

1992-3

Mason Gaffney, P.O. Box 7998, Riverside CA 92513-7998

7 Nov 92

14 W. 68th, 10023

Dear Polly:

Thank you for climbing up from over the edge of the Earth and clocking back in! I was wondering, indeed. Next time don't bother sending "thoughtful, intelligent, etc responses." Just fax back "brilliant! Classic! Cutting-edge!"

Timing is everything, with doom forecasts as with other matters, and mine was a few years early. At least I didn't keep repeating it.

Glad to learn your health is taking a turn for the better. The other day I gave your address to some New Yorker looking for better quarters -- Susan Klingelhofer, I believe. Just in case you need a new renter.

Sorry Abigail has moved out: it must be a sorrow, and the result of long sorrows. You have had more than your share. Glad you have found Tom, and some happiness. Glad that Daniel is giving you so much joy, too.

I would say Clinton (whether he knows it or not) has proposed to downtax capital while uptaxing land, in the only way available at the Federal level. That is, he will raise income tax rates on high brackets, while reviving the ITC for new investments. Bush would have downtaxed unearned increments to l.v. Quite a difference: the right man won!

Our new J.A.P. Senators have pretty good instincts about earned and unearned income, too. Boxer wanted to raise the price of power from Hoover Dam, now a giveaway to a few preferred customers (including City of Riverside). Remember June Weden? She once ran against Boxer for Marin County Supe, in the 60s or so; Boxer won. June was not pleased, but I never learned what their policy differences were. Don't tell June, I kind of like Boxer - besides, she and Diane Feinstein are both cute. (How I used to despise girls who judged male candidates that way!)

Our Laura is off to UC Irvine, fending off suitors, studying music and drama, putting down Republicans, and enjoying her young belle-hood. Patty is more studious, leads her class, might qualify for Radcliffe, but foolishly prefers the west coast: provincialism begins young. Matthew is all boy. We hope he will follow Patty's studious example.

Tish's mother just passed on, at 91. How are your parents?

U of C grows more decadent and corrupt daily. I confess,

INGERSOLL AND AIR-BOTTLING
Mason Gaffney

24 Nov 86; rev. Nov. 92

"Don't you know that if people could bottle the air, they would? ... there would be an American Air-Bottling Association. ... they would let millions die for want of breath, if they could not pay for the air." -- Robert G. Ingersoll, ca. 1892, cit. Roger E. Greeley (ed.), 1983, The Best of Robert Ingersoll, Immortal Infidel. Buffalo: Prometheus Books, p.79.

Times have caught up with Ingersoll. Ronald Coase, prominent Chicago economist, says polluters (whom he calls emitters) have as much right to emit as victims (he says receptors) have to breathe clean air. It doesn't matter, says Coase, how we assign property rights originally: as long as there is a free market it will all work out. But, since people have invested in polluting facilities, and since property must be respected, ... -- you see whither he is drifting.

And was he laughed to scorn? Au contraire, he was lifted on the shoulders of his adulatory peers and made into a demi-god (which tells you something about his peers). Having risen on wings of theory the idea found its way into practice, and today The South Coast Air Quality Management District awards "offset rights" to those with strong track records of pollution. New polluters have to buy "property rights" from old ones.

In effect, we don't fine people for polluting, we pay them to stop: vice is rewarded. If you have been a good neighbor, and voluntarily stopped before, too bad, no offset right for you: virtue is penalized. I have offered not to emit millions of tons of nitrates and sulfates, too, and underbid the big refineries by 50%, but that doesn't cut it: to cash in on this, you must have been abusing your neighbors before.

Pursuant to Coase we should no doubt award the Soviets a perpetual right to have periodic melt-downs at Chernobyl, rights they could then sell to Uganda or Paraguay or other LDC wanting to modernize with a melt-down or two.

And those who want to breathe? Coase says they, too, should buy that right from Ancient and Honorable polluters, by buying and retiring offset rights. (They are only "environmental activists," after all, an eccentric lot.) For this they gave him the Nobel Prize. You see, old Ingersoll was on the mark. Nothing is too absurd once we accept trespassing, leeching, and sponging as principles of establishing property rights.

SEP 15 1993

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Mason Gaffney, P.O. Box 7998, Riverside CA 92513-7998
909/687-1677

9 Sept 93

Polly, Tom, and Daniel
1440 Walnut #1
Berkeley, CA 94709-1447

Dear Haineses all:

Welcome back to California - it has and we have missed you. I enclose a recent effort including rueful thoughts on the past, present, and immediate future of this suffering state.

The meeting in Gt. Barrington went quite well, in spite of Dick Musgrave's incorrigible pussyfooting, and Bill Vickrey's unreconstructed Keynesianism (he wants bigger deficits now!). Maybe it's time to find new prophets. One speaker, by the way, was your old foil George Gilder. If he ever showed promise, he has lost much of it along the way. By him, there is now only one resource, human brains and talent.

Land means nothing, it is infinitely expansible, as evidenced by growing abilities to crowd more messages onto the same spectrum. Curiously, he spoke several times of the recent \$12.5b purchase of McCaw by AT&T, and allowed it was basically a land purchase. AT&T simply erred. Spectrum per se has no value. This is curiously at odds with faith in markets: apparently they are aberrant, when they disagree with George's appraisals.

Bill Peirce gave an excellent paper on John Rae, Henry George, and George's ideas about capital. Fred Foldvary did well on his Austrian hobby. Nic Tideman surprised me by pulling out one of those ritualistic pro forma math models that seem to say nothing, but say it in an appropriately obscure manner. Nic has this dark side, which helps account for his acceptance by the profession and the Lincoln Inst. I contented myself by aping Richard Burton (in Camelot) with a list of "propositions" (enclosed).

Perhaps the main achievements of the conference were two. One, we agreed to have another one next May, on land speculation and banking failures. Two, a few of us met formally to found a new Committee (as yet unnamed) to carry on where TRED left off about 25 years ago. Founding members are me, Nic, Kris Feder, Fred Foldvary, Rex Ahene, Bill Peirce, and maybe Jerry Heavey.

We shall avoid naming ourselves RETRED; other suggestions gratefully received. We shall avoid seeking "respectability," preferring feistiness.

One of the pleasant surprises at the L.A. meetings of CGO was one Robert Piper of Berkeley, P.O. Box 14701, Berkeley, CA 94701-5701 (lots of "701"s in there). 510/848-4134. He does transportation in a good Georgist manner, seemingly quite self-taught.

Did you know Bob Tideman died? I enclose a eulogy I was asked to deliver.

My daughter Ann G. Shores lives in Corte Madera, and practises law in SF. My son Stuart lives in SF with his consort John Lewis (a most likeable fellow), making a minimal living as a legal aide, lacking worldly ambition. So I get up there now and then: will hope to see you all.

Love,

M,

Mary M. Cleveland
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9/17/93

M. Mason Gaffney
PO Box 7998
Riverside, CA 92513-7998

Dear Mason,

Yesterday it seemed as if we have finally arrived in California. A hummingbird at last found the feeder, dutifully hung out for it when we moved in three weeks ago. And I got a big package in the mail from you! Moreover, I read the whole thing, plus a couple of earlier missives!

I will give a copy of "The Taxable Surplus in Water Resources" to my former advisor, Peter Berck. He is going to Italy shortly to present a paper comparing mismanagement of water in California to mismanagement of water in Israel. He's in the middle of a divorce, poor fellow, and seems rather bored with economics. Maybe that's because he has achieved his original mission: getting tenure. He needs a new mission. So does most of Giannini. What a dreary place. The only person who seems to be doing much of interest or relevance is Irma Adelman, though I haven't looked her up yet. Mike Hanemann is into valuing resources by asking Ms. Average American how much she would pay to save the spotted owl, or Prince William Sound, with results being applied to figuring how much to charge Exxon for the Exxon Valdez. (The answer always comes out around \$30-\$40, regardless of the question, -- multiply that by 250 million Americans and you get a large number.) I haven't looked up Dick Norgaard yet; I hear he has recently remarried.

I enjoyed the pieces you sent me, esp. your "lagniappe" (small gift with purchase --of what?) on Homer Hoyt's Chicago 1836-37. I had already seen an excerpt of your eulogy on Bob Tideman in the Illinois Georgist. In retrospect, I feel embarrassed by my role in evicting Bob from the School in the 70's. I have no idea what's happened there since I left. I will look up Robert Piper. However, having finally escaped the property management tar baby in New York, I'm not in too much of a hurry to get involved in Georgist or other outside activities, though that may change.

I engineered this sabbatical in order to carry out a project I have had on a back burner since last Thanksgiving. It came to me as I watched Daniel spend endless hours outwitting or zapping enemies in "quest" type computer games, such as "The Bard's Tale," or "Might and Magic" or "The Dark Side of Zeen, etc. Ask Matthew about them. These games are quite sophisticated; and they include a commercial part, as players bargain with merchants for equipment needed for the quest. Daniel also enjoys "Sim City" in which one builds a model city, and tries to provide the citizens with services while keeping the taxes down! If the citizens get too unhappy, they leave! (You should try it!)

Anyhow, as I watched Daniel pecking away on the keys, I had a subversive thought: What about a computer game of "Grow Your Own Economy"? That is, you set up a simple economy on computer, occupying a two-dimensional "space", and changing through "time." If you follow the right policies on building infrastructure, encouraging trade, and levying taxes, your economy grows and flourishes. If you pursue the wrong policies, your economy stagnates or suffers boom and bust cycles.

Polly: Did this sell? Charles Harghey has one pretty far along;
So does Dan Sullivan.

I think I can build such a computer economy, at least to a level good enough to verify that it produces sensible results. (Fancy graphics to appeal to kids are beyond my current programming ability.) I did a lot of the basic modeling in my dissertation, and even programmed a simple model of a boom and bust land market -- very easy -- just assume that speculative market participants tend to project prices straight line. (This is what Vernon Smith and the other "experimental" economists have found anyway.) Of course there's much to be worked out. In my dissertation I often resorted to graphic arguments in order to avoid the trap of specific functional forms like Cobb-Douglas. I will still have to choose specific functional forms to computerize, but they don't have to be smooth, and "well-behaved," because the computer can easily whiz its way around messy but more "realistic" functions. Also in my dissertation, I worked things out piecemeal, doing one-period spatial models separate from multi-period models. With the help of the computer, I think I can fit all the pieces together to get a working micro-macro model. And your thoughts on "Tax Policy and Capital Formation" couldn't have come at a better time to remind me of all the little peculiarities in the structure of capital that I must be sure I understand well enough to feed to the computer.

I'm excited about this project. I'm a long way from doing much programming yet, but I have reams of notes and the problems so far seem tractable. My main concern is that there may be mathematical techniques somewhere that would make the work easier, but I don't want to take a lot of time at this point learning more math. If I'm lucky I'll find what I need as I go along. Amazingly enough, I've seen no hint in a casual scan of the literature that anyone has tried anything like this before. (Closest is something called a "computable general equilibrium.") Maybe an economy "game" seems too unacademic or unserious.

Or maybe I'm deluding myself as to the feasibility or value of a guinea pig economy in a can. Spam? I don't know. But I'm sure enjoying myself.

Meanwhile, it seems as if there is yet life among the Georgists, not to mention RETRED. (Sorry!) I must hand it to you for hanging in there. Believe it or not, our landlord (coop owner) one Raphael Fischler, who has just gotten his Ph.D. in planning at Berkeley, is a Henry George admirer. (Did his dissertation on turn of century tenement laws in NYC.) We played cat and mouse with each over Chinese dinner one night before he left for a year in Israel--until even Tom figured it out and blew my cover with "Have you ever heard of Henry George?" But that's precisely the problem with us academics: we're shy about expressing our views for fear either of drawing a blank stare, or being dismissed as a single tax crank. (Would you have a copy of "Containment Policies..." and "Property Tax is a Progressive Tax" and/or other relevant reprints I can send Raphael.?)

Love to you and Tish & Laura & Patty & Matthew. (Remember the bagpiper when Laura was sleeping in the closet?)

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Dear Mason,

I sent the enclosed package to Fred Harrison.

I'm very excited about the clip from the *Times*. Somebody is finally doing something relevant. It looks as if all of a sudden the idea that more equality is good for productivity and growth is mainstream instead of left field. Since that idea is the gist of my dissertation, I think finally I have a shot at getting it published and taken seriously. I'm going to contact these folks Birdsall and Sabot. You don't have any connections with them do you?

I've sent you a gift subscription to *The Economist*. Even if they haven't yet discovered property taxes, the magazine is a goldmine of data and generally very good analysis.

Thanks again for a wonderful visit. My best to Tish, Laura, Patty and Matthew.

Love,

Polly