TOWER TALK

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Review & Preview

There are three eternal verities: death, taxes, and San Francisco street repair. The March Tower Talk featured two articles dealing with death, separate submissions and moving pieces by Richard Wilmington and Peter Hertzmann. Each received plentiful reader praise. This Tower Talk issue takes up the second inevitability, taxes. The May issue will deal with San Francisco Street repair.

Be sure to view Sugar Caen's inartistic accomplishment, a special April 1 poster displayed on the second floor art gallery.

Opinion: Elites Using College Admissions Scams—"Lock'em Up"

James W. Guthrie

I have been a lifelong academic. I have been a tenured full professor, held endowed chairs, been a department chair and a dean at the University of California Berkeley, Vanderbilt University and now I am honored to be a Presidential Scholar at Lynn University in Boca Raton, Florida. I have undertaken postdoctoral study at Harvard and Oxford. I hold honorary faculty appointments at Peking University and the University of South China. I understand fully that academia is imperfect and from time to time there are embarrassing and unacceptable irregularities.

As a Stanford undergraduate, I sat in several classes next to one of Bing Crosby's sons. He had no reason to have been admitted other than his father's handsome financial contribution to the construction of a new campus chemistry building. A part of me, a small part, felt sorry for him. He was a target of derision by many other students who understood fully that without his father's generous intervention, he never would have been in our classes. However, my compassion did not extend too far. We all knew he was destined for an undeserved life of luxury stemming from his famous father's bountiful estate.

The fact that admissions have been unfair in the past, however, does not excuse what's taking place in the present. I have a granddaughter of whom I am enormously proud. She earned A's and graduated with honors from intensely competitive Palo Alto High School. She performed semester after semester of unselfish community service. I thought assuredly she was eligible for admission to Stanford. Now, I find that she may have been displaced by the offspring of a celebrity who probably did not know starboard from Starbucks or bow from stern but whose child was admitted on a phony sailing team scholarship. What utter and unscrupulous nonsense. Stanford fired the coach involved. But that is insufficient.

The FBI is to be congratulated for the quiet and effective manner in which it has conducted this sting operation. Parents found guilty of fraudulently manipulating admissions, making "charitable" donations to phony foundations in behalf of their children, and assuredly violating tax laws, should be jailed. Where the student himself or herself was actively and consciously involved, he or she should immediately be kicked out of school. Celebrity and wealthy elite's offspring already are advantaged by virtue of their parents' privileged positions in society. And, when that was insufficient, they and their parents cheated. These cheaters are from a class that has the audacity to pontificate about their politics and flaunt their lifestyles. As "deplorables," until now, our only recourse was Adam Smith's "Invisible Hand," avoiding their performances. Now, we have another weapon, the law. "Lock'em up."

Taxes

James W. Guthrie

April is typically federal tax time. One hopes that Tower Talk readers enjoy living in California, and in San Francisco particularly. We are paying handsomely for the privilege. Ours is the first or second most expensive cost-of-living city in the USA, and California is the fourth most highly taxed state. (The "2017 Tax Cuts and Jobs Act" imposes a ceiling on previously unlimited federal deductions for individual's state and local tax

payments. This provision impacts residents in high taxing states.) The following displays of the five highest and five lowest taxing states are interesting. These calculations provide state-by-state mean per resident state income, sales, and property taxes as a percent of mean per resident income. Local sales taxes and other taxes (e.g., auto registration) are included in the calculation but not displayed. Also, note that the effective tax rate for the lowest taxing state, Alaska, is half that of the highest taxing state, New York. Note also that Alaskan per capita income is close to California and exceeds Illinois. However, Alaska's unusually high costs-of-living is not used to discount the state's high personal income.

Individual State Per Capita Tax Comparisons*					
State Rank	State Income Tax	State Sales Tax	Local Property Tax	Per Capita Income	Taxes as % of Income
1 NY	$2,343	$682	$2,697	$64,540	12.7
2 CT	$2,106	$1,046	$2,847	$71,823	12.6
3 NJ	$1,488	$1,032	$3,774	$64,537	12.2
4 CA	$2,055	$997	$1,451	$59,796	11.0
5 IL	$1,076	$707	$2,087	$54,203	11.0
…	…	…	…	…	…
46 LA	$612	$680	$869	$43,660	7.6
47 TN	$49	$1,054	$863	$45,517	7.3
48 WY	–	–	$2.347	$57,346	7.15
49 SD	–	–	$1,381	$48,818	7.1
50 AL	–	–	$2,001	$57,179	6.5

Proposed: Pax COVIA, Is Domestic Détente Doable?

James W. Guthrie

At the height of the British Empire, Pax Britannica prevailed. This broad geopolitical and economic agreement assured other nations, particularly England's trading partners, that their merchant ships would be safe on the open sea, protected by the then unparalleled British Navy. In exchange for this guaranteed protection, all parties forwent warfare with continental neighbors and engaged in free trade with England. These arrangements, some formally documented with treaties, some informal, prevailed for a century, until the beginning of World War I. War was not eliminated, but the larger powers were at peace for almost a century. This extended tranquility facilitated an era of unmatched European accord, scientific and technical creativity, and economic wellbeing. Virtually every nation in the western world benefited

Now, thinking on a far smaller scale, would not we as SFT residents benefit from a Pax Covia, a period of renewed trust and extended domestic harmony resulting from the commutation of a number of currently fractious management issues. Would it not be comforting if public meetings with COVIA officials were routinely characterized by mutual regard and reciprocal trust rather than palpable tension? It would be refreshing for SFT critics of COVIA to feel they could de-escalate their rhetoric and regard central management officials as trusted partners rather than self-serving opponents

Hence, I propose three actions COVIA officials can take that would initiate a new period of peace between SFT residents and their management leaders. The following three actions would result in renewed reciprocal trust. In exchange for residents exhibiting increased personal respect of management, more tempered rhetoric, reduced civil disobedience, and greater civic cooperation, COVIA's central leadership would agree to:

> *Take action out of court to resolve all legal issues embedded in the Bishop v COVIA judicial appeal and return managerial and governance arrangements to the ex ante condition of Episcopal Church participation.*

COVIA management's 2016 unilateral separation from the Episcopal Church was a wrenching and surprising action for many SFT residents. Even if not an Episcopalian, many among us looked to officials of a charitable religious organization as a moral shield offering protection from perils

*Adapted from the March 5, 2019, *Wall Street Journal*.

otherwise frequently observed among for-profit senior centers. This abrupt and unexpected breach with the church triggered a protesting petition signed by half of SFT's residents. The California Episcopal Bishop quickly took the issue to court. A protracted trial resulted in substantial, but incomplete, restoration of the Bishop's authority. The Bishop appealed the trial court decision hoping for a full return of the ex ante condition. The appellate court is likely to enter a decision later in 2019 or early in 2020.* Meanwhile, the Church has spent millions of dollars that could have been devoted to more worthy causes, and residents have been billed millions of dollars to cover COVIA legal costs that could have been better spent. More important than money, however, has been the legacy of deep distrust triggered by COVIA's unexplained and unjustified unilateral action.

Forgo management's present private sector expansionist mindset and concentrate on improving COVIA's competitive market position by getting better, not bigger: COVIA's central managers are correct in considering the likely senior sector residence future will be additionally competitive. Expanding numbers of retirees in the overall population assuredly will bring more senior centers to the market. However, COVIA's obsession for countering competition through expansion is flawed. Adding more COVIA senior centers will not overcome competition. Expansion will only justify managers' higher remuneration. Deploying tens of millions of dollars to renovate Los Gatos Meadows is a good example of management's flawed mindset. It is a poor location and has run a financial deficit for years. Tearing it down and rebuilding will not render it a better site. The answer to competition is to get better, not bigger. SFT is getting shabby, infrastructure is aging, amenities are outmoded (e.g., fitness center is too small, elevators are increasingly unreliable, and we would benefit from a bistro).

Render annual fee calculation transparent and stable: COVIA should commit to an annual fee ceiling. Except in instances of unanticipated catastrophe, annual fee increases should not exceed the Consumer Price Index plus 1%.

Residents would greatly benefit from predictability. The Federal Reserve sets 2% inflation as one of the Central Bank's annual economic targets. Not-for-profit operations, such as SFT, are labor intensive and typically have annual costs exceeding the 2% inflation target. Therefore, for most years, an approximate 3% annual fee increase is reasonable. At this rate, fees would double in 20 years, and residents could take this into account in planning their retirement finances. In the event of unanticipated deleterious circumstances, fees might need to be raised at a higher rate, but the burden of the argument would be a management obligation. Announcing and adhering to a 3% annual ceiling would ensure transparency and improved resident relations.

Enviable, Irresistible, Inventive Interpersonal Insults

He has all the virtues I dislike and none of the vices I admire. – Winston Churchill

I have never killed a man, but I have read many obituaries with great pleasure. – Clarence Darrow

He has never been known to use a word that might send a reader to the dictionary. – William Faulkner (describing Ernest Hemingway)

I didn't attend the funeral, but I sent a nice letter saying I approved of it. – Mark Twain

He has no enemies, but is intensely disliked by his friends. – Oscar Wilde

Today's Dilemma: Higher Minimum Wages, Fewer Jobs

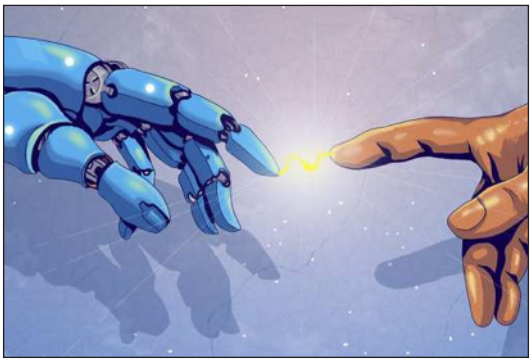
James W. Guthrie

Working at a drive through window is often the most harrowing fast-food assignment. A nonstop whirlwind of multitasking, the gig involves organizing multiple orders, communicating with the kitchen, counting money and negotiating with an endless stream of customers who range

* A brilliantly argued amicus brief has been submitted to the appeal court. This brief sides with the Bishop, is aligned with resident interests, and has been undertaken *pro bono* by the law firm of Farella Braun + Martel, LLP. Several SFT residents have facilitated submission of the brief.

from polite and coherent to angry and inebriated — all of this one does for a minimum wage. And, as if that juggling act wasn't sufficiently hard, urgency is underscored by a giant digital timer that hangs prominently in drive through kitchens.

The newest employee at "Good Times Burgers & Frozen Custard" in Denver is not feeling the heat. That's because she (maybe he) is an artificially intelligent voice assistant — emotion-free and immune to stress — with an endless ability to operate a drive through window without fatigue, bathroom breaks, or financial compensation. Assuming a $15 minimum wage, the robotized food worker can pay for itself in six months.



She fills a classical American job nearly a century in the making, a rite of passage for generations of teenagers that could be in the very early stages of a mass extinction. First Rob Carpenter, the CEO and founder of Valyant AI, an artificial intelligence company that designed the customer service platform, will have to prove that his model works as well as he proclaims.

The AI assistant has endured months of testing, but officially began handling the restaurant's breakfast orders last week. If the fledgling assistant runs into any technical issues, the transaction is handed off to a human employee inside the restaurant.

"The system takes a lot of friction out of interactions between customers and employees," Carpenter said, noting that the AI was designed to sound like an amiable woman's voice. "The AI never gets offended and it will just keep talking to you in a very calm and friendly voice."

There's an immediate benefit for employees as well, Carpenter maintains. "Over the course of an eight-hour shift, they don't have to repeat the same welcome language hundreds of times," he said.

Airbus 380 and Boeing 777 Extended Range: How Boeing Is Battling Airbus

James W. Guthrie

Following the crash of two of its recently manufactured 737 Max planes, Boeing is front and center in today's news. Until this tragedy, Boeing had begun to best its principal competitor, Airbus. Depending upon the outcome of current crash investigations, Boeing could lose the market momentum it has gained over the past several years. There are literally billions of dollars at stake, aside from whatever financial liability is eventually attached to the plane crashes. Commercial aircraft sales are one of the highpoints in our nation's balance of trade.

There are approximately 25 companies throughout the world that manufacture airplanes. However, two of these dramatically dominate the commercial airplane market. One is Airbus formed initially by a French, British, and Spanish consortium, but now spun off as a private company known as EADS. The other major manufacturer is the privately-owned American firm of Boeing.

These companies continually file complaints against each other with the World Trade Organization (WTO) alleging the other has unfair government subsidies. In fact, each is heavily subsidized by national governments. These subsidies come in the form of massive defense and space exploration contracts. Both companies evoke great national pride and are seen in their respective European and American spheres as symbols of manufacturing and technological prowess.* Each produces more than 7,000 planes per year, both military and commercial.

The Airbus fuselage for long haul commercial jet configuration renders its planes, model for model,

* In Boeing plants in Renton, Washington, and Charlottesville, South Carolina there are souvenir stores in which one can purchase a clever bumper sticker proclaiming: "If it is not Boeing, I am not going."

Airbus A-380

Boeing B-777

slightly wider than Boeing planes, and therefore more accommodating of passengers. It is a matter of inches, but when it comes to the size of an airplane seat, inches matter.

Airbus is known for its modern "glass cockpit," a fly by wire technology that robotically makes many decisions surrounding take offs, point-to-point flights, and landings. The Airbus cockpit on its large planes does not even have a stick or yoke enabling pilots to control the plane. However, pilots generally favor Boeing because it gives them a more active role in the actual flying of the plane.

The two companies compete ferociously. Until last year, they were quite well matched, each selling several hundred commercial planes per year to the world's airlines. Boeing is now edging ahead in sales, partially because it has so dramatically automated manufacturing processes that it is beginning to under-price Airbus for equivalent model planes. Boeing's assembly process for the world's most popular commercial plane, the 737, is actually a moving production line, comparable to modern mass-produced automobiles. You can visibly watch the line inch forward from the plant's elevated visitor galleries. This line produces two planes a day.

Two decades ago, there was an open question regarding the future of air travel. Would airlines be more attracted to huge capacity, up to six or 700 passengers in a single plane. Or, would they prefer to have more fuel-efficient planes. Airbus bet on the former. They designed and constructed the massive Airbus 380, a double-decked behemoth powered by four enormously powerful jet engines capable of accommodating slightly more than 600 passengers.

Boeing bet on fuel efficiency. Its 777 model can be stretched to accommodate approximately 450 passengers. However, this plane operates on only two jet engines and has substantially lower operating cost per passenger mile than the huge Airbus. Boeing's 777's are also less expensive to manufacture than Airbus' 380's.

The Airbus 380 is enormous. This plane can land at SFO. However, the plane is so large and heavy that airports have had to undertake substantial new construction in order to accommodate them. One does not simply buy an Airbus 380; you must also spend tens of millions of dollars on runway and gate alterations. Boeing's twin aisle, long haul, 777 entails no such added infrastructure costs

Initially, Airbus had orders for several hundred of the 380 model. Lately however, all but one airline, Emirates, has been canceling orders. It simply makes more economic sense to purchase two Boeing planes, capable of carrying almost 1000 passengers in total, for the same price as the Airbus 380. On a per passenger mile cost basis, Boeing has won the battle. Many prominent airlines have canceled their future A380 orders and are picking up options for 777 Boeing planes instead.

Two years ago, Boeing revealed the *coup d'gras*. They adapted the wing folding technology from carrier-based fighter planes and made it possible to fold 777 wingtips upon landing and fit the plane into existing gate configurations. Another cost cutting Boeing feature.

All this is good for the American balance of trade. A 777 is priced between $350 and $400 million. Boeing gets credit, but not as much as you might expect. 20 years ago, it was not clear which strategy, size or economy, would prevail. Boeing, as a consequence of both luck and smarts, appears to have won the battle.

Now, let us see how all of this eventuates in light of recent 737 crashes.

Fake News: Department of Social Services to Undergo Enormous Expansion

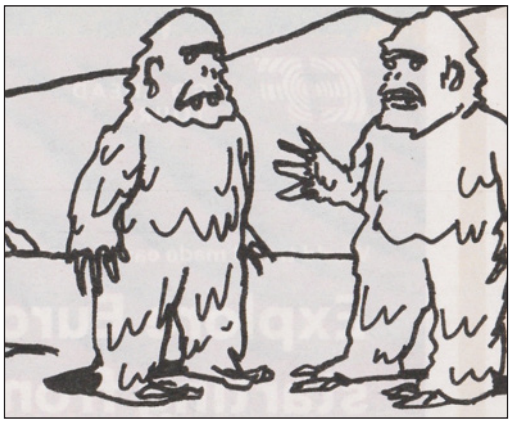
Sugar Caen

Many SFT residents are aware of the California Department of Social Services, the government agency overseeing CCRC's. However, in an unexpected press release, California Governor, Gavin Newsom, announced an enormous increase in the authority and oversight capacity of DSS. This government agency is now empowered to override proposed resident fee increases. Governor Newsom said: "No senior citizen will be subject to fee increases while I remain in office." Legislative budget officials refused to comment. The governor simultaneously announced a new DSS Director; someone that the governor proclaims is widely knowledgeable and deeply experienced regarding public housing, food, and other services for those on reduced income. Moreover, the new DSS Director is a native Californian with deep roots in the San Francisco Bay Area. His name is O.J. Simpson. Mr. Simpson has agreed to serve given that the governor has awarded him absolute immunity from prosecution for any possible past criminal acts or moral lapses.

Observing installation of the new SFT garage gates

Entres Nous

As usual, Austin and Van Ness (SFT 1501) are arguing about taxes. Let's listen.



No one is completely abominable.

Van: I hate doing taxes. Taxation even WITH representation ain't so hot.

Aus: The whole tax system is screwed up.

Van: All this paperwork is silly. It could be simplified. I'm totally for a flat tax. I like the postcard idea. "What was your income last year? Take 10% and submit a check to the IRS." There, it's done.

Aus: That's simple, but it misses the point. We really have got to tax the rich. When Amazon has billions in profits and pays no federal income taxes, something is wrong.

Van: Something is wrong all right. Fifty percent of American households pay NO federal income taxes. Nil. Nada. Zilch, zero. That is wrong. We have neighbors who take deductions for an emotional support dog. Why can't I take a deduction for my emotional support cat?

Aus: Stop the silliness. You can't deduct a cat.

Van: Of course, you're right. I cannot deduct our cat. But, I should be able to. If I were badly disabled and needed a trained dog to assist me, then I bet I could deduct all expenses involved. So why not a cat?

Aus: I am on your side, but I suggest you not try. Remember, the last time you were inventive? The IRS audited us.

Van: I heard about a guy who took a medical deduction for a psychiatrist because he wanted to help his emotional support turtle come out of its shell.

Aus: That's funny. But let's stay serious. Why not tax the super rich. I realize we would not get that much money out of the whole thing, but it would be a symbolic victory for little guys.

Van: I am serious about the flat tax. Maybe it is not 10%. Maybe it's 15%. Nevertheless, we must simplify this system. Moreover, the IRS is bloated and politicized. Recall Lois Lerner negating tax-exempt organizations with which she was in political disagreement. That shouldn't happen.

Aus: How about a multi-tier system. Anyone earning $500,000 a year or less pays 15%. Anybody making more pays 20%. Anyone above $1 million pays 30%. You can see where I'm going.

Van: I see where you're going, because that is what we have now, a graduated system. And, individuals in the high tax brackets pay a lot. Indeed, 50% of federal income tax revenues come from the top 5% of the filers. It is pretty highly graduated now.

Aus: Grump, Growl! If it's so good, how can Amazon get away with paying nothing?

Van: Will Rogers said: "The difference between death and taxes is death doesn't get worse every time Congress meets."

Aus: Why don't you contact Humpty Trumpty? Wouldn't you love to see his taxes?

Van: He will produce his taxes when Pelosi produces hers.

Aus: Join with me in organizing an online petition for Trump and Pelosi to make their taxes public.

Van: Only if there is an addendum rendering cats tax deductible.

Tower Talk is produced by SFT resident, James W. Guthrie. It has no relationship to SFT or COVIA management. It uses no COVIA resources. John Darby, Peter Hertzmann, and Kathy Trapani assist, but bear no responsibility for content or perspective. On occasion, other authors contribute substantive articles. *Tower Talk* is distributed electronically. Recipients should write to sugarcaen00@gmail.com if they wish to be removed from the distribution list. Recipients wishing an enlarged print copy should make a request and it will be supplied.