

INTERNAL MEMO

The Provident
 PROVIDENT NATIONAL BANK

DATE

August 26, 1980

TO (Name & Location)

Jack W. Lavery, Vice-President & Economist 01-11-02

Floor

Office

FROM (Name & Location)

Ed Dodson 83-03-01

Floor

Office

SUBJECT

Since joining The Provident as a mortgage officer last October (after two years with its subsidiary, Provident Realty, Inc.) I have taken particular interest in the periodic economic analyses produced by your staff. There is today, I feel, a rather dramatic shift in the attitudes of economic planners concerning the relationship between the humanitarian goal of society and free market capitalism. The fact that two such divergent economists as Milton Friedman and John Galbraith have marketed their own particular economic philosophies over public television evidences the growing involvement and interest by the nonacademic world in what has for decades been the exclusive domain of "experts".

Not surprisingly, the failure of Keynesian economic planning by government to positively impact upon periodic economic fluctuations is producing new (or revisited) economic concepts, most notably a return to more extensive market competition as a cure for many economic problems. For example, both Milton Friedman and Arthur Laffer appear to fully agree on the absolute detrimental effects of protective tariffs and the regressive nature of the current income tax structure. Yet the economy was not that long ago relatively free from government interference either in the form of tariffs or income taxes -- and still experienced periods of deep recession. Therefore, there must be a more basic structural weakness in our historical capitalistic system which has resulted in these periodic downturns.

Approximately one year ago I happened to attend an economic seminar in Philadelphia sponsored by The Incentive Tax League, the local arm of a nationwide movement dedicated to tax reform. The basic reforms argued for by this group are centered around the nature of land and the inelasticity of supply associated therewith. After a fairly long period of investigation and research on my own part, I became convinced of the soundness of these reform measures. I was amazed to discover that support from the academic, government and business sectors was continually growing. Economists such as C. Lowell Harris at Columbia University, Mason Gaffney at the University of California, Riverside and Albert Kahn have written extensively on the subject. From the available research, the Incentive Tax League in Philadelphia recently prepared the enclosed analysis on the impact of "Land Value Taxation" for Philadelphia.

Working closely with this organization during the last several months, I now feel the potential for introduction of legislation concerning land value taxation in Philadelphia is a distinct possibility during 1980 or 1981. Contact has been made with various members of City Council, the Mayor's Office and with Tom Leonard, the City Controller. It is my feeling that The Provident should independently examine the potential impact of such legislation upon:

- (a) The local business climate in which The Provident (and other subsidiaries of Provident National Corporation) operates as a conduit of funds, particularly as to the enhancement of yields associated with construction and residential mortgage lending;

MEMORANDUM

Jack W. Lavery

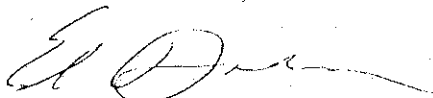
Page 2

August 26, 1980

- (b) The property tax assessments on real estate owned; and
- (c) Planned expansion (or centralization) of operations facilities.

Since such a peculiarly structural change in the property tax system will apparently have significant long-range ramifications for the lending community, I am hopeful that this action will enable The Provident to accurately project its financial impact and respond accordingly.

I will be happy to attempt to obtain any additional materials you feel would be beneficial or participate in this project if you so desire. Please feel free to contact me should you have any questions.



Ed Dodson