

Re: 'Waterhole' and land rents

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- *From:* S. Doo <none@xxxxxxxxxxxxx>
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On Sat, 20 Jan 2007 02:13:22 GMT, "Dan in Philly" <djr8@xxxxxxx> wrote:

""Peter Bjørn Perlsø"" wrote in message ...

Taxes affect incentives. Higher tax usually means less incentive to make a transaction, but not that the incentive is eliminated.

The original idea was to compare intelligence with land, and taxing them. With land, you can tax it up to 100% (assuming people can't disguise 10 acres to look like 9 acres) without affecting real output. Now consider a person who earns lots of \$\$ thanks to his intelligence.

Well, brains by themselves don't buy a high income for anyone, they have to be used to exercise a scarce skill. If it's not scarce then there'll be no high income, high-IQ taxi drivers don't make any more money than the others.

And attaining a valuable scarce skill usually means first making a costly investment in education.

Then to earn the income using the skill, one usually has to actually work on a continuing basis, exerting a good deal more effort than a guy sitting by a waterhole doling out water that presents itself for free.

If you tax away the 'extra' \$\$ that arises from his brains, he will have less take-home pay. But will he quit his nice, cushy desk job? I doubt it.

It's an interesting presumption that the highly-skilled, highly-paid have nice cushy jobs. ;-)

Re: 'Waterhole' and land rents

Well, those that do I imagine would, after a big tax hike, moan and gripe but keep on at them as you say.

But then you have the ones working 70 hours a week to reach the huge bucks at the top of their fields — once those bucks are taxed away, they may well say to hell with it all and go get an easy-life college teaching job where they can hit on the co-eds and make up for the lost years of their social life.

And then you'll have the ones with big fixed personal expenses — like sending four kids to college — that won't fall when their income gets tax/slashed away. They may actually wind up working longer hours and more years to make ends meet.

So the immediate effect of a big tax increase on the pool of high-skilled, high-paid is indeterminate: some will keep working as before, some will work less, some may work more.

But the long-term effect of slashing the wage differential between the high-skilled and low-skilled via taxes is very clear: there are going to be a whole lot fewer high-IQ people forgoing years of earnings and spending like \$100k on top of it to get the education and skills needed for a high-skill job that pays little more than a low-skill one that doesn't have any of that cost. After all, they're not stupid! So in the next generation the ranks of the high-IQ, high-skilled will be decimated, and the ranks of the high-IQ, low-skilled will surge.

NYC taxi drivers may become English-speaking native-born US citizens who carry on much more erudite conversations.

But if 20 years from now you need a brain surgeon, you may be praying to be able to reach that one who came in on a work visa from India...

Dan in Philly