

## Why I'm Voting "No" on Propositions

By Fred E. Foldvary

On Election Day many voters will be voting on propositions for taxing and spending, aside from candidates for office. There are proposals to increase taxes, or issue bonds to be paid for later by taxes, in order to provide more schooling, libraries, transit, and parks.

The supporters of this spending are bombarding the media with ads touting the great things these propositions will provide. They show TV ads showing children gleefully playing and smiling, so eager to get the new class rooms and more teachers.

The ads show the sparkling river teeming with fish that could be endangered if the bond measure does not pass. They show the clogged highways that would be decongested if only the tax measure passes. They show libraries with shelves empty if the funding is not approved. They show sad little girls and boys who have no park to play in. How heartless of taxpayers who would deny them this!

Supporters tout benefits, but they don't mention the full cost. Oh, they might say that this is only a quarter percent increase in the sales tax, you'll hardly notice such a tiny price to pay for the great benefit. Usually they don't mention any cost at all.

But behind the benefits of more school buildings, more roads, and bigger libraries, lurk costs that are hidden but deadly. The tax money to be paid by government is only one cost. The social cost imposed on society, beyond the tax money paid, is never mentioned. Economists call this cost an excess burden, because it is a loss of social welfare and well being beyond the taxes extracted.

Some of the loss comes from the costs of collecting the taxes, including both the bureaucracy required to administer the tax and the cost to enterprises and taxpayers in keeping records and filling out forms. The rest of the excess burden comes from the reduction in the quantity of goods because the tax has increased the price. This distorts market prices and profits.

When a sales tax raises the price and reduces the quantity, the resources used to produce the good no longer go to the uses that folks most highly value. There is a reduction in social efficiency and productivity. And that loss is huge. Economists have measured the excess burden just of US federal taxes as over \$1 trillion per year. State and local taxes add another trillion. So in the USA we suffer a loss of over a fifth of all production just in the loss of social welfare caused by taxation.

This social loss is totally unnecessary. There is no excess burden when pollution or land rent is taxed. Land is fixed in supply, so there is no loss in the quantity of land when rent is taxed, and reducing pollution is a social good. These wonderful schools could either be paid for by private tuition or by a tax on land rent instead of taxing wages and goods.

Indeed, when wages and goods are used to pay for parks and transit, they impose a triple cost on the public.

- The first cost is the tax.
- The second cost is the excess burden of the tax.
- The third cost is the increase in rent and land prices that the public has to pay for the use of the affected territory.

When rent is used to pay for these great parks, streets, schools, policing, transit, and recreation, there is only one cost: rent. The rent payment is offset by the greater benefit if the civic good is really wanted. With payments based on rent, the two other costs don't arise. There is no excess burden, and no extra tax.

The advocates of ever more civic goods never mention the excess burden and the alternative of avoiding the burden by using rent. They deliberately create fiscal illusion, fooling the public by not revealing the full and total tax costs.

That's why I'm voting no on many bond and tax measures. I do want the streets and recreation and libraries, but I don't want to add to the already monstrous excess burden and wasted resources. I say to those asking the public to pass these propositions: go back to the drawing board and make them funded from land rent. Until you do that, I vote "no" on your propositions.