

Monticello Papers
Unemployment etc.
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"Inert wealth is worth less than
enterprise, . . ."

• Domenico Bertoli, writing in
The Statist of Italian
postwar recovery.

1. Land denial as cause of unemployment

a. Crude cold storage approach.

Deliberate public policy, often rationalized explicitly. To keep labor cheap & land dear.

Wakefield; Valuer; Philippines; Latin America.
Closer to home: Bluscher; employers' unions; soil bank
~~Has an archaic ring,~~

b. Advanced countries, more complex, modified, but still there, deliberate or not

Inter-^{firm contracts of} ~~sector~~ factor proportions

Size. Larger firms use less labor per land unit (l.u.); in every industry.

Agric. as an e.g. Differential effects of acreage cutbacks. We call the extensive ones "efficient"

Urban housing as an e.g. Provides empl't. largely when built.

Houses of the rich use more land; & higher propn. of l.v. to house value. ^{same confirms. Cite Wicksteed, too, p. 364}
And then, are more durable, so labor is applied less frequently to site. (cf. Blitz graph in JPE)
Much land vacant, price asked unrealistically high.

c. Capt. Turnover & factor propns.

In ag. e.g. we see qn. of factor propns. in simple form, where amt per yr. is const. In housing, we begin to see it in more subtle form, where there is a cycle, a discrete chronological molecule or indivisibility, on a given site. Surely, labor applied at beginning or end of cycle, so labor/land ratio depends on renewal freq.

E.g. housing. 20 yrs vs. 100 yrs. renewal pds., 5% & 1% of site using labor.

Forestry, 66 & 33 yr. cycles, 1½% & 3% of site used per year.

In genl, fast r.f. means more labor ÷ l.u.

vs. Buenger, 'a conservative mortgage banker'

Anything slowing r.f. hurts emplmt. ^{e.g. bldg. tax.} My house.

Repeat, not pro make-work.

2. Overcompensation in U.S.

a. Efforts at containment Soil bank today

History:

Proclam. Line

Ham. & Ohio R. line, 1785-81 to 1800

Whigs vs. Jackson

Am. Cities

Each regards self as a mucky & mucky, exploiting trade territories & labor, & valorizing r.e.

Complex, other causes for restriction policies: keep down school taxes, protect political clique, etc.

Many methods. Large lot zoning; taxes on new bldgs.; keep dead land off mkt.; undertax vacant land

b. Anti-containment

But can't explain unemplmt. so simply, bcs. in Am. tradition is reverse policy of giving in new lands, which prevails. Under public subsidy. Probly a reaction to the first. ~~Anyway, on balance,~~

Safety-valve idea, promote western settlement to help labor. R.v. subsidies: made land so cheap was worth less. Later, subsid. reld.; then, '30s, compensatory p.w. idea.

Early, w. exptn & utilities, soak profitable, dense centers to subsidize new lands.

So, on balance, Am. has rejected Wakefield & made land artificially cheap. May be overpriced relative to supply-demand balance but can always escape to ungrd. lands, aided by subsidy.

3. Overcompensation ^{territorial expansion} as cause of unemployment
 So how does land now figure in empl. ? ^{In a word, by making nation's capl. stock less comply. to labor.} Begin w. concept of t.f.

a. Transformation freq. of capl. & empl.

T.f. is no. times cap. stock is exchanged for labor, consumed, & replaced.

Exclude cap. frtn., & services, all produ. requires xfrtn. = value of inputs.

T.f. is $\therefore$ a limit on emplnt. ... of all inputs. $Empl. = Q \times t.f. \text{ of cap. stock. (excluding land)}$

Put another way, produce given output w. richer mix of labor by 4x t.f. of capl.; or more output w. same capl. Factor propn. ^{more man.-ss. implus.}

E.g. small restaurant w. \$100.

[Data on account velocity from Chi. Fed.]

Note genl. correlation of capl. intensity & land intensity. Durable capl. ties up both land & capl. over years. Wicksell > BB

b. ~~Rate of land & capl. turn~~ ^{Hi. unit cost of world's land accretion}

b. x. b. Territorial expansion & cap. turnover ^{Crackbox v. tubes}
 Replacement requires a place. Capl. turns faster than r.f. Can block n.i. ... or can migrate.
 Analogy of expanded gas: molecules move slower

i. Social overhead capl.

More per cap. Turns very slowly. Never, if ill-advised.

E.g. B.R.'s "revolving fund." Frozen assets in '29

subdivision. Lost by consumption of budgeted landless from "income".

ii. Artificially cheap land causes new bldgs. on prt. land to be built in prospect of slower recovery. Bcs. time-cost is int. plus land-cost. (if challenged, use timber as e.g.)

Might be ok if capl. spread over so much cheap land w.d. accel. turnover. But pattern of artif. scarcity, much cap. on a little land, then land turns cheap.

iii. Boom & bust

We don't stagnate. Rather coasts. What ends boom?

Freezing of large share capl. stock, turns too slow to employ whole labor force. Money can still turn, but: a, Not likely to hcs. invmt. depends on replacement needs; b, If it does, infl. w/o full employment, capl. stock cannot speed up.

Great invmt. apps, new lands opened. Damped by overpricing. That might bring invmt. to halt, in restrictive setting; but more likely to stimulate new land opening, new invmt. apps. - which leads to another problem
~~to~~ Δi : from large invmt. apps., & small reinvt.

Now Δi undermines b.v. Would be good, but readjustment to lower p takes several years. Meantime, Keynesian investors hold out for return to customary $r.e.c.$... expect's $\Delta m.e.c.$ $\equiv$ expect's fall of costs.

4. Land taxn. as altern. to overcompensating territorial expansion.

a. ~~ΔH_i~~ $-i$ good to $\Delta t.f.$, but inadequate: doesn't help salvage sites. Push us out to migrate, get to low $t.f.$ in social overhead.

b. Land taxes stimulate both $t.f.$ & $r.f.$

- i. Make time-cost explicit, stronger
- ii. Exempt bldgs, Δ net return to land, speed renewal.
- iii. Consolidate settlement, need less social overhead

c. Bldg. taxes, false specious advantages.

Better than ~~stimulus~~ ^{stimulus} ~~tax~~ ^{tax}. They seem to $\Delta t.f.$. Like $h_i i$. But not very. In free ss, takes care of self, & bldg. ~~tax~~ ^{leads to p.w. in excess.} But lower land constraint, which is also part of time cost.

Reduce overall quality of bldg, not just durability.

slow site $r.f.$. Leave empty shells. Speed migration, scatter, h_i social overhead.

$$\frac{R_t i}{(1+i)^t - 1}$$

$$\frac{i \sum [R_n (1+i)^{t-n}]}{(1+i)^t - 1} = i \sum \left[\frac{R_n}{(1+i)^n - (1+i)^{n-t}} \right] ?$$

If one objects to nesting concept
 Revs. taper off. Always squeeze more rev. from ^{a given} Co, but for rent; also, ed & Co?

More cap, less durab. ~~Rev~~ Heightening w/o lengthening. More momentum.

✓ Hi l.v., put., cause slow p.w. v.f., but hi put. v.f. Best the p.w. if
 excessive, lower l.v. - too late to speed up p.w. cap.

abiding

longevity

long-lined

lingering

long-pending

longevous

slow-liquidating

slow-paying

slow

slow-moving

fast v. slow

retarded

viscous

snail-paced

Outline, Weld

1. Land denial as cause of unemployment: ~~the stagnant~~
a. The stagnant regions countries: The crude ^{cold storage} approach
b. ~~the~~ Containment sectors in advanced nations countries: ^{inter-firm} contrasts of factor proportions.
c. Capital turnover & factor proportions
2. Overcompensation in the U.S.
a. ~~The safety-valve~~ Efforts at containment
b. Anti-containment: safety-valve doctrine, subsidized land devt., compensatory public works, etc.
3. Overcompensation as a cause of unemployment
a. Capital turnover & emplmt
b. Territorial expansion & capital turnover
i. Social overhead capl.
ii. Pot. l.v. & ^{their} effect on replacement freq.
iii. Boom & bust
4. Land taxation as an alternative to territorial expansion
a. ~~Repl.~~ ^{Repl.} ~~Comm.~~ freq., factor proportions, & full emplmt.
b. Inadequacy of hi-i policy to stimulate i.f.
c. Land taxes & i.f.
d. " " " interfirm contrasts of factor propors.

Unemployment as related to land & its taxation.

1. Exploratory & tentative - a progress rpt.

2. Unemplt still with us - & underemplt

U.S., fairly hi rate, confirmed by Gordon rpt., as among so N. Atl. Stris

Underdevd. countries worse

3. Imperfect union of man & land.

Crudest approach - ^{safety value idea.} Lat. Ann - denial of access to land. Early, extreme
disproportions man/land in U.S., too. (policy: equalize) (Higher c.f. on valorized lands doesn't
compensate for lower c.f. on cold storage lands)

4. U.S., more subtle, interwoven in complex, offset by public subsidy to

dev. new lands, rural & urban & suburban. Cyclical instability in

land devt. more than chronic unempl. of K-n nightmare, in

our problem; and chronic misallocn. & reduced c.f. of capt. Use capt. as
sub. for land (qualify, in compl. signal. to some lands) thus get too little compensn. to
labor. Also use developmental p.w. as compensatory contra. cyclical unempl. quarters.

5. ~~Second clear relation~~ A 2d relation, which helps understand 1st.

Replmt pol. Faster replmt, sub. labor for capt. $C(t+1)^{-1} - C$

Also sub. for land. Less land-yr per pulse of labor; more labor
per decade of land use. Factor propm. Note relations of
horizontal & vertical

6. 2 ways to accel. replacement: $hi-i$; & hi land charge.

$Hi-i$ helps release capt., but doesn't release site (if a qual hi .
 i . Indiv. $hi-i$ makes Si higher). Hi hldg tax the same ... // of.

fects, except hldg. tax never acts to make Si higher. Both depress
future a. So they cause migration, leaving empty shells be-

nind. And forces duplication of social overhead in outlands, slowing c.f.
on across, and further lowering a , militating vs. renewal.

Hi land charge also forces release of capt., but also releases
site.

7. Land Tax benefits

a. Re intensity, equalizer

b. Re c.f., accelerates, w/o requiring big Δi .

Sam Hays good on
logrolling, etc.

allegro

ritardando, rallentando

accelerando

largo

andante

slackening

quickenig

Conductor of ex. symphony ~~says~~ directs
'ritardando' - Trouble.

Capital has a 'Tempo'!

Largo

lenghetto

andante

andantino

allegretto

allegro

Rules of thumb re proper ratios of site to improvements are dubious, they overlook differences in land quality.

E.g. say it costs \$2,000 a lot to subdivide land. Then all land should be subdivided where lots sell for more than \$2,000. Mke. Downer campus, the cost of \$2,000 a lot will look small cf. \$10,000/lot price -- 20%. Far out, however, lots will be subdivided that just make the \$2,000 mark. And rightly so. Nearer in, unsubdivided acres have an unused potential, a wasting drain or leakage.

Dynamic aspect is interesting. Lot buyers may get increment over the years. In anticipation, they will pay \$2,000 at a time when current annual value wouldn't capitalize to that high a figure. There is some rightness about this, too. But acreage price rises also, and perhaps that is what makes process go haywire. Altho acreage holder can subdivide himself, so decision should be based purely on excess of lot value over acre value.

Then lot will rise in value. But that must be anticipated, so lots sell for more than their static value. That causes premature subdivision.

Mere fact that people buy lots with houses on them doesn't mean they aren't speculating in lots. They pay more for the package on account of expecting neighborhood to become more desirable. Thus, in the sense that is relevant for macro-economic analysis, we speculate in lots, and thereby cause excessive social capital to go into durable forms creating improved lots. Even some of the buildings are so motivated, as the seller takes a loss on some to bring along others.

- ✓ 1. Apprec. v. deprec.
- ✓ 2. Urban hsg., cite Wicksteed 364
 Tile roofs, heavy stone walls. Look at any old mansion l. ^{as slow as teach. progress} ~~with its charm~~ is
 it in hsg. mansion is clearly
 obsolete: ^{inflated} servants quarters, radiators, inadequate wiring, grotesque taste, primitive
 kitchen, tubs w/o showers, heavy swinging garage doors
3. Blitz, graph in JPE
4. Claim no role as major prophet
5. Turn-tempo, heat, stroke
 pulse of capital
6. Two sides of syndrome support each other, mutually.
7. Actually, ~~the~~ ore-bearing lands are less different from ~~garden~~ lands than
 commonly supposed .. Take ..
- pp. h, i
- ✓ 8. W. dear land, desirable to have one-hour strong bldg.
 W. cheap land & in int.; toboggan-slide deprec. w. long run at the bottom.
9. Sometimes bldg. too prompts demolition. if asked. so that lowers taxes.
 But demoln w/o renewal, no help.
10. Lag of ask'g prices downwards. A phenomenon which corresponds to
 K's impulse w. investor's wait'g return to customary agro, but w. emphasis
 on the ^{holdout} ~~unreasonableness~~ of landowners as well as reinvest. But in fact
 at this pt. neither group can help very much bcs of the remarkable
 shortage of disposable real capl.
11. Hansen
12. H. l.v. late boun. Too late to be releasing much disp. capl. now; too early

✓ 13. Lingering w/o value

14. ~~When we sub. cap. for land it becomes less~~

Capl. is p.w. simul. subs. for land, & less. longer run, subs. for labor.
Complements neither. Trouble.

✓ 15. Systole: heart contraction, forc'g blood out

Diastole: .. dilatation

Each gives Diastole is cap. fuller or engorgement; systole is depress.
Thus the ex. heartbeat.

Pump stroke. so many strokes per year. Qn. is which is the pump, &
which the pumped.

16. 'Duplication' of solid overhead in outlands

17. Also is danger that hi i, if enforced by restrictions on supply side,
might discourage borrowings

✓ 18. From overdemand, get that strange anomaly called gruel excess
capex. gruel. overprodn. is contraind. in terms, but gruel excess capex. is
possible.

19. 'Convertible' cap., convertible into cons. goods.

20. Clotted cap., a clot in the bloodstream.

Economy w. viscous blood, coagulated, curdled

Liquescent, soluble

21. M. Bailey has shown converse, can find outlets for cap. by
lowering i.

22. Panama? No, but very counterpoint to monetary power.

✓ 23. Well known fact of bank's, large part. assets turn much slower than small, no doubt reflects ~~on~~ turnover of other assets.

24. Cite Terborgh
Dinner

25. Very durable because rentier. Is owning it, but makes the pt.

26. Stagnant cities are hold's price umbrella for new lands.

27. Roman. E. D., Essays in the Theory of Ec. Growth (NY: Oxford U.P., 1954)

p. 33, suggests recent macro. use gross $\dot{L}$, avoid assuming away replant & deplan. Comes close, but goes off playing games

28. Make work projects really sub. cap. for labor, if product durable.

29. Only the liquid surface of capital can be liquidated in one year, at predetermined rate.

30. Hi. r.t. lessens cap. requir. for growth. The Relation?

✓ 31. Robinson, Joan. The Acc. of Cap., 1958, p. 396

30) Relation of turnover & growth.

The slower turnover, the higher cap. & land coeff. per job, the more growth needed to employ a new worker.
and to employ old ones laid off.

Spell out how growth employs - by creation of cap.,
or complementation?

AFL-CIO has put out some stuff on this.

Acctg. surely assumes you will
replace a bldg. w. one of same value.

But in genl., probly higher improvement
is optimal 2d time