th widget off the assembly line is indistinguishable from the 9999th, there can only ever be one 10,000th one. Every product is a potential "collectible," like antique bottles their users just threw in the trash.

>*"quasi rent".*

Nope. That is just an attempt to broaden the definition of rent into meaninglessness.

>>*However, that is not*

>>*the true definition of supply elasticity.*

>

>Sure it is.

No, it is not.

>Time scale matters. You define it for a given purpose,
>there are quantitative results.

While elasticity is not the same on all time scales, it is meaningless to speak of it in relation to times so short that it is not possible for any willing seller to bring his wares to market.

>> If the market price of cars
>>jumped to \$1 million each, the dealer would find a way to procure more,...
>
>OK, OK, so lets for fun take something for which there is a truly
>inelastic supply and real functioning market.
>
>Say, 1850s US gold coins.
>
>Impose a 100% tax on all gain from the sale of them.

Again, this has nothing to do with Georgist land taxation, which is periodic, and the same whether the properties are sold or not.

>Quantity of them is unchanged, demand for them is unchanged,

No. Demand would certainly change as people knew they could make no speculative profit.

>they don't depreciate.

They can be destroyed.

>So you suppose that *thus* the numbers of reported sales of them in
>the market and the prices of such sales will be unchanged too??

Of course not.

>Do ya' think?

Frequently. You should try it.

>Or do you think there might suddenly be a lot fewer reported sales in
>the open market than before -- because, after all, sellers now have
>*a lot less* incentive to make such sales. Maybe coins will start
>changing hands in, oh, other ways... so their reported market prices
>and allocations of them will change? A wee bit?
>
>In spite of unchanged demand and unchanged quantity in existence?

Demand would change. People would stop hoarding them for speculation, and acquire them for use (don't ask me what use — coin jewelry? paper weights?). They would even melt them down, if gold could be sold at a profit.

>So if it happens to 1850s gold coins — totally inelastic in supply,

No, they can be lost, destroyed, etc. Land can't.

>not subject to depreciation, no change in demand due to the 100% tax

Wrong. Demand would change radically.

>— might a similar thing happen with land?

Nope. Land is needed for production to occur. The tax can't change that.

>Or will a 100% sales tax really have **no effect** on sales of such
>coins??

Are you actually claiming that Georgists claim the Single Tax would have no effect on land sales???

>>> > A tax on the seller does not alter the slope of the
>>> >supply curve, it shifts the supply curve upward by an amount equal to the
>>> >tax; the slope remains the same.

>>>

>>> Uh, oh, but we are not talking about "a tax on the seller", such as a
>>> percentage or dollar tax that merely shifts the curve. The tax reduces
>>> the price received by the seller to \$0.

>>

>>So what. That's a 100% tax on the seller. If it fell on the buyer, it
>>would shift the demand curve with the same end result.

>

>How does a specified revenue of \$0 per sale for the seller "fall on
>the buyer"?

>

>That's some kind of tax.

?? He said _if_. Anyway, a land tax always falls on the holder.

>>It would never

>>change the slope of either the supply or the demand curve. Just admit you
>>were wrong and move on.

>

>Wrong about what?

This, for one:

>Saying quantity produced for sale would be zero, as seen by how the
>demand curve crosses the vertical axis directly above the \$0, 0q point
>of origin? Since the only supply provided at \$0 is 0, so you look
>vertically straight up following 0 quantity.

Which is so hopelessly confused, even _I_ can't think of a way to
straighten it out.

>Which you **corrected** by saying no!, no!, properly derived curves will
>show quantity supplied where the demand curve crosses the y axis --
>which is vertically directly straight up above the \$0, 0q point of
>origin -- with the supply thus being zero.
>
>Well, ***I sit corrected**!!! :-)*

But still don't understand the correction...

>>> What is the slope of the supply curve when price is always \$0? The
>>> supply line never extends above \$0 price?
>>
>>You are conflating two different definitions of price here. The supply and
>>demand curve each show a quantity that will be supplied or demanded as a
>>function of price. The actual market price is where the supply and demand
>>curves intersect.
>
>In general...
>
>But we are talking about a special case where price is specified as
>\$0.

You seem to be changing the terms of your example. The price is not
necessarily the same as what the seller gets to keep.

>Which you use to construct a horizontal sloping curve running from
>price \$0 to price \$0?

?? Gobbledegook.

>>> How much is supplied at \$0?
>>
>>That is the first definition. The answer is 0. That has absolutely nothing
>>to do with the slope of the supply curve.
>
>The fact that supply is **zero** at the **only** price allowed has
>absolutely nothing to do with the shape of the supply curve.

It's not the only price allowed. It's the only after-tax revenue
allowed.

>Fine! I'm happy with that. I know what you are driving at and
>whatever, it doesn't matter, because we **agree** on the intercept --

>vertically over \$0,0, -- and we *agree* on the result: supply is zero.

Nope.

>Your "correction" confirmed exactly what I said on both points,

>thank you very much!

>

>So... auto inventory, 1850s gold coins, land leases, whatever -- with

>\$0 returns specified to the sellers, they are going to provide "zero

>supply" of costly effort to maximize prices they receive from market

>sales, to discover true market prices.

>

>So they won't find the true market prices.

That's OK. The true market prices will find them.

>And prices and rents and allocations won't change??

All will change, given time. But in the short term, rents won't.

>>Of course, in the case of land, the supply curve is a vertical line. It

>>intersects the X axis at whatever the quantity of land is. That number is

>>fixed and does not vary based upon the price or anything else.

>

>Right, the quantity of land doesn't change. Duh. Who cares?

You don't care about any facts, that's obvious.

>But the allocation of land sure will change.

>

>Because the 100% tax eliminates all return on efforts by sellers to

>find market prices for sales and leases. So they will supply zero

>quantity of such effort, as we agree from that y intercept!

>

>They won't try to find market prices, so there *won't be* any

A ridiculous lie, but at least one immediately admitted as such:

>-- well,

>not any corresponding at all to the prices that would exist if they

>*did* make such effort, as they do in our world. QED.

ROTFL!!

>So Rothbard was right.

Willful stupidity. He was utterly, embarrassingly wrong, as I have proved before.

>As noted elsewhere, with your "100% of rent goes to the tax agent"

>proposal the one party who has *all* the incentive to maximize rents

>*is the tax agent.*

The community. Which after all creates the rent.

>*So the government will be auctioning off land for revenue, trying to
>maximize same, and there will be no private ownership of land at all.
>Land will have \$0 sale value so nobody will have any equity in it, and
>nobody but the tax man will have any interest in finding good paying
>tenants for it.*

<yawn> Last time you rented a place, did the landlord look for you,
or did you look for a place?

>*It is a nationalization proposal. Just drop the fiction that "private
>land owners" have anything to do with it, admit that the idea is
>"nationalize and auction",*

Oh, I think that can be admitted. What was wrongly privatized can be
rightly deprivatized. Too bad you can't admit that auctions generate
market prices....

>*and we can be friends. ;-)*

Don't get ideas above your station. Nobody will ever be your friend.

>>*Wrong again. You are in effect arguing that a tax on land would result in
>>the quantity of land decreasing to zero.
>
>Oh, don't be dim.*

Mirror time.

>*How would a huge, confiscatory tax on rents ever affect the quantity
>of physical land?
>
>It would just hammer the pricing system of land and its resulting
>allocation of land. Obviously.*

Sure. Same as emancipation "hammered" the pricing system of slaves
and the allocation of their labor.

Obviously.

-- Roy L