Catalog number: 02-00-45 Side B Pt. 2

Form and Function of a Fiscal Policy for the Future Alaska Netzer and Ylvisaker Side B Part 2

Summary created by: Jacob Metoxen

Date of creation of summary: 3/28/13, 3/29/13

Notes:

Ylvisaker is discussing a woman from Smith going into her senior year doing an internship. He says Mendenhall [No first name] provided the female intern with a half year off campus with full credit and she worked with Ylvisaker. He says he has two MIT planners doing responsible work. Ylvisaker says that the more important the institution, the harder it is to get them to bend. He says the aim is to establish and legitimize roles. They don't want to surrender to one institution. He says in the Native community, you begin to set rules for achievers. He says that "Black kids in the ghettos strive to be like them [Black men]." He says when you put up legitimate roles; you take upon a whole trail of youngsters behind you. He says he is sure that a lot of Natives, like "Blacks and Puerto Ricans", are going into the service. Ylvisaker says that they come back after learning about the world and become an irritant or yeast in the community. Ylvisaker says the military experience is not a good way to expose "some of these communities to the outside because they're coming back bitter about many of their experiences and what they have run in to." He says they are lost as a group [minority veterans]. He says the people Alaska invests in are going to pay off immediately. He gives examples of young people he has worked with in New Jersey. Cliff Goldman, 26, is on Ylvisaker's staff. Cliff is out of the Jewish community in New Jersey. He attended Rutgers. Cliff almost singlehandedly got the Meadowlands legislation through the legislature by doing staff work that talked to the legislature interests. On Friday night he spent the weekend with individual legislatures. Cliff is now responsible for this $3 billion dollar enterprise. Cliff has David Lilienthawl [?] working for him, he has Zurn [?] Industries working for him, he has tony Downs of the Chicago Real Estate Research Corporation working for him, he has Dick Babcock working for him. He says Cliff has a captain and crew out of Westpoint who are analyzing the underworld syndicate as it affects our credit and garbage operations.

At 7:25 Ylvisaker discusses U.S. Steele proposals. He discusses Tom Cecil. He is a Princeton Woodrow Wilson graduate. He went up to the Poverty Program in New Haven Connecticut and became assistant director. In 6 months Tom Cecil learned the business and is one of the top housing experts in the country. He tells a story about Tom's bargaining skills. Jim Alloway [James], head of the division of local finance, is discussed. Don McNaughton, president of Prudential Life, is also discussed and Ylvisaker tells stories about McNaughton. Julius Williams, an African American Yale Law graduate, is discussed at 13:30. Bill Brennan, the son of a Supreme Court Justice, is discussed. Attorney General of New Jersey Mitchell is discussed.

16:30 Ylvisaker says that all he can do is recommend the kids that he has worked with and steps away from the microphone. There is clapping.

At 16:45 Netzer begins discussing how systems are not neutral. Netzer says there are only three types of revenue measures that come close to satisfying a standard. One is the taxation of personal incomes. He discusses how Alaska has a high state income tax and it is good in the sense that the yield grows rapidly as the economy grows. Netzer says with state income tax, if you try to "sock" the rich very hard, what you do is offset federal tax liability. He says the state income tax is deductible against federal income tax. He says taxing the rich isn't going to solve any of the disparities between classes. He says what Alaska has to worry about is how to tax the poor. He says another tax that meets the concept of neutrality would be the taxation of land values. He says the taxation of land values is neutral in comparison of having no tax at all. He says a tax on land in no way raises the cost of a structure or the business. The tax is for the land owner only; it can't be shifted for higher prices. Netzer says of all economic groups in the United States, land owners are the closest to "economic man" as there is because they are very effective "maximizers" of their economic chances. He says if the land tax doesn't change, the most advantageous use of sites and doesn't raise cost then it is neutral but it has a special character in that the land owners must raise money to pay the taxes. Because of this, there is a short term pressure to use land more effectively and prevents buying land for speculative use. Netzer says non-urban land can be protected by tenure rules, provisions, leases, and transfers. He says the point to be emphasized is the importance of land use. He says Alaska has to recognize that an urban area has two things as its stock and trade: talented people and its land surface. The future of a place depends on how those two resources are deployed. He says despite the vast size of Alaska, the cities can be indifferent as to effective use of land. Low taxes on land go with low density development or urban sprawl. He says in Alaska there are lower taxes on urban land along with higher taxes on buildings. He says for the state of Alaska as a whole, residential property was assessed at about 86% of market value, vacant lots about 66% market value, and acreage in lot terms at about 50% market value. He says it is a fairly common thing that land values are taxed more heavily than building values in English speaking countries. He says a third element of taxation, or revenue raising, which is neutral is charges for service. The user charge no more affects consumption or location. Netzer says people don't buy bread or any service if they don't think it is worth the price. The essence is that voluntary exchange takes place only if it is mutually beneficial for the buyers and sellers. He discusses raising money on natural resources and makes comparison to land taxation. He says housing tax is not done through sale tax, but through property tax. He estimates that there is a 15% sales tax on current expenditure for housing. He says nothing like liquor, tobacco, and gasoline have anything like these massive taxes. He says he can't believe that if Alaska was starting over again to construct the tax system that people would ever have a system in which there is anything like the exceedingly heavy taxation on housing. He says people would say that housing should be subject to extra light taxes if people could do it over again. He says if you tax housing heavily, people spend less on housing.

At 44:44 he begins discussing fiscal strategy for state and local governments. He says one would allocate responsibility between state and local units on the basis of geographic spillovers, that is how if an activity has statewide consequences you would assign it to the state and if the activity has localize consequences you assign it to the particular area. He says if you look at the Alaska situation there are a lot of public services that don't have geographic spillovers because of the distance between population centers. Another issue on deciding what government should do it is what level of government in which entrepreneur energies should be applied. He says this differs over time and in different places. He says it was clear in Paul Ylvisaker's presentation that there is no question that in the state of New Jersey the state government level has been the place to apply entrepreneur energy to get things done. He says he suspects in Alaska there isn't a lot of need for state government action. Reading the draft by Dick fisher, he thinks that there is a case for self-financing urban local government to deal with distinctive urban type services. He says he goes back to the highway case in George roger's book. He says if there was a highway program consisting of improvement of highway facilities in the Anchorage area, there would be no argument with the program if there was a local government jurisdiction planned to raise and spend money at that time. What was inappropriate was a state as a whole to be financing something that was an amenity for residents in the Anchorage area. He says Alaska could have a big local revenue sharing scheme from oil but he doesn't see that as a first priority especially if the local responsibilities are focused on urban type services. He says he is going to close by sharing his thoughts on not allowing the people to drift and make mistakes others have like heavy taxes on housing. He says in states like New Jersey and New York, the housing tax is like 35% which is a massive distortion of housing decision. He says high housing taxes impedes any effort to do anything about housing problems that involve governmental action. He said he would also repeat the warning of "socking it to businesses." He says in dealing with the inter-structural governmental system, he would not only worry about the state government's leadership but Netzer would also worry about allowing Alaska to drift in which a local government gets very ossified and gets inflexible. He says he also worries about fragmentation in urban areas. He says thank you and the recording stops.