1. Fish Chapter 3: Voting

- Lindahl diagram again (Figure 3.1)
- Majority voting
  - Median voter rule
  - Single-peaked preferences
  - Negative-sloped demand curve indicates that holds (Figure 3.2)

2. Fish Chapter 4: Demand for State and Local Government Services

- Price and income elasticities
  - % Change in qty demanded of gov’t service given one % change in tax price (or income)

- Individual budget constraint
  1. \( Y_i = C_i + t_i(T) \)
  - \( Y_i \) = income of person \( i \)
  - \( C_i \) = private consumption spending of person \( i \)
  - \( t_i \) = tax share of person \( i \)
  - \( T \) = total taxes collected by person \( i \)’s government

- Budget for government constraint
  2. \( E = T + G \)
  - \( E \) = total government spending
  - \( G \) = lump-sum grants received by government

- Maximization Problem
  Solve (2) for \( T \) and substitute into (1)
  3. \( Y_i = C_i + t_i(E) - t_i(G) \)
  - \( t \) depends on tax structure
  - If only property taxes then:
    4. \( t_i = \left( \frac{V_i}{V} \right) (1-S_i) \)
    - \( V_i \) = taxable property value of person \( i \)
    - \( V \) = total taxable property value in jurisdiction
    - \( S_i \) = fraction of person \( i \)’s property taxes offset by deductions

- Substitute (4) into (3) for overall budget constraint
  5. \( Y_i = C_i + \left( \left( \left( \frac{V_i}{V} \right) (1-S_i) \right) \right) - \left( \left( \left( \frac{V_i}{V} \right) (1-S_i) \right) G \right) \)

- Problem considered by economists
Consumer chooses to split Y between C and t(T)
Subject to budget constraint (5)
Who decides per-capita expenditure for entire jurisdiction?
   Median voter
   Reasonable assumptions allow median voter to have median income and median property value

- Regression analysis
  Per-capita gov’t expenditure = f(median income, median tax price, proxies for taste differences, proxies for cost differences, etc.)
  Data gathered from a sample of jurisdictions
  Table 4.3 offers example of “classic” result

- See Table 4.1 for representative elasticities
  Price elasticity of total expenditure: -0.25 to -0.50
  Income elasticity of total expenditure: 0.6 to 0.8

3. Huber: Direct Democracy

- CA Governor Hiram Johnson (1911-1917)
  Father of direct democracy
  “Progressive politician”

- CA Constitution allows for
  Recall
  Referendum
  Direct Initiative

- Referendum
  By petition
  Suspend the implementation of law passed by Legislature 25/39 times
  Compulsory
  Voters approve a legislative approved constitutional amendment
  Over 180 on ballot
  Upcoming Props 55, 57, and 58

- Direct Initiative
  Voter signatures to place an issue on ballot

4. Huber: Interest Groups

- Any group having a common interest that attempts to persuade others
  Trade associations
  Demographic
Single issues

- Lobbyist
  “Schmooze”
  Crowd lobbying

- Political parties

- “Political reform and campaign laws

5. **Bru 1: Introduction**

- Where will local U.S. governments get the money?

- Review of what included in book
  Benefits of localism
  Political and economic constraints on localism
  Logic of the property tax
  Good tax under siege
  No alternatives to taxing property
  Raising local revenue in modern economy
  Solutions

6. **LAO: Analysis of Propositions**

- Proposition 56
  State budget, related taxes, and reserve voting requirements

- Proposition 57
  Economic Recovery Act

- Proposition 58
  Balanced Budget Act

7. **Homework Due the Start of Meeting 6**

- Read material under meeting six in the syllabus; come prepared to discuss. The go to person on covered chapters are listed below:

  Fish 5 – Jackson
  Fish 6 – Aguirre
  Hub 9 – Legarra
  Bru 2 – Robillard
  Wassmer pp. 1 - 14 – Schneider
  Wassmer pp. 15 - 29 – Wilson
• A well developed question from reading assignment for week six.

• Provide typed and double-spaced answers to questions at the back of chapters in Fisher’s text: Chapter 3 (Question 2) and Chapter 4 (Question 2).