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January 10, 1975

Dear Polly and Keith:

This is an official and heartfelt thank you for the party! It was a wonderful occasion, and your thoughtfulness enormously appreciated.

Today is the day Bob Wms. promised to appoint the Board of Directors. By tonight perhaps I will know. I have learned at least the way to get action out of him is for me to start dealing with others. That of course is the mark of an empire builder, which is his problem, or one of them. It's the old law of comparative disadvantage at work: grab for things that others want, neglect things firmly within your grasp. Personally, I go with Candide: cultivate your own garden.

So, while Wms. is busily neglecting me, I have been returning the compliment and doing my own thing. However this can only go on so long before the fault is laid on me, so I have come to life and am negotiating with the new President of U Vic, and courting Simon Fraser and UBC. Wms. got wind of this and wants in on the action. He could louse it all up again, of course. But then, he DID secure the initial \$5,000,000.

I have also responded to fifteen listings in J.O.E.

In September, I just learned that Wms. lifted \$20,000 from the B.C. Inst. account and gave it to the Canada West Fdn., in which I think he has an interest as a director. On the one hand this ruffles me, but on the other hand it gives me one more round to shoot in any showdown. Give a man enough rope . . .

I'll be preaching in Berkeley next Friday and hope to see you there. This will be a chance to get in with Wildavsky's outfit, so I'll be preoccupied with that, otherwise, but I hope we can get in a few minutes of gossip, anyway.

An eagle just flew over the house. There are compensations, wherever you live. And our gorgeous new gym has just opened, so I'm swimming daily instead of jogging.

Keep the faith,

over

Mme
The evening was outstanding - the wine, the food, and the people! I was glad to have had the opportunity to meet many of Huse's Berkeley friends. Many thanks for a delightful evening. -Tish ☺

Friday, January 17, 1975

Dear Hase,

Thanks for your note. I think we just see the world very differently. There's no point discussing it further.

I'm sorry I missed your seminar, but it conflicted with Alonso's seminar. He says to tell you he's sorry he missed it too.

I just reread Taxation to Make Jobs, a little more carefully, and thought I would pass on a couple of comments. First, I had some difficulty with Appendix 1, especially the part on appreciating capital. You leave out too many intermediate equations and explanations.

Then I had a really bad time with your example of the busy baker, p 59. First you shift in mid stream from \$200 initial working capital to \$100 working capital financing the purchase of feedstocks. Then you don't say whether you mean net flow or gross flow, which leaves one wondering in your formula $\frac{K}{F} = p$ whether you mean $\frac{\$200}{\$200} = 1$, or $\frac{\$100}{\$100} = 1$. Not that it matters,

but it's confusing. When you get into compound interest, the confusion is compounded. Your formula

$$K = F \frac{e^{Pi} - 1}{i}$$

stream of $F(e^{Pi} - 1)$ per year. It's the value of a going concern, which for one dollar invested today produces e^{Pi} dollars in P years. That's not the same thing as the amount of capital a baker needs to start his business when the first batch of goods will be sold in P days (or years). That formula is the present value of 1 per annum starting now and going till $P - 1$,

$$K = \frac{e^{Pi} - 1}{i(P-1)}$$

Which is the same thing discounted for the barren years before P day. But you can see how a person might get muddled. For small i and P , this formula also goes to FP . So if one starts there and then tries to figure compounding...

Regards,

Thursday, Jan. 9, 1975

Dear Mase,

I've enclosed a copy of the summary of the EPA CEO WulD report. I don't have a copy of the complete thing, and besides it's huge.

I'm really sorry I picked this silly argument with you over criticism. I do honestly appreciate criticism, even if I bristle initially. It's the only way I can check the validity of my arguments. And I'll tell you what's worse than criticism. That's the suspicion that someone whose opinion you value very highly is holding back for fear of wounding your delicate psyche, or, more painful, because he doesn't take you seriously. So there to you too. Was it this argument that made you so unfriendly at Christmas? You should have said you thought I was being unfair. But please, let's forget this whole stupid business.

I finally called Paul Downing. Believe it or not, he likes the piece as it is. Rather than finding my numerical example obvious, and a bore, he says it's nice to have something so explicit. I'm just as glad to be saved the trouble of extensive revisions.

I forgot to tell you at Christmas, but the Real Estate Appraiser has accepted Keith's and my piece on the Costs of Low Density Policies, to be published in their March-April issue. Whee!

Regards,

But Ceteris Are Never Paribus

60
5th Ave

Those seeking guidance from the economists frequently find that those social scientists inhabit a rather closed world.

10011

ECONOMICS, the word is out, is sweeping the colleges. From being the dismal science, it has suddenly become the glamorous science. A FORBES spot check of colleges across the country found that enrollment in the subject is up 30% or so over the past few years. (A freshman at Middlebury College [Vermont] this fall had to get in line at 6 a.m. to assure a place in first-year economics; he found others had spent the night in their sleeping bags to get a head start.)

Nobody's quite sure why. Some say it's the new preoccupation among students for making a living in a suddenly less-secure world. Others say it's the explosion of economic news crowding politics off the front pages.

Whatever the reasons, we wonder how much real enlightenment the students will find. They may find, as we at FORBES have, that listening to economists trying to diagnose what ails the U.S. economy these days, is like listening to medieval philosophers debating the causes and cures of bubonic plague: The talk is intellectually impressive, but it is not too use-

ful and it is very depressing.

Recently, for example, a FORBES reporter journeyed to Providence, R.I., where some leading economists were gathering to compare notes on "monetarism" at Brown University's turn-of-the-century and (appropriately) dismal Wilson Hall. Monetarists, you recall, believe that the supply of money is the principle determinant of economic health or sickness. Too much money=inflation. Too little=deflation. Just right=prosperity.

As our reporter, Lawrence Minard, entered Wilson Hall, hoping to overhear some trenchant insights and maybe even some proposed solutions, the economists were comparing their complex mathematical models. "An interesting point to note," observed Robert Solow of the Massachusetts Institute of Technology, discussing a simulation, "is that the rate of interest moves monotonically with the natural rate of unemployment."

How's that again? "Natural rate of unemployment?" "Monotonic movement?" Minard guessed what this meant was that increases in unem-

ployment would have no impact on interest rates. Small relief to all those bullet-biters willing to trade jobs for a drop in the prime.

The enlightenment Minard had come for about soaring prices and plummeting employment slipped even further from his grasp as the day wore on. Host Jerome Stein of Brown meekly suggested that if interest rates were indexed to the price level, it would allow for more "real" policy criteria. We glanced over at Milton Friedman. He ought to agree with that, we thought, given his recent enthusiasm for indexing.

Friedman did not agree. He was busy passing a complaining note to Robert Gordon of Northwestern University. Over his shoulder we read: "What's crucial is that your result will be normal, not necessarily real."

Ah, yes. How could we have overlooked that?

Learned Whimsy

Not that economists don't get whimsical sometimes. One of them wailed out loud: "What would !

pen to the economy if we dropped money out of helicopters?" *Ceteris paribus*, of course. For those who are rusty on their Latin, *ceteris paribus* means: other things being equal. In this case, the only economic variable would be the stock of money; any changes in the economy could, by the *ceteris paribus* agreement, be traced to the influx of money.

Ceteris paribus thinking was what led economists in the Fifties to write books predicting that the U.S. dollar would always be in short supply. In the late Sixties it caused them to worry lest Japan take over the world. Going way back to the Thirties, it led them to teach that our economy was "mature" and that real economic growth was a thing of the past in the industrial world. *Ceteris*, of course, are never *paribus*: Economic factors change simultaneously. How does one explain the source of all that green scattered from the helicopter? And anyway, economies are affected by things economists never dream of. Like a fanatical army officer coming to power in Libya and defying the powers that be in oil, thus setting the stage for the Organization of Petroleum Exporting Countries to set the industrial world on its ear.

The trouble is that the real world just won't sit still long enough for economists to build it properly into their models.

But the economists were busy attacking each others' models. "I must admit I didn't even bother to work through Tobin's model," sniffed Friedman, "because I didn't say what Tobin said I said. Where's his documentation? Why does he keep hedging?"

Even more arbitrary was the defense of M.I.T.'s fast-talking Franco Modigliani: "You can't argue about what's inside my black box [i.e., economic model] because I made it. The God's truth isn't in the black box, I am the God's truth!"

That is: Don't ask questions about my assumptions. Accept my theory or don't accept my theory.

The other economists did not accept his theory.

Indeed, the economists seemed to delight in confusing each other.

"Jerry, you should have made that more clear in your model," said Modigliani to Stein about Stein's wage-rate assumption. "Well, Franco," Stein replied tartly, "since I'm writing for the world's best economists, I thought they could understand it implicitly."

Growing exasperated, we cornered Allan Meltzer of Carnegie-Mellon. "Professor Meltzer," we said politely, "why don't you economists state your assumptions at the outset and then debate them?"

Meltzer was amused. "Oh, no, that's not the way we go about it. What we have to do first is put our models

on the board. Then we know where each of us stands. The assumptions become clear from that."

Except when they don't. . . .

Real World?

We refused to give up without a fight. Did Meltzer think it likely that the Italians would issue indexed consoles to ease their balance-of-payments crisis? (See FORBES, "As I See It," Aug. 15.)

"They can't do that," he replied. "Nobody would buy them." His advice to Italy: "The only thing the Italians can do is realize they must go back to pedaling bicycles and let the market mechanism take care of their balance-of-payments problems."

We came away realizing that this high-level professional meeting had never intended to deal with the economic problems of the world, but to do what any professional meeting does: talk shop. The sad thing was that the gathered brethren really seemed to think their "scientific" approach would miraculously shed light upon a crisis-riddled world economy.

We're still glad that the students of America are waking up to the importance of economics. But we wonder how much enlightenment they will get from a social science that is so preoccupied with models and monotonic relationships. Economics in a vacuum is just that—in a vacuum. ■

Mason Gaffney
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January 23 1975

Ms. Polly Roberts
Rom 218
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Dear Polly:

Sorry we didn't get time to dig deeply into economic theory. As to your question about Wicksell and George, there is really no great contradiction, I think. Just think of a pie divided three ways among wages, interest and rent. George says if rent gets more there is less for wages and interest. No argument there. Wicksell says if wages get more interest gets less. Nothing wrong with that, either. The problem is that there are three participants and most everybody can only handle two conceptually, which makes for great confusion.

But note that Wicksell, unlike his Austrian predecessors, explicitly includes rent in his formulation, so that he really does have a three-way divvy.

I haven't received your letter about my page 60, but here's the answer, anyway.

When $e^{pi} = 2$ then the ratio $\frac{e^{pi} - 1}{i}$ is equal to $\frac{1}{i}$

and $K = \frac{F}{i}$ and therefore $Ki = F$.

That is, interest payments now equal all the rest of your costs put together. I will rewrite and put in something like this to clarify that awful page. Thanks for complaining.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

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Sat, Feb. 8 1975

Dear Mass,

Thanks for your note & Forbes clipping.

You didn't answer the questions I had about p 60 (you've undoubtedly received them by now) but the question you did answer helped me pinpoint the source of confusion. What threw me was your use of the term "Flow" for non-interest cost outlays. I assumed you meant return flows & wondered if you meant gross or net.

Let me suggest a way of presenting some of your points:

Say you invest a at time zero. (a may include net if there is any.) ^{discounted from P to 0} At time P, your investment returns you b . The interest rate is i . In equilibrium (since a includes actual or imputed net):

$$b = a(1+i)^P$$

Say you invest a every period starting at time 0. You get your first return at time P, of $b = a(1+i)^P$. To last till then, you need an initial capital:

$$K = a(1+i) \frac{1 - \frac{1}{(1+i)^P}}{i}$$

For very small P , this formula reduces to:

$$K = a P (1+i) \sim a P \text{ for small } i$$

or:

$$a = \frac{K}{P(1+i)}$$

This equation makes your point that if the baker starts with capital $K = 200$ and you double P from one day to two days, he must either double K or lay off half his bakers (& buy $\frac{1}{2}$ as much feed stock).

The formula you use is quite different from the one describing the baker:

$$K = a \frac{(1+i)^P - 1}{i} \equiv a \frac{e^{Pi} - 1}{i} \text{ slightly smaller}$$

This is the value of a going concern in which a periodic outlay of a yields $a(1+i)^P$ after a period of P . But for very small P it reduces to:

$$K = a P$$

As it should, since when interest costs are negligible, the cost of setting up a new concern & buying a going one should be the same.

$K = a \frac{(1+i)^P - 1}{i}$ is the correct formula for showing that when $(1+i)^P = 2$, interest costs equal other costs combined.

But when you shift in mid stream from $K = a(1+i) \frac{1 - \frac{1}{(1+i)^P}}{i}$ to

$K = a \frac{(1+i)^P - 1}{i}$, and on top of that use the undefined F - "flow" for a , - you can see why I had trouble.

This is a key passage in your paper - so you should lay out step by step where you get your equations and what they imply. I'd also avoid the force of interest formulation - many of your readers will have a hard enough time without unfamiliar notation.

I hope this helps.

Polly

P.S. Guess what! Gov. Brown appointed Tim Wallace Stat. Director of Agriculture. Tim's first act was to deny milk producers a boost in minimum prices - first time in California history they've been turned down!

Feb. 2, '75-

Dear Polly,

I think your recent phrase, "We just see things differently - no point in discussing it further," is the best way to leave things festering for future trouble. Ask your shrink if that's a good technique. It cuts off communication. It says, "You're so uncultivated, you couldn't understand." Etc.

So give it another round. The important thing to me is you should realize I care about your feelings and would not do you any disservice. You give a great deal to your friends, but you also sometimes demand a great deal and can become quite imperious and a bit self-righteous on occasion.

I should know - it takes one to know one.

But, now, do you think it was appropriate for you almost to demand that I account for my time, and explain how and why I talked with C. Covell? I am concerned as I see you two heading for a shoot-out. How many can the School stand? We reformers are not known for tolerance of deviant views, which is why the bad guys so often win. When we purge & purify the movement enough, there may be no one left but us.

Covell and Pensaks may be naive and impossible

in the Georger tradition -- I can't tell. They may also have a point that "Density" is incidental to our philosophy and should not be made THE central and unifying theme, (if indeed that is what you are doing.) They undoubtedly feel threatened and over-powered.

Anyway, don't let this become a counter-productive power struggle and personality clash. Creative conflict management is the highest art. See what you can do.

all the best,

Marc

Wednesday, Feb 12, 1975

Dear Mase,

Thanks for your note. OK, I'll try again.

I think Christmas was a bad case of missed signals. Nobody's fault, really, if the word fault has any meaning in personal relations. I very much wanted to get your undivided attention for, say, half an hour, to chew over some economic ideas. It's very difficult to discuss ideas by mail, and you often don't answer my questions anyway. In any case, try as I would, I couldn't seem to get your attention for more than a minute or two. It was so obvious you were avoiding getting into a discussion with me that ~~Wether~~ and others were commenting on it -- "Mason's giving you the cold shoulder." Finally, I tried to make an appointment with you; you granted me 15 minutes in the lobby, 90% of which you spent jumping up to chat with old and new acquaintances, and the rest with your eyes roaming the lobby looking for other people to chat with. ~~Finally~~ you said something like "I'm sure your ideas are wonderful", and took off with obvious relief. I felt terribly hurt.

In retrospect, I went about it all wrong. I should have said something like "Mason, I'd like to talk over some ideas with you; can you spare me half an hour? I don't want to take time away from your friends or from Stuart, but perhaps you could skip one of those dreadful sessions." Then you'd have known exactly what I wanted, and could have decided yes or no, and that would have been the end of it. Instead, I hung around hopefully, like a little dog, waiting for a scrap of attention left over from everybody else. Very undignified. I tend to act that way towards people I admire, precisely because I'm hesitant to make overt demands on them -- I "don't want to impose". Yet I end up demanding and imposing more by my doggy persistence. Anyway, if you act like an annoyingly friendly little dog, you get treated like one -- an occasional pat on the head, and repeated shoves out of the way.

I have a common problem: I tend to feel unsure of my value as a person, or even as an intellectual. Rationally, I know such feelings are ridiculous, and I hope I'm gradually growing out of them. Because you're so important to me, you bring out my insecurity at its worst. I act anxious and deferential around you. Also, you're a male chauvinist, paternalistic, and sometimes unbelievably out of touch with the reality of other persons' situations and feelings. The combination has gotten us into a relationship (perish the term) that I would very much like to change. Sort of parent and child, with me always worrying that you're not taking me seriously, and you apparently feeling I'm making a lot of demands on you. In many cases I'm not making demands -- that's a common fatherly projection, which Keith used to lay on me, that the "child" constantly requires support -- makes one feel big and strong.

As to why I wrote you "We just see things differently, etc". Your letter to me after mine from Salt Lake was, I thought, condescending, self-righteous, and downright unfair. Rather than blowing up at you, I figured "skip it". You were goddamned rude to me at Christmas, even if in a subtle way, I asked for it. The fact that one goes to such conventions to meet people, and I should have known it, isn't a good explanation. For some reason, you felt averse to getting into an intellectual discussion with me. Why not admit it? Of course I didn't want you to take time from Stuart or old friends. But ~~there was plenty of~~ ~~pretensions~~ nonsense you could have taken it from, had you wanted to.

I saw nothing wrong in inviting myself to Rainer's party, if I did. Rainer and Beth are good friends, and Keith and I have a standing invitation from them.

And now let me return to you what really drove me wild:

"You do have a habit of scolding me periodically. May I offer as a better example my own forbearance when you first exacted an exclusive franchise to work on BMS, and then capriciously backed away from it for light and transient causes? Did I stamp the floor and turn purple?"

Were you angry, or trying to be funny? Because if you were serious... You know very well you had little chance of getting BMS published without major revisions. I would never have volunteered if I had sensibly first reread the manuscript. I was trying to do you a favor. BMS was my Viet Nam. The more I invested in it, the more it seemed to require. Finally it became a millstone on my career and my personal life. I dropped it reluctantly and guiltily, spewing mea culpas. But the real problem was the basic intractability of the manuscript. You know I'm a good and fast editor when I have a reasonably finished piece to work with, like "The Property Tax is a Progressive Tax.". Look, I had a lot to gain if BMS succeeded, and I don't think I wasted the time I put into it, as I learned a great deal. It was a fair arrangement. And you had a right to be angry when I pulled out. Whatever my excuses, I had made a commitment, and protested too much on top of that. (Part of the same old problem: my feeling of subordination, and your defensiveness made it impossible for me to discuss frankly with you the very real problems I was having.) But I consider it quite unfair of you to suggest I did you any real injury, let alone for "light and transient causes"! And such a masterful, patronizing put-down, too!

There, now, just rereading that letter got me mad again. But I guess you were mad when you wrote it, so it deserves a suitable discount. (As does my reaction.)

As for the business with Cathy: She sometimes says rather extraordinary things about people (not just me) behind their backs. Naturally I was curious, and concerned you might take her word without hearing my side. (Wouldn't you have felt the same if I had been discussing you with Lowell Harris?) But how do you get from that to "do you think it was appropriate for you to demand that I account for my time, and explain how and why I talked with C. Covell?" Appropriate? Demand? I asked you some questions which you had every right to refuse to answer, and to some extent did. Why take this lofty, preachy position? It's true, I may have exaggerated some of the problems with Cathy. Richard's resignation hit her out of the blue; I think before that she had no idea how her constant suspiciousness gets to people. Perhaps things will improve. But I should note again in self defense that the main bone of contention between me and Cathy has been precisely whether the School should tolerate a diversity of views among its active members. She didn't want Bill Blackwell associated with the school because a) he believes in planning, and b) he answered her question about his opinion of income taxes by saying he hadn't thought much about the subject, but he didn't see offhand what was wrong with them. Ditto trivial disagreements with Allen Hayward and several others.

The focus of the conference isn't "density" (as I have explained at a number of board meetings) but "how can we revitalize the cities, that is, the already developed areas. What are the benefits, what are the costs? I see the conference as a vehicle for raising a number of major issues, not just property taxes, but employment, "who owns the land", local v. state financing of schools, etc. Had the first meeting of the planning committee last night. It all looks very good.

You know I do appreciate your writing me this way. I know you don't mean to hurt my feelings (except when you're sore at me). I don't want to hurt you either, (except). I think it's time we started treating each other more as adults, and equals. That means I should stop acting so eager to please, and you, well, should get off your high horse. Is that possible? Sometimes I want to ask you, are you really there, or do you live in some fantasy world where,... what? It's as if we don't speak the same language, or like arguing with someone who persists in regarding interest as unconscionable extortion. I feel baffled, utterly unable to get through. Do you sometimes feel the same? I've tried to be honest, and not too self-righteous.

Keith's firm is still limping along from one catastrophe to the next. A real estate syndication that looked merely stupid has turned out to be absolutely crooked. /The SEC is sniffing around. Cry California may publish a very good paper he wrote on downtown open space, so there's some cheer.

Bill's extension course fell through -- not enough paying customers. (They required 17.) So he's back in the dumps -- he was so cheerful the last two months preparing for it. I introduced him to a very attractive friend of mine and he's hot after her. So that may compensate.

This has been a very long letter. I hope we can work out future misunderstandings without quite this much flailing around.

"Though custom has dulled us to it, it is a strange and unnatural thing that men who wish to labor, in order to satisfy their wants, cannot find the opportunity" "There can be no real scarcity of work ... until human wants are all satisfied." Today, nearly a century after Henry George wrote that, we are armed with econometric models, staffed with advanced theoreticians, enlightened by nearly 40 years of the NEW Economics -- and right back at Square One. Prominent economists act confused and helpless in the face of the most basic malfunction of the system: shortness of work along with short supplies and soaring prices. Why cannot these idle persons find work to fill these shortages? If economics cannot solve this elementary but stubborn riddle, it is not good for much.

The original high interest in land taxation as George expounded it has ~~not been equalled since~~ ~~now subsided.~~ George did not write primarily on municipal finance, important as that is. He posed a more cosmic and gripping problem: ~~the association with~~ ~~progress~~ of "industrial depression; of labor condemned to involuntary idleness". He attributed these to an artificial scarcity of land. He pointed to a solution -- we could thaw the frozen land by taxing it, and employ labor by untaxing activity and labor and its products -- ie, capital. In the lexicon of modern economics, we would say George favored "substituting labor for land".

However, George ran labor and capital together, seeing their interest as one, and set off against landowners'. He overlooked the substitutability of capital for labor, ~~which looms so large in Austrian School economics.~~

George's oversight was not so serious, because he wanted to untax labor, not just capital. The oversight of neo-Georgists is serious, because they have largely emphasized untaxing capital. But if we untax capital and continue to tax payrolls, we stack the cards against labor. We bias the system to substitute capital for labor.

It is important, as George said, to use more workers per unit of land and primary products. It is also important, as he did not say and we are in mortal danger of overlooking, to use more workers per unit of capital. Let me give an example to show what this means.

Consider a baker on a busy corner open 365 days a year. To keep it simple, ignore overhead and cost of flour. The baker begins business with a capital of \$100, which he spends on payroll ^(including himself) the first day. The next day he sells out, receiving back \$100 plus a few pennies for one day's interest on his initial \$100. He spends the new \$100 on payroll baking for the next day, and so forth. His \$100 capital recovered daily finances an annual payroll of \$36,500, and an equal value of baked goods, plus \$10 for 10% interest on his \$100.

If it took him two days instead of one to sell out, his \$100 would allow him to hire only half as many employees. That is, he would have to spread his \$100 over two days instead of one before getting any money back. His daily payroll and production would be cut to \$50. In general, the longer the period between sinking and recovering an investment, the smaller will be the payroll in proportion to capital, and therefore the smaller the return to labor and the larger the return to capital. As the great Swedish economist Knut Wicksell observed at the turn of the century, in a truly free economy, the length of the average investment will adjust so that labor is fully employed.

Our economy teems with biases towards overly long investment periods. ^{making labor dearer} Payroll taxes ^{making capital cheaper} and investment tax credits bias employers to substitute machines for men, lengthening the investment period in the process. Longer investments receive preferential capital gains rates, and indeed the longer the investment, the lower the effective income tax rate. Public agencies like the Army Corps of Engineers typically pour capital into projects which may take 100 years or forever to ^{help} return the investment. These biases spawn our current woes: lack of jobs, and lack of goods.

We must not only undo the biases which lock land away from labor, but also those which lock capital away in overly long investments. We must not only apply more labor to land, but apply it more often. Among necessary reforms, I would give highest priority to cutting payroll taxes, that is, income, Social Security, and other taxes that bear so heavily on workers, especially poorer workers. That would make a small but important first step towards the peaceful world George envisioned, with no limit on jobs other than human desires for the fruits of labor.

"Though custom has dulled us to it, it is a strange and unnatural thing that men who wish to labor, in order to satisfy their wants, cannot find the opportunity" "There can be no real scarcity of work ... until human wants are all satisfied." Today, nearly a century after Henry George wrote that, we are armed with econometric models, staffed with advanced theoreticians, enlightened by nearly 40 years of the New Economics -- and right back at Square One. Prominent economists act confused and helpless in the face of the most basic malfunction of the system: shortness of work along with short supplies and soaring prices. Why cannot these idle persons find work to fill these shortages? If economics cannot solve this elementary but stubborn riddle, it is not good for much.

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Consider a baker on a busy corner open 365 days a year. To keep it simple, ignore overhead and cost of flour. The baker begins business with a capital of \$100, which he spends on payroll the first day. The next day he sells out, receiving back \$100 plus a few pennies for one day's interest on his initial \$100. He spends the new \$100 on payroll baking for the next day, and so forth. His \$100 capital recovered daily finances an annual payroll of \$36,500, and an equal value of baked goods, plus \$10 for 10% interest on his \$100.

If it took him two days instead of one to sell out, his \$100 would allow him to hire only half as many employees. That is, he would have to spread his \$100 over two days instead of one before getting any money back. His daily payroll and production would be cut to \$50. In general, the longer the period between sinking and recovering an investment, the smaller will be the payroll in proportion to capital, and therefore the smaller the return to labor and the larger the return to capital. As the great Swedish economist Knut Wicksell observed at the turn of the century, in a truly free economy, the length of the average investment will adjust so that labor is fully employed.

Our economy teems with biases towards overly long investment periods. Payroll taxes and investment tax credits bias employers to substitute machines for men, lengthening the investment period in the process. Longer investments receive preferential capital gains rates, and indeed the longer the investment, the lower the effective income tax rate. Public agencies like the Army Corps of Engineers typically pour capital into projects which may take 100 years or forever to return the investment. These biases spawn our current woes: lack of jobs, and lack of goods.

We must not only undo the biases which lock land away from labor, but also those which lock capital away in overly long investments. We must not only apply more labor to land, but apply it more often. Among necessary reforms, I would give highest priority to cutting payroll taxes, that is, income, Social Security, and other taxes that bear so heavily on workers, especially poorer workers. That would make a small but important first step towards the peaceful world George envisioned, with no limit on jobs other than human desires for the fruits of labor.

Feb. 21, '75

Dear Polly:

Oh dear, oh dear. What a tangled web we weave when we analyze small things. But we did clear the air - or you did.

Your suggestion is a good one. We could have scheduled an hour or two to talk shop. Next time let's do it that way.

You are right, the sessions were dreadful. Trouble is, you have to go to them to find that out.

Why do you call me names (like M.C.P.)? That doesn't add much to the discourse. And don't say I'm frequently out of touch with reality w/o giving examples.

I admit my reply to yours from Salt Lake was condescending. The devil made me do it. But I still think you have an idea that conventions are intellectual events, and as a rule they are not.

What's wrong with our both recognizing I'm twice as old as you?

As to your making demands on me, it's really terribly gratifying to my weak ego. It's just hard on my limited energy and talent. On balance, it's worth it so long as

you are the phenomenon that you are.

I owe you a great deal, and I acknowledge and appreciate all the good contacts you have made for me.

It is the society we live in, in part. One instinctively learns not to become too attached to one person. It shuts others out, and one just needs to relate to large numbers of people.

As to BMS, now, just a god-darned minute, then. How do you know you did me no injury by sitting on that for a year or so? I would have been peddling it around or something. Face it, you acted on impulse and then got yourself involved in other things to which you gave priority. Just trying to do me a favor? Now who's patronizing and condescending. I've forgiven you, but let's not forget what really happened.

I'm baffled by your top of p. 3. Why do you feel we don't speak the same language?

Rozet's does not give synonyms, literally, but allied words.

Mae

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March 6, 1975

Ms. Polly Roberts
2490 Channing Way
Room 218
Berkeley, California
94704

Dear Polly:

Thank you for abstracting Taxation to Make Jobs By Activating Wealth. I enclose your abstract with some minor changes. I hope I am not too late, I have just gotten back to work after a while in the hospital.

I did send Taxation to Make Jobs By Activating Wealth to Gurney Breckenfeld at Fortune. Dan Cortz seems to be a T.V. reporter now. As to Max Ways, I'm not sure it's in him to change his ways.

Actually, I never sent one to Perry. Do you think I should?

Congratulations on your 30th birthday. That is clearly a watershed and never again must I address you in a condescending manner, or even patronizing. We can leave in the realm of by-gones whether I ever should have. Clearly, you are now and forevermore of age.

All The Best,



Mason Gaffney
Executive Director

MG/cn

Enclosure



OFFICE OF THE SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

Encl. for Polly

March 17, 1975

Dear Mason:

In response to your letter of February 12, I must plead guilty. When one signs some 300 letters a month, one cannot give them more than a lick and a polish and usually not much polish.

I look forward to the next time we can get together.

Sincerely,

Emil.

Emil M. Sunley, Jr.
Associate Director
Office of Tax Analysis

U.S. GOVERNMENT WRITES BACK

Ward Lamon received a reply to his October 31 letter to President Ford suggesting the taxing of land values. The reply was written by Emil M. Sunley, Associate Director, Office of Tax Analysis, U.S. Treasury Dept. It said, "The question of whether a land value tax would discourage land speculation has not been verified. However, the evidence found in Australia, where this tax was tried, was negative. Speculation seemed as rife in Australia as in the United States. In addition, a brief experience in Canada, and experiments in Pittsburgh and Hawaii, have either been unfavorable or inconclusive."

Ward and his fellow San Franciscans for Land Value Taxation are working on a response.

Emil

February 12, 1974

Emil M. Sunley Jr.
Associate Director
Office of Tax Analysis
Department of the Treasury
Washington, D. C.
20220

Dear Emil:

I suppose one of your clerks had about five minutes to compose yours of December 9th to Mr. Ward Lamon, so I won't assume that it really reflects your deep consideration, for I know you are a very smart fellow.

If your reference to Australia is based on the very sketchy, sort of John Gunther once-over-lightly research done by Arch Woodruff and Lazlo Ecker-Racz, then please be advised that the negative finding was essentially to the effect that the tax was not tried.

As to the brief experience in Canada, it was not so brief as it was modest since property tax rates here are very low, just as in Australia. Regardless, I call to your attention the fact that the cities of western Canada, where this tax was in effect in modified form for some time, compare favourably in most respects with the remains of most major cities in the United States.

What happened in Pittsburgh and Hawaii is so mild and milk toast that in the opinion of most students of this subject it constitutes less of an experiment than does the assessment reform that occurred in Rosslyn, Virginia and Southfield, Michigan and Sacramento, California in the 1960's.

Next time I am lucky enough to see you, let's discuss this over a beer or two. The subject really deserves more than a lick and a polish.

Cordially,

Mason Gaffney
Executive Director

MG/cn

Enclosure

Sunley



memo. to Sunley

OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

DEC 9-1974

Dear Mr. Lamon:

Thank you for your October 31 letter to President Ford in which you suggest the taxing of land values..

The question of whether a land value tax would discourage land speculation has not been verified. However, the evidence found in Australia, where this tax was tried, was negative. Speculation seemed as rife in Australia as in the United States. In addition, a brief experience in Canada, and experiments in Pittsburgh and Hawaii, have either been unfavorable or inconclusive.

I appreciate having your letter brought to my attention and hope that my comments are helpful to you.

Sincerely yours,

Emil M. Sunley, Jr.

Emil M. Sunley, Jr.
Associate Director
Office of Tax Analysis

Mr. Ward Lamon
San Franciscans for
Land Value Taxation
1850 Gough Street
San Francisco, California 94109

Mason Gaffney
B.C. Institute for Economic Policy Analysis
UNIVERSITY OF VICTORIA
VICTORIA, B.C. V8W 2Y2

Monday, March 31, 1975

Dear Mase,

Your letter of Feb. 21 finally arrived after some meandering. My goodness, how did you manage to forget my address after all these years!

I still feel rather uncomfortable about the whole episode. The air still hasn't cleared entirely and I wonder if it ever will. ~~entirely~~ personal relations are not "small things". They are what life is all about. Which may sound odd coming from such an intellectual, but then I'm a woman too,

You're right. I shouldn't have called you names. That never contributes anything. And I gave you more of your own back on BMS than was fair. Can we leave it that the truth lies somewhere in between our respective versions?

You're not twice as old as I am. That would make you sixty. But what difference does your age make apart from differences in knowledge and experience -- which deserve recognition in their own right? Rainer and Beth Schickele are as much older than you as you are older than me, but they don't pull rank on that account. Patty Hearst gave currency to the term "agism" -- discriminating against people on account of their age. Tell you what. I won't look up to you now you're fifty, and I won't look down on you when you're eighty.

Alas, Richard turned down the summary of your piece for the Analyst. He didn't really understand it, and it smacked of "wage fund" and "planned obsolescence". I had quite an argument with him. He always thought labor intensive meant a lot of hand work. Thus the Pyramids were labor intensive. So we have to explain what we mean without using terms like that. He's also not convinced that a bias in favor of capital is terribly important compared to the bias in favor of land. Cure the latter and the former will disappear. Could he be right? He also raised a good question about your example of the British setting the Irish to work on the roads during the potato blight. Since the food wasn't there because the landlords denied the peasants sufficient access to the land, how did hiring unemployed peasants to build roads make the situation worse? Didn't it merely redistribute an inadequate food supply from one set of poor peasants to another? How can military waste cause unemployment? It reduces the supply of goods available for consumption, but how does that end up with people unemployed? You say there is a shortage of goods now, with unsold inventories piling up. I personally have trouble relating George's theory of business cycles to Wicksell's. They both make sense, and I suspect they're both aspects of the same thing, but how do they fit?

This quarter I'm working only on the conference and my research essay (plan for thesis). Both look hopeful at the moment. Who knows, maybe I'll at last succeed in finishing something!

My best to Tish and Jean.

April 6, 1975

Dear Polly:

I forgot to mention cause of hospitalization: operation on varicose veins. 9 incisions in right leg, two in left, have left me with some recuperating to do. Right ankle is still swollen, activities restricted. I wonder how long it will take me to work back up to five miles when I start jogging again.

Glad you like the letterhead. No, it doesn't mean we're here to stay, it just means I decided to start acting as though we were, regardless. Finally got Wms. to appoint a Board of Directors, and they seem pretty good except they're all NDP, i.e. too political. That means with a change of administration they might just sweep out the whole thing. Wms. told me in writing I would get tenure at U. of Vic. as a fallback position. If he doesn't come through I'm thinking of going to court.

Alonso disappointed me by declining to attend my conference. I'm still glad to have met and identified him as a good guy. I will search wider and find others, and that will be broadening.

Lurio is getting closer to Weinstein's jugular, I gather.

Stuart is visiting. We've all had the latest brand of flu, so nothing ambitious going on, just lots of scrabble, pingpong, put-tering, etc. Stuart seems to enjoy that as well as expeditions, although we will be touring B.C. when he comes back in August.

The October conference is shaping up OK. It will be lots of work and maybe I am crazy, but what can you do?

A handwritten signature in dark ink, appearing to be 'Anne', written in a cursive style.

Monday, April 7

1975

Dear Mase,

Just got your letter of April 4 (dated April 6!)

I'm relieved you're OK. It all sounds very painful.

You were interested in Wildavsky at one point. I came across the enclosed while looking for speakers and information for my conference. This piece looks more relevant to yours. He doesn't have it entirely straight, but good enough for a start. (This isn't all his, either.)

So who have you lined up now for your conference, and what will they talk about? Do you have any suggestions for me in looking for and picking people for "my" conference? I've been doing a lot of reading and going to other conferences. By god, is this town ever infested with overpriced, undercompetent, two-faced consultants! Perhaps I should ask a delicate question, seeing I'm a hundred times more guilty of the sin of overcommitment than you, but are you sure you're going to be able to produce a paper for my conference? It's not a topic that breaks much new ground for you, and it's very important to me, and I don't think anyone else can handle it, -- but I'd hate to have to be hassling you with your own conference coming up.

Too bad Alonso couldn't come. He told me once he never accepts conference invitations unless he has time to prepare properly.

Could you please elaborate on Lurio and Weinstein's jugular? We're about to write our annual fund request, and any info on what's up back east would be helpful. I feel rather bad about the School, with my presidency about up. I haven't done as much as I should. Yet the almost unremitting hostility from Cathy has conditioned me, like Pavlov's dog, to stay away from the place. I went with her and Richard to a seminar on income redistribution at the Law School, Friday, special topic: the single tax. The conversation of course got too technical; impossible to convince these lawyers on the feasibility of assessing land values. Anyway, Earl Rolph was there, and dug up the old chestnut: "Speculators are performing a social function by holding land out of use until it's ripe for development". So I jumped in and pointed out that while it was true under certain limited circumstances that highest and best use is no use waiting for a higher use, it isn't a good general explanation. At which point Cathy and Richard angrily jumped all over me. Clearly I had betrayed my true colors. I was on the side of the speculator as they had suspected all along. ("They didn't say that; just said I was all wrong, and gave me a lecture from P&P to prove it.") Very embarrassing.

Glad you got your Board of Directors finally. I don't quite understand why you're making such a fuss over tenure at U. Vic. You wouldn't stay there for three months if you did get tenure. I'd have thought you'd be more concerned about notice and severance pay.

It's Keith's 32nd birthday Friday. I'm giving him a whole pile of things he needs: a new attache case, a new wallet, a new bathing suit, a new comb, a new toothbrush... Things were rough this time last year, in fact I unforgivably forgot his birthday altogether. Time works wonders.

Why are you maybe crazy?

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April 8, 1975

Ms. Polly Roberts
2490 Channing Way
Room 218
Berkeley, California
94704

Dear Polly:

Thanks for assuming I'll live to be 80. I'm aiming for at least 100, but it's good to have it confirmed by an expert.

I think it's fascinating that Richard turned down the piece for the Analyst. He is right that it smacks of "wage fund". I don't suppose it ever occurred to him that there might be something right with the wage fund theory, but it occurs to me that you have been right. That Georgist dogmatism is a curse.

And how pray tell does Richard know that the landlords of Ireland "denied the peasants access to the land", and what indeed does that mean? My impression is that the countryside was thickly settled and finely subdivided. That is how the landlords collected so much rent. Cliches and catch phrases are as bad as dogmatism.

As to unsold inventories piling up, that is a form of excessive capital intensity. Inventories pile up because those who own them have sufficient financial strength to hold them without reducing the price to a market clearing level. Besides, don't mistake a cyclical bump for a secular trend. Last year, you may remember, we seemed to be running out of everything. Actually, it is impossible to move so quickly from a general shortage to a general glut as newspaper reporters condensed language would have it. It's just the quick and superficial way that people perceive things. The chronic bias is that too little of our capital is in inventories relative to hard and durable capital.

Yes, we can leave it that the truth lies somewhere inbetween our respective versions. An excellent way to leave almost anything. What is friendship but the ability to cuss out somebody without losing their goodwill?

You must be right about the ratio of our ages. I don't know why I figured you were 25. Must be your good health and radiant complexion. How's that for an olive branch?

All the best,



Mason Gaffney
Executive Director

MG/cn

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April 9, 1975

Ms. Polly Roberts
2490 Channing Way
Room 218
Berkeley, California
94704

Dear Polly:

Will you please tell Richard not to put such stupid things in his newsletters, as the form letter he got from Emil Sunley. Who are these idiots who write letters to the President of the United States? Can't something be done about it?

Cordially,



Mason Gaffney
Executive Director

MG/cn

P.S. See enclosed correspondence

Enclosure

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April 10, 1975

Ms. Polly Roberts
2490 Channing Way
Room 218
Berkeley, California
94704

Dear Polly:

My proposed paper for your now more than proposed conference would probably be done more sketchily and hastily than would be best, it is true and might not break much new ground. My feelings would not be hurt if you decided to fill the spot with someone else and yes, you might have to do a little hassling to force me to meet a deadline. However, I would do it and gladly so you be the judge.

I can't tell you much about Lurio and Weinstein and what little I can you shouldn't repeat, but Lurio's letters sound more and more as though he thinks he has Wienstein on the ropes. Just between you and me, I have an idea he'd rather keep him hanging on the ropes than knock him cold because that would deprive him of his favorite activity. But I probably do him an injustice and, in any event, burn this letter.

Thanks for your suggestion about notice and severance pay. I will broach this as an adequate substitute for the tenure which the government is unable or unwilling to deliver.

Cordially,



Mason Gaffney
Executive Director

MG/cn

P.S. Don't get excited about Earl Rolph speaking up for ripening costs. Earl just loves to argue. Therefore, naturally he was right at home in a meeting full of lawyers. The training of lawyers leads them to look for all reasons why nothing can work and of course their conversation reflects this. Therefore, they should be used in conjunction with positive thinking people and seldom alone. Keith, of course, is the brilliant exception.

Page 2
Ms. P. Roberts
April 10, 1975

Back to ripening costs, may I modestly call your attention to some remarks in Tax Reform to Release Land at page 137 and following. Incidentally, Earl Rolph would argue in favour of withholding land while it ripens to a higher use, would undoubtedly argue also that the higher use is really lower use, or so I suspect. *l.e. he's probably against density.*

Wednesday, April 30, 1975

Dear Mase,

I have enclosed a rough draft of questions for speakers. I guess I would still very much like to have you do the paper on employment (#5). I can't think of anyone else who could handle it. It does mean you would have to finish a sketch of a paper about a month before the conference -- enough to be able to send out a short summary to conference registrants. But there will be plenty of time to revise the paper after the conference,

The conference planning is going reasonably well. I have at least good candidates for all the topics except the last. Blackwell may fink out on me. He's so tired from the 9 or so hours a day he puts in at Bechtel that he just comes home and collapses. He's terribly withdrawn these days -- it's all I can do to extract him from his lair for an occasional meal. I think he enjoys being lonely.

Keith is making great headway fixing up his house. New panelling, wallpaper, kitchen fixtures, etc. It's beginning to look quite habitable. My parents are arriving Friday, on their way back from a trip to mainland China! The house should scotch their image of us as cave-dwellers.

I hope your conference is proceeding OK.

Regards,

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May 5, 1975

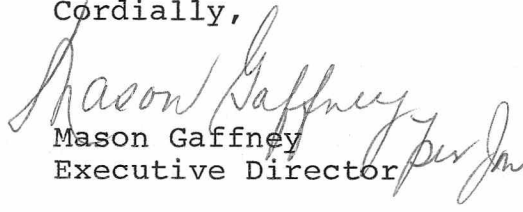
Ms. Polly Roberts
2490 Channing Way, Rm. 218
Berkeley, California, 94704

Dear Polly:

The time is coming when I may be able to take another pass at Bill. We have a Board of Directors and it is organizing itself. I should, of course, approach Bill directly but what kind of vibrations is he sending out these days?

Grady Clay is a nice fellow but also a bit of a con artist - nothing vicious, he just flatters everybody outrageously and thus smooths his pathway through life. He also writes interesting books.

Cordially,


Mason Gaffney
Executive Director

MG/cn

Dictated but not read by Mr. Gaffney

Thursday, May 8

1 975

Dear Mase,

Glad to hear you've finally got a Board of Directors. Are they yours or Bob Williams'? What else is going on with the Institute?

Bill is tired and grumpy these days. Bechtel works him very hard. But he enjoys it. He's now making \$28,000, and has a possibility of being promoted to chief architect, ie, architect in charge of a regional division. So unless you can make him a good and secure offer, I doubt he'd be interested. On the other hand, it might do him alot of good to get out of his San Francisco rut.

I'm working away on the conference. It takes so much time, but I'm getting nowhere fast. People don't answer letters, or give unusable suggestions, etc. Very frustrating. The League of Women Voters has agreed to cosponsor, however.

Speaking of the League, they're starting on a two year study of assessment and property tax administration in California. I will be one of about 10 women working on it. Yes, another commitment... But it's a great opportunity. People listen to the League.

Cathy is continuing the vendetta against suspicious members. Her letter in the latest newsletter, enclosed, is aimed at Bill Filante, who owns some vacant lots, and at me, who am diverting the school by ~~talkingsabout~~ talking about property tax reform, efficiency, transit financing, growth vs. no-growth, and a morass of non-fundamental, peripheral issues". (She wrote the letter after an argument with me over Filante's purity.)

On the other hand, Joe Trento has turned up some real dirt on BEE and LEAF, so maybe Cathy's right about the enemy within. But it's so ~~waxing~~ waxing to have one's motives continually suspected.

Keith and I are going hiking in the Ventana this weekend. It will be good to get away, though sometimes I get panicky with all the things I've saddled myself with. Will I ever finish a thesis? I wonder.

How's Laura? She must be up and doing things by now.

Regards,

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May 16, 1975

Ms. Polly Roberts
2490 Channing Way-Rm. 218
Berkeley, California, 94704

Dear Polly:

I've looked at number 5 on your list of speakers topics and it looks like ABAG is my bag. You have practically written the paper for me, so it should be fairly easy.

Yes, my conference is proceeding okay. It's October 24-26 and I hope yours is some other time. I'll put you on the list to receive Richard Pollock's interesting paper. He seems to have picked up the ideas pretty quickly, although, with occasional inaccuracies (says he arrogantly).

I think you should come as an observer and discussant, if nothing else. Could this be done?

Cordially,



Mason Gaffney
Executive Director

MG/cn

Efficient and Equitable Taxation and Mobilization of
Capital in a Capital Short World

I. Introduction

Much of prevailing economic theory appears to lend support to the conventional wisdom that increased investment is the solution to almost every economic problem. This view is usually translated into the policy prescription that income from capital should be taxed at ever decreasing effective rates. Claims of an impending "capital shortage" appears to be reinforcing this sacrosanct view of capital income and related tax incentives as demonstrated by the 1975 Federal tax legislation.

This paper will demonstrate that appropriate public policy under developing economic trends may call for an increase in the effective tax rate on some forms of capital income. A higher effective tax rate on capital income may be a natural result of more neutrality in the tax system. An increase in the relative effective tax rates on capital would be efficient as well as equitable. Because of the secular finance capital short, labor surplus context currently developing in the U.S., a higher tax on the use of capital would result in a less intensive use of capital in some particular applications, thus freeing scarce finance capital for job creating uses elsewhere. Thus, a reduction in the marginal capital-labor ratio would contribute to an increase in overall labor productivity and employment given the level of capital or real investment capability in an labor surplus situation. A reduction in capital intensity in combination with steady full employment of labor would permit a higher level or growth of income. Such an increase in income and employ-

ciation, capital gains, and existing tax incentives and preferences such as the investment tax credit and depletion allowance. Existing and proposed provisions of the individual income tax affecting trust and individual recipients of business or dividend income are also very relevant to the overall package of capital related tax policy. Avoidance of the value added tax, payroll taxes and similar taxes, which may directly tax labor input, is suggested by this approach.

New income tax provisions affecting retained business income and the earnings of financial intermediaries may also have a potential role to play in this overall fiscal response to or accommodation of finance capital shortages. Under one likely scenario, firms will face ever declining availability of internal funds while middle income households may still be adding to the flow of investable funds in the form of contractual savings through insurance, pension funds, and mortgage payments. Higher income households and/or trusts will still be receiving and dispersing large amounts of savings. Also, assuming a given level of government expenditure, an increase in the effective tax rate on capital, would imply a decrease in the effective tax rate on labor or household income, and/or government surpluses. Either fiscal option would enhance the role of financial intermediaries while contributing to the maintenance of the overall social saving rate.

Saving Mobilization Policy

Broad based household savings sources and government surpluses, along with the savings from dividend income accruing to upper income individuals and trusts, could provide an ever growing source of investable funds rela-

be amenable to continuous Keynesian aggregate demand increasing policies.

Land Taxation

Since land is more scarce than capital it would be preferable to conserve land through use of less land intensive production processes. More capital intensive uses of land would both conserve land and use labor just as more labor intensive means of production in manufacturing would save capital and use labor. Thus, a more efficient mix of capital, land, and labor would be promoted by the use of an appropriate mix of site value and improvement property taxes along with higher taxes on capital income in general.

Section II will provide a brief analysis of the structural changes that appear to be occurring in the U.S. economy at the present time. The implications of these pending changes for the continuation of past trends in U.S. economic growth are considered.

Section III considers the implications of these possible changes in structure and trends in the U.S. economy for the underlying economic analysis. The implications of these new secular trends for policy formation and implementation is also developed in this section.

An analytic framework relevant for evaluating crucial macro economic relations in this new context is developed in Section IV.

Section V considers the analytics at a more micro level permitting an examination of the effect of tax induced changes in relative factor prices on capital intensity and replacement cycles.

3. Increasing long term interest rates in the face of declines in both the rate of inflation and level of real economic activity
4. Inability to use over valued U.S. dollars obtained on credit to acquire real capital and scarce raw materials abroad
5. Declining savings rates as consumers strive to maintain real consumption expectations in the face of inflation and declines in real income.

Evidence for a Secular Surplus in the U.S.⁴

Ad hoc evidence is also present to suggest a strong possibility of a significant shift in the direction of the U.S. becoming a labor surplus economy. These include:

1. Upward drift in the so-called normal unemployment rate
2. Underemployment of many college trained youth
3. High and rising rates of voluntary enlistment in armed forces
4. Evidence that entire generations of minority and disadvantaged groups may never hold anything other than temporary, marginal jobs
5. Evidence that previous high rates of employment were attributable to featherbedding or redundancies that are being wrung out of the economy by means of mergers and other rationalizations of the production process.
6. Absolute declines in the level of peak to peak employment in some industries
7. Past tendency for significant increases in employment to come from labor intensive service industries that will require continued growth in real spendable income in order to grow at the same rate as in the past. i.e. if real spendable income ceases to grow as fast as in the last ten years, the service industry and thus the service industry's role as the primary net new employer of employees will not continue
8. Decline in rate of growth of real wages

It should be noted that the combination of capital shortages and labor surpluses is more prevalent in the world than the reverse condition typical of only a small handful of very developed economies. Declining birthrates may eventually help to achieve or preserve capital surplus status of some countries, but such demographic effects may be too late and too small.

These fundamental changes in the structure of the economy and relative size of available factors of production is of recent enough origin that it

B. Implications and determinants of changes in relative supply of capital and labor

The ad hoc evidence just considered raises a presumption in favor of claims that finance capital may be coming short relative to the growth of labor supply. Such concepts of shortage or surpluses have meaning only in relative terms. Finance capital can be considered short only in terms of a comparison between available finance capital and the needs or requirements for finance capital resulting from growth of demand and the labor force. The factor intensity of production processes are also an important feature in this determination of relative finance capital scarcity or surplus but macroeconomic policy formation usually takes this aspect as a given or a constant. Thus, a more formal statement of capital scarcity can be formulated in the following terms: Finance capital can be considered scarce if the amount of savings generated by a particular growth in income is not adequate to finance the new capital necessary to equip all workers with the new capital required to preserve their productivity and thus their real wages or income.

Thus, the condition of capital scarcity relative to a given labor growth could be attributed to a variety of circumstances: an inadequate savings ratio and an excessive capital intensity in the production process. A relatively large capital-labor ratio is particularly likely to generate capital scarcity relative to labor if the introduction of more capital intensive means of production tends to free labor from existing productive activity. Thus, the condition of capital scarcity relative to labor cannot always be attributed to an excessive growth of the labor supply. It is customary to put the blame on the inadequacy of the savings rate. And suggested business solution is to increase the savings rate by reducing taxes on capital. But the U.S. savings rate has been relatively constant in past years, although the rate has been lower than that in many other developed economies. The one determinant of growing scarcity of capital that has been changing rapidly is the pronounced increase in capital intensity in recent years.

Thus, it appears that one determinant of the growing relative scarcity of finance capital in the U.S. described above is the excessive use of capital relative to the society's savings rate and labor force growth. The evergrowing capital intensity of U.S. production processes combined with the capital claims of evergrowing capital "sinks" such as

deserve considerably more analytic attention.

C. Formulation of a general approach to an economic solution

Appropriate economic policy under pending structural change, should attempt to lower capital intensity while increasing average labor productivity and at least maintaining the real volume or rate of saving and investment. Ideally, the marginal capital-labor ratio should decline while the average output-labor and savings ratios are increased. Some changes in resource allocation or production processes induced by changes of relative factor prices would naturally tend in such a direction; as the marginal productivity of capital increased due to its growing scarcity relative to labor, its relative factor price would tend to increase, discouraging its use in more capital intensive production processes. Thus, a policy of restoring neutrality in the taxation of factor incomes by removing existing tax preferences enjoyed by capital would in itself contribute to a solution.

Both equity and efficiency suggests that this natural tendency for shifts in relative prices would be reinforced or accentuated by tax policy. An immediate increase in the after-tax user cost of capital would result in a more direct and rapid adaptation of investment policy and production processes to the developing real capital scarcity. This approach is analogous to a policy that would have increased the price of oil up to its long run opportunity cost by means of tariffs or tax 20 years ago. In hindsight such a price correction would have considerably mitigated our current energy problems resulting from the chronic under pricing of oil in the past.

There is serious question if markets for capital and other factors are not so fragmented and imperfect as to preclude the rapid and pronounced shifts in relative prices required to realign factor intensities. Even in the absence of tax subsidies, there is considerable doubt that market determined relative prices can perform all the functions assigned to them by the neoclassical growth models which assume rapid adaptation of factor proportions to changes in basic conditions as the result of relative factor price changes. e.g. Houthokker's 48 market imperfections may preclude the necessary changes in price relatives from coming about. However, it is still reasonable to assume that markets will respond to whatever changes in relative

III. Implications of a Secular Capital Shortage for Economic Analysis and Policy

A. Relation Between Structural Forecasts, Macroeconomic Analysis and Policy Formation

It is not too early to start to identify the broader macroeconomic policy and analytic implications of the particular view of current trends in the U.S. economy described above. The policy implications or options which evolve from such an inquiry may unavoidably involve some normative considerations. However, the relevant policy goals are of long standing and usually widely accepted; e.g. maximization of the sustainable long run growth rate of average real family income while avoiding wide disparities in income or opportunities.

If the pending structural changes in the U.S. economy are pervasive, the policy choices and response may have to be much more fundamental than would be suggested by U.S. postwar experience. Postwar attainment to an appreciable degree of the perennial goals of full employment, growth, and price stability was apparently achievable by traditional Keynesian policies focusing on the management of aggregate demand. The conventional analytic wisdom was shaken in the earlier part of the 1960's as the result of considerable support for structural policy approaches thought to be necessary to attack the claimed structural character of unemployment at that time. However, this burst of agnosticism toward aggregate demand management policies was apparently stilled by the apparent success of the massive additions to aggregate demand resulting from the 1964 tax cuts, the Vietnam conflict, and "war on poverty" expenditures. Now prolonged gaps between actual and "potential" output so characteristic of the 1950's and early 1960's are reappearing, while being compounded by bottlenecking shortages

Other structural policy concerns such as manpower training and relocations is another recognized example of the type of structural or compositional policy which would be of particular relevance for coping with the assumed economic scenario being considered here.

Still other policy options of a more dirigistic nature include price and wage controls, credit allocation, rationing, and tariffs or quotas. Some believe that these more extreme forms of government intervention in the adjustment process are necessary at the present time since the structural changes considered are thought to be of such a magnitude as to call for fundamental changes in the mixed U.S. economy. However, a more sophisticated or innovational use of the more indirect controls such as fiscal and monetary policy may still be an adequate response if any of their undesired composition or structural effect can be avoided. Thus, this paper concentrates on shifts in emphasis and assumption of existing fiscal and monetary policy that would be appropriate for the structural changes considered at the outset.

B. Implications for Capital Income Taxation Policy

The broad outlines of the appropriate capital tax policy called for by a forecast of secular capital shortage can be readily derived in the context of the macroeconomic analysis developed in Section IV. In view of the many existing tax preferences for capital and income from capital, it may be enough that tax neutrality is restored; i.e., parity in the relative tax burdens of various factors of production ought to be restored by defining all income tax bases in the most objective manner possible. Elimination of explicit preferences in the definition of income, e.g., unrealistic tax de-

world of second best.

C. Implications for Savings Rates, Saving Composition and Capital Mobilization

The higher effective tax rates on income from real capital will tend to reduce the amount of after-tax cash flow that would otherwise be internally available for investment or dividend distribution. However, in view of the likely increase in before-tax profits in a capital short context, the decrease below present rates of business savings need not be commensurate with the full amount of the tax increase. Moreover, the higher pretax rate of interest associated with the higher marginal productivity of capital may maintain or either increase the income share of high saving rentiers. Higher overall personal saving rates may be generated if there is any appreciable interest elasticity of the supply savings.¹

In spite of any such offsetting effects on the supply of savings, public policy may still have to make complementary changes in tax and financial institutions to facilitate the efficient and equitable mobilization of capital when the relative magnitude of internal business financing is forced down as the result of any restructuring of taxes on business income. The role of internal business financing would be further reduced if the tax restructuring program included integration of the corporate income

¹The relationship between increases in the marginal physical productivity of capital, possible decreases in the after tax rate of return on capital, increases in the after tax real wage rate, and the interest rate pose some subtle economic problems. However, in view of imperfect, fragmented capital markets, it is likely that the rate of return on contractual savings of households could remain stable or even increase while the after-tax financial rate of return on marginal real investment is declining. Improvement of capital markets would tend to lower the spread between lenders' and borrowers' rates.

ferences may serve a function, assuming that they do not have to lead to inefficient use of urban land through urban sprawl. Higher land taxes would provide an offset to this less efficient implication of an otherwise desirable tax policy encouraging greater household saving in the form of investment in home acquisition.

D. Overall View of Taxation of Capital and Land

So far the discussion has focused on the relative factor intensities of capital and labor. In view of the greater relative scarcity of capital, the analysis has suggested that policy should encourage a more extensive use of capital in order to spread it and its job creating power around. The substitution of labor for capital in affecting a shift to less capital intensive production processes on the margin would in effect economize on the scarce capital.

A similar framework would argue for similar economizing of land which is even more scarce than capital if a long run view is taken. Thus, just as capital is economized by shifting to less capital intensive means of production, land would be economized by shifting to less extensive uses of land. In these terms there is a close analogue between the case for taxing site values and reducing the tax on capital improvements on the one hand, and the case for taxing other business capital, or income from it, more while taxing labor or the household sector less. Perhaps one could formulate a "law" which holds that the more scarce the factor, the higher should be the effective tax rate on it or its income. Thus, relative to existing effective tax rates, direct taxes on land should be raised much, direct taxes on capital should be raised some, and the relative effective tax rate

likely that given the underlying structural changes previously indicated, it will be necessary or desirable that the capital intensity of production processes are reduced wherever possible. This should be achieved while at least maintaining the overall rate of investment and savings. Since there appears to be a finite limit to the extent to which investable funds or real capital can be generated while labor appears redundant, it is necessary to spread out the available capital by means of lowering the capital intensity wherever feasible. This will make more capital available for creating new jobs while still making capital available to unavoidable capital sinks such as utilities and other community infra-structure.

The simultaneous achievement of lower marginal capital intensity, higher average labor productivity, and constant or growing savings rates may require an orchestration or mix of public policy tools that has yet to be recognized or accepted. Even the underlying analysis required for the formulation and refinement of such a policy mix may not yet be available or widely accepted by analysts. This statement has tried to show that enough relevant analysis is available to suggest that some aspects of U.S. policy should be re-directed, particularly in the area of tax structure and financial intermediary policy. A higher level of taxation of capital and/or capital income appears to be justified by the use or adaptation of this analysis and the relevant policy goals. This increase in the average level of taxation of capital income should be achieved primarily by means of structural changes in the corporate income tax which would move this tax in the direction of greater neutrality. The removal of explicit and unintended tax preferences would go a long way to restoring neutrality as

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M E M O R A N D U M

DATE: May 16, 1975

TO: Participants in Madison Conference on Reconstruction in Macroeconomics

FROM: Mason Gaffney, Executive Director

Gentlemen:

Professor Richard Pollock has completed, at my urging, a preliminary and partial draft of his proposed chapter for our Conference and book. I enclose it herewith, "Efficient and Equitable Taxation and Mobilization of Capital in a Capital Short World". Please send your comments directly to him at the Department of Economics, University of Hawaii, 96822. I will be sending him comments as well, beginning with how about shortening the title, and continuing with the thought that on page 10 it is not correct to say, as in his point 1, that replacement requirements of previously acquired capital will absorb evergrowing relevant amounts of available finance capital because such capital generates its own replacement funds as it is amortized. Thirdly, Richard or someone needs to take up the question of whether capital is in fact undertaxed when we consider the combined impacts of: a) the double taxation of corporate profits; and b) the taxation of phantom profits caused by inflation.

In general, I am, as I told Richard, delighted with this draft which brings together many of the keynote topics to be handled at the Conference.

I hope that Richard's timely contribution will inspire all to get papers in early and start shooting comments back and forth. I look forward to a landmark conference.

P.S. Richard asks me to emphasize that this is still a preliminary and abbreviated draft that is offered only as a synopsis or summary of the main effort. Those of you who know how thorough and conscientious Richard is will not need to be told this.

May 25, 1975

Dear Polly:

Cathy C. is a true believer, and every movement needs a few. In support of her puritan stance, look what land speculation did to Dave Lincoln. It was his dad, actually, who took the plunge. It is a familiar route. The young idealist preaches for a while, and no one listens, so he says all right, I'll go out and show them, if they won't follow me I'll exploit them, then maybe they'll believe me. So he gets rich, then in his old age says well now I can preach and they'll believe me because I'm rich, so he preaches and no one believes him because he's still the same self-righteous, inept preacher he always was. And besides he's now rich and conservative and he bends the message to suit his new status. And his kids grow up knowing what their dad does and following that, not what he says.

But against her view, look how naive and unrealistic Cathy is, and what a narrow group she can communicate with. And look what a bore she either is or must become, as she narrows down her message still further to that which is in the Good Book.

But we can't resolve this dilemma, it is as old as time, and its counterparts may be found throughout history. All we can do is try somehow in ourselves to incorporate the best of both schools, and avoid falling into the worst weaknesses of either. So be of good cheer, keep up the good fight, and don't fear to touch base with reality now and again as well.

Congrats on your leading role with the League of WV. A fine group -- mother devoted much of her life to it. Your group will be doing same thing I'm doing for B.C.

All the best,



Friday, May 30, 1975

Dear Mase,

How did Lincoln make his money? I find it hard to believe he made it speculating in land. Only a lucky few make fortunes merely speculating; most lose their shirts. To make money owning land you have to be rich and influential in the first place, to direct public investments your way, or get favorable zoning treatment, or special legislation... Passive land ownership may be a way to preserve fortunes, but hardly to make them. Fels, after all, made his in the soap business, and then bought land.

The Georgists perpetuate a great myth that the way to make money is to speculate in land. Serves 'em right if some of them are stupid enough to believe it.

Why am I writing you this?

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May 28, 1975

Ms. Polly Roberts
2490 Channing Way, Rm. 218
Berkeley, California, 94704

Dear Polly:

One comment on yours from South Lake Tahoe, March 25, 1975. You write on the cause of slums and come out "along George Peterson's line", "the slum lord with his multiple depreciations is a myth", "there has been a long standing confusion between slums which have low and even declining land values and areas in transition from one use to a higher use where land values are increasing rapidly", "how to reconcile your portrait of the slum lord depreciating land with Peterson's evidence of zero slum land values".

I plead innocent. Maybe you're getting me mixed up with Perry Prentiss. I've told him for years he should quit pedaling the stereotypical type of slums on very valuable land. Please see appropriate sections of "The Property Tax is Progressive". I learned in Milwaukee and have preached ever since that in slums the ratio of building to land value is quite high because of the very low land values.

There are actually three kinds of slums at least. There's the land in transition and of the cheap land there are two kinds: 1) the floodplains, etc. which is bad by nature; and 2) the declining or declined area of departed glory where the negative neighborhood effects, associated with very old buildings and their inhabitants, have destroyed the value of land for renewal. This last kind is potentially redeemable. It is no doubt for this reason that most public money is wasted on floodplains, which are not, and therefore satisfy the infallible perverse instinct of politicians always to do the most wasteful and least effective thing. All the best.

Cordially,



Mason Gaffney
Executive Director

MG/cn

Page 2
P. Roberts
May 28/75

P.S.

What can you tell me about Al V. Krebs of the Agribusiness Accountability Project and about Joe Petulla? Having established that Jeanne Dangerfield, who ostensibly wrote the piece on tax loss farming doesn't know much about it, I'm wondering who was the brains behind it.

Tuesday, June 3, 1975

Dear Mase,

In light of your innocent plea on depreciation and slums, let me quote from "The property Tax and Intergovernmental Relations":

"There is little useful incentive effect of this tax break. On the contrary, it is one of the main reasons for the nonrenewal and decay of our cities. Not even ecologists will smile on the wildlife it shelters, the *Rattus norvegicus*, *Rattus rattus*, and friends. The main shelter goes to owners of older buildings ..."

I would argue that depreciation is not a major factor in the creation of slums. Multiple depreciation is potentially useful on old buildings only in areas of transition, which are not slums. However, the owners of old buildings in areas of transition are elderly persons, estates, trusts, etc. Such owners have held for a long time, and rarely sell. That's why the buildings are run-down, in fact: failure to sell to a higher and better user.

From what I've seen, most of the multiple depreciating goes on with new and relatively new buildings, where the tax advantages are the greatest. If anything, depreciation is an incentive to overimprovement, excessive investment in buildings of very long life. Thus it may contribute indirectly to slums by diverting capital from renewal. It's essentially a capital sink, drawing money from more productive investments elsewhere. Isn't that a point you make in TISTOC, or something like that?

Al Krebs is a self-important ass. Joe Petulla is a friend of mine here in Berkeley, and a great admirer of yours. He's written a couple of books, and is now completing another on the history of natural resources in the US, or something like that. Where did you get his name, if not from me? Why do you think Jean Dangerfield doesn't know much about tax-loss farming? She's presently getting a degree from the Graduate School of Public Policy, and has borrowed a lot of stuff from me on property taxes and land use, etc. At some point in the distant past I supplied the Agribusiness Accountability Project with some material on tax loss farming, while I was working on the Nader project. I never did see the piece; maybe they used some of my stuff. Why do you want to know?

I hope you will or did enjoy your trip to D.C.

I forgot to mention, I'm halfway through Wicksell's Lectures on Political Economy. I see what you mean, about his having great insights, and then not following them up. But then, it's a short book. By the way, regarding your trick of staggering the ages of machines or trees to show that lengthening the period of production increases the share of capital, -- Wicksell does that too in Value, Capital, and Rent. I don't think you gave him credit for it.

Regards,
Polly

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June 3 1975

Ms. Polly Roberts
2490 Channing Way Rm.218
Berkeley, California

Dear Polly:

Pollock will benefit from your comments on his paper. Please send them to him and spread a few copies around where you think they'll do the most good. Pollock is very aware of his lack of infallible intuitive accuracy, to compensate for which he has over-developed the left side of his brain and is exceedingly punctilious and conscientious about detail, rational linear argumentation and proof, empirical bases, etc. In short, whatever you write him he will read it with care and respond to it, one way or another. So it is worth the effort.

How did Lincoln make his money, you ask? It all started with the Lincoln Electric Company of Cleveland, Ohio. He developed an incentive wage system which was very effective, so he says. There were some subsidiary enterprises such as the Bedford Wire Spring Company near Cleveland, where David was Director for a while. Maybe he just bought that as a training ground for his son. Meantime the old man got tired of paying taxes so he went out and invested his money in Scottsdale, Arizona, a community you probably know about, which he put on the map and developed with his Camelback Inn, among other things. He also owns most of the land along Lincoln Drive, which was not named after Abraham. He also bought the Baghdad Copper Company, and consorted regularly with the likes of Philip Wrigley and Barry Goldwater. For additional information I suggest you consult June Weden, who is a good friend of Lillian Lincoln Banta Howell. Anyway, the upshot is that Dave Lincoln was brought up in a family of land speculators and became thoroughly imbued with the spirit of unearned increment, and it is hardly surprising that he pursues his father's wishes as expressed in his estate with limited zeal.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

Thursday, June 12, 1975

Dear Mase,

I can't resist sending you this, now it's finally arrived. Wow. It sure looks good to see one's name in print!

You confirmed my hunch that old man Lincoln made his fortune primarily as an entrepreneur. Obviously he picked up some unearned increment along the way, but given the system, a successful entrepreneur could hardly help doing so. The real recipient of unearned income is of course David Lincoln. You're beginning to sound a bit like Cathy. After all, George himself insisted that the real enemy is the system, not the people who pursue their interests within the system.

I gathered from Don Hagman you were in LA. He ~~thinks you're~~ "a very delightful person". What did you think of him?

Regards,

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June 12 1975

M E M O

TO: Participants and Discussants
1975 TRED Conference

Enclosed is a recent paper by William Orzechowski
on Labor Intensity and the Federal Sector. It is clearly
relevant to the theme of our forthcoming conference.

MG:jm

Enc.

Thursday, June 26, 1975

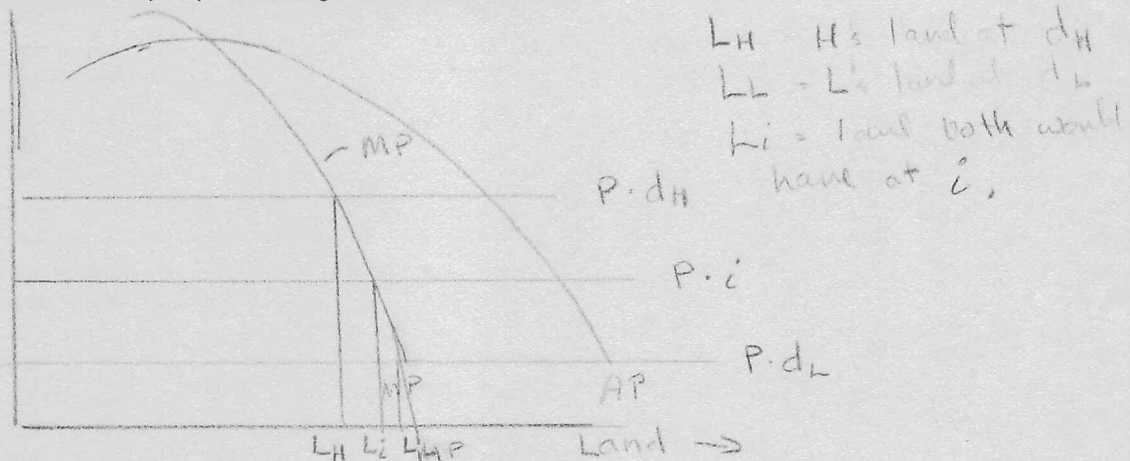
Dear Mase,

A little problem has nagged me persistently. Perhaps you can help me solve it.

You and I and most Georgists assume that if we could get rid of imperfections in the land market, via a land tax and possibly other means, cities would grow more compact. The margins of production of everything from highrises to sheep would retreat to more central locations.

Yet this isn't obviously so. Those who presently use land lightly or not at all would disgorge some of their holdings, and use the rest more intensively. But those who presently use land too intensively, or cannot obtain land at all, would increase their holdings, and use them less intensively. So for the margins of production to shrink, the less intensive users must reduce their holdings more than the more intensive users increase them. I can't come up with any sound mathematical reasoning as to why this should be so. I can come up with a little diagram that suggests it mightn't be:

H and L are buyers of land, which has price P . d_H is H's discount rate, and d_L is L's discount rate. In a perfect capital market, both would have the same discount rate, i , halfway inbetween.



As you can see, if all else remains equal, the normal shape of the marginal product curve suggests that when d_H and d_L converge on i , H will increase his holdings more than L decreases them. Of course, all else isn't equal, but I don't know how to account for all else.

On the other hand, if Muth et al are correct that expenditure on housing rises faster than income, then obviously redistribution of income would lead to less net consumption of housing, and so perhaps less consumption of land for housing.

Can you enlighten me?

Regards,
Polly

P.S. Trip to Portland cancelled, so see you some other time.

Sunday, June 29, 1975

Dear Mase,

I finally met Don Hagman, Friday. He's a very attractive guy. He looks rather as I expected him to, very southern California, with tan and white loafers. However, there appear to be missing steps in his economic staircase. He asked me why would people own land if we instituted site value taxation. Rather than let my jaw drop, I gave him a lecture on shifting to neutral from biased holding costs, which I don't think he got. He was also astounded to discover that I shared his distaste for land trusts -- he had always assumed Georgists favor them, as one form of making land common property. Strange character.

Bill Alonso's growing a beard. He looks like a cross between a hobo and a porcupine. Says his wife won't let him out in public without a three piece suit and a tie. Maybe he wants to frighten off women graduate students!

Keith and I have decided to abandon our schizophrenic way of life and go back to being a regular married couple. I'm relieved. I'd gotten very tired of living in limbo. Maybe we'll even have another shot at multiplication, though the chances of success aren't too good.

You must be glad to get back to your garden after your grand expedition. We hope to make it through Victoria some time this summer.

Regards,

Saturday, July 6, 1975

Dear Mase,

Keith and I went to a movie last night you must see. It's called "The Wind and the Lion". It tells the story of an episode in gunboat diplomacy during Teddy Roosevelt's time, in a romanticized and quite entertaining fashion. Straight out of BMS.

I went to the annual George conference in San Diego. After much acrimony, and a threat from Arnold Weinstein to sue Joe Trento for libel (Joe accused him of having something to hide because he refused to release budget figures), the truth came out: Arnold thinks the classes are a total waste, fit only for little old ladies in tennis shoes. Some of the other directors disagree, so some funding continues for Stan Rubenstein's highschool classes. More important for us, the Board of Directors has decided that the "Associate" schools, as we're now called, have been "on welfare" long enough. It's time we "paid our own way". So New York money, about \$250,000 a year, is being shifted back to New York projects, chiefly a big assessment survey of the New York area by this guy Phil Finkelstein. It sounds like a good project, but I've heard allegations that Finkelstein is an ineffective spendthrift. So we've got \$14,000, and perhaps a little more for this year; but that's probably the end. There are some possibilities we can pursue with paid classes, and advertising in the Analyst (if Cathy would quit squatting on it like a Mother Hen, unwilling to trust anyone else to get near it), but clearly we can't live in the style to which we've grown accustomed on the \$8000 to \$9000 a year we've been raising ourselves. So this is the year that makes or breaks us. Thank God Clay Berling is now president, not me.

I had a marvellous afternoon in San Diego chatting with Bernie Siegan, of Land Use Without Zoning. You're right, he doesn't share some of the perceptions we do. He's a Chicago law professor who made a pile as a real estate developer on the side. But he's a very bright, unpretentious sort of guy who seems quite interested in further investigating ~~ACU~~ ~~regis~~ ideas, especially if they're consistent with a Chicago emphasis on marginal analysis, etc. I sent him "Tax Reform to Release Land"; I think he'll enjoy your anatomy of LG's.

Regards,

Polly

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July 9 1975

Robert Scrofani
Berkeley School District
1414 Walnut Street
Berkeley, California 94709.

Dear Bob:

I see from your letter of June 3 I am supposed to do more than vote for one entry for the Mason Medal contest. Unfortunately I cannot do so. It seems to me that the entries by Guy Wright are the only ones that qualify, and even those are just good hard statements of opinion without much investigative reportorial opinion. May I ask, what is the mechanism by which these items were selected?

Sincerely,



Mason Gaffney
Executive Director.

MG:jm

bcc

P.S. I wrote Hapgood. Thanks!

Monday, July 14, 1975. (Pastille Day)

Dear Mase,

I'm glad you wrote Hapgood. What did you write him? Did you receive his book?

It turns out that one of the respondents to your paper at my conference will be Allen R. Ferguson, President of the Public Interest Economics Center, who is coming out here for the conference. As you probably know, two of his fellow directors at PIEC are Gerry Brannon and Hazel Henderson. So why don't you send him "Taxation to Make Jobs" with the comment that you'll be pursuing similar themes in your paper down here, and you thought he'd be interested. PIEC's address is 1714 Mass Ave, Wash DC 20036 -- your old stamping grounds. (Two other directors you also know: Charlie Cicchetti and Marc Roberts).

How's your conference coming? If I'm going to be a respondent, tell me who you'll assign me to, and I'll look up his work.

Cartridge ribbons are a neat idea!

Regards,

Polly

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July 21 1975

Ms. Polly Roberts
Room 218
2490 Channing Way
Berkeley, California 94704

Dear Polly:

Enclosed are some old notes I put together about ten years ago in Milwaukee called "Underrealization of the Urban Promise". Maybe you could find a place for something of this nature in respect to your conference October 31st and November 1.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

Enc. ✓

Sunday, July 27, 1975

Dear Mase,

I received your outline on the "Underrealization of the Urban Promise", which I find quite interesting. I will send a copy to Jerry Goldberg, who will probably take over Blackwell's part of the conference.

But please let's keep to the employment topic we agreed on, though you're welcome to add in stuff on related topics like urban synergism. It's just that there's no one else even remotely qualified to handle the question of how revitalizing central areas will affect employment. You have the labor types on the one hand fighting indiscriminately for less restriction of central development, and more highways to the boondocks. And on the other hand you have the managed growth types fighting indiscriminately for more restrictions on central development and no more highways. Nobody on any side of the dispute has the foggiest notion how tax, regulatory, and public service policies affect employment. So you see what a critical piece of the puzzle we've asked you to supply.

I've shipped out loads of your stuff to other League of Women Voters members of the property tax study. They've had some difficulty with it, but fortunately a couple of them are economists, and then Helen Break, George Break's wife is a member. So maybe we'll get through to them.

Guess what! TimeWallace will be holding hearings on farm size and farm tenure in California next year. He called me to find out if I had any material on the subject. I told him the best thing I had read on the subject was your thesis. So he has borrowed my copy. Tim is interested in doing a more complete study of who owns California than we were able to do on the Nader study. As director of Agriculture, hopefully he can get more cooperation from local assessors than we could. Things are really happening! Time hasn't yet stopped kidding me about that dress I wore at your party. Guess I overdid it!

I shouldn't have crabbed about Keith when we talked on the phone last week. I was feeling sore at him for other reasons, now long since resolved. Our experiment in going straight didn't work, but on the other hand we're getting along better than ever, and coming to feel less and less threatened by one or the other's outside adventures. Our mutual shrink, Fersky, has been a great help.

In case you forgot, you were going to send me ten copies of "Taxation to Activate Wealth and Create Jobs" or whatever it was called. I can sure use them!

Regards,

Polly

PS. When you get a chance, please answer my question about the effect of redistribution of wealth on density, in the letter with the diagram.

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August 1, 1975

Ms. Polly Roberts,
2490 Channing Way, Rm. 218,
Berkeley, California,
94704

Dear Polly:

Enclosed is some material that Bob Tideman sent me with comments on the allegations by Joe Trento. Your counter comments would be interesting, if it's worth the time. I think I'll just steer clear of this one.

Your recent letter is very exciting about Tim Wallace. Isn't it lucky he had such a thorough exposure to you before moving to Sacramento.

Ten copies of T.M. Jaw on the way.

I thought your gown at the San Francisco party was very charming and appropriate. Tell Tim to stick to things he knows more about.

Don't worry, I will stick to my assigned topic.

I will also try to answer your earlier letter with the diagram about density. You do ask hard questions, however.

Cordially,



M. Gaffney
Executive Director

MG/lg

Encl:

Tuesday, Aug 5, 1975

Dear Mase,

I don't know what to make of the BEE stuff. Initially, I inclined to believe Joe Trento's account of the facts, though not necessarily his sinister interpretation of them. And the Copley papers ran the story too. So at least it looked like Morrow et al had been indiscreet, though probably not outright dishonest. But after witnessing Joe's paranoid performance at the meeting in San Diego, I wonder about his credibility on some of the facts. But then Everett doesn't dispute most of the facts. Some of those loans do look like self-dealing ... but one would have to know the terms of the loans to be sure, and Trento doesn't provide that information.

Then there's Bob's correction saying that instead of spending \$20,000 for 123 members, LEAF of northern Cal has spent \$500,000 for 250 members. That seems to confirm Trento's allegation of inefficiency. And I seriously doubt Bob has 250 members. As of a month ago, he had sixteen members in San Francisco -- which has the most active branch of the Henry George School. Bob tried to manipulate me into being president of LEAF in SF -- invited me to lunch with other LEAF members and out of the blue told me I was now the president. I think he hoped I would be so embarrassed I wouldn't refuse.

I don't like most of the New York board, I don't like the BEE crowd, I don't like Cathy and Joe, and I don't like Bob. They're all so angry and suspicious of each other they drive me up the wall.

We finally did get the rest of the money from New York -- almost as much as we had last year. The board has voted to start paying classes in the winter. I hope we don't now go back to business as usual. Clay Berling, the new president, is a bit of a Pollyanna. Wait till he starts having run-ins with Cathy!

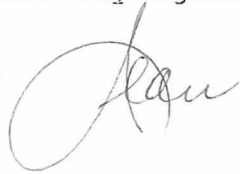
The conference is going great.

Regards,

Polly

PS Another episode I forgot to mention. I wanted to offer an introductory economics course using a modern text, "The Economic Way of Thinking" by Paul Heyne. Cathy insists it be limited to people who have previously gone thru P&P -- she, and some other board members clearly regard modern economics as an alternative to George -- possibly worth studying in order to refute it, but basically a mind pollutant. And I am instantly suspected of subversion for offering to teach it. Jesus Christ! I don't know how much longer I'm going to put up with that kind of thing.

Dear Polly: I'm just back
from a great vacation and
now Mason's away --back
Sept. 2nd. Your always
cheering (or so it appears
from where I sit) notes to
him will be given him the
very moment he reaches his
desk, Giving him time,
of course, to stop and get
that cup of coffee without
which he cannot himself
perk! It's about time you
came this way again.

A handwritten signature in cursive script, appearing to read "Alan". The signature is written in dark ink and is positioned below the main body of the letter.

Mason Gaffney
B.C. Institute for Economic Policy Analysis
3771 Haro Road
VICTORIA, B.C. V8P 5C3

August 21, 1975

Ms. Polly Roberts,
2490 Channing Way, Rm. 218,
Berkeley, California
94704

Dear Polly:

Here is a little capital theory, capitalization
theory and tax theory for you to chew on. As always
I would appreciate your criticism.

Cordially,



 **Mason Gaffney**
Executive Director

MG/lg

Encl:

Thursday, Sept. 25, 1975

Dear Mase,

Here's the conference program,. So now it's all official!

Your conference looks great. I feel so intimidated by all those heavies, though. I must be the youngest person on the program, and the only non-PhD. I do look forward to finally meeting Hazel Henderson. I assume the Lowell conference center is at the University of Wisconsin. But, -- in Milwaukee or in Madison?

I forgot to mention: Bob Scrofani would like to put on a small dinner for you, and possibly the other two out-of-town conference people (Bob Burco and Allen Ferguson). Would Saturday night, Nov. 1 be possible? I assume you won't get in on time Friday night.

I finally read your forest taxes paper. I think it's superb -- clear, logical, easy to follow at every point. So the following are tidying up type comments.

p. 4. What is "high-grading"? Also, what is T. S. I?? Some of your readers, like me, will not be familiar with forestry jargon.

p. 9. paragraph 2. Lowering C towards zero "eliminates the bias against short cycles." Is this what you meant to say? Haven't you been saying that when C is close to zero, there is no bias against shorter cycles. But tax evasion in the form of lowering C clearly lengthens the cycle. Are you perhaps trying to say here that the harvest tax does not penalize forestry on good sites where the cycle would ordinarily be long without the tax?

p. 11, 2nd P: The forest owner is induced to move southwesterly (not easterly.)

p. 16, 2nd P, line 6. letting m fall to 20, (not C).

p. 23, top line. In Georgia, $m = 20$, not $m + 20$.

p. 26, # F. I found this paragraph obscure. I don't know what high grading is, so I can't figure out what it has to do with lump deductibility of harvest costs. What does it mean that "true individual stumpage is not determined"? Is stumpage the value of timber net of harvest costs, or what?

While I went through the derivation of your equalions, I didn't check your actual numbers, which would have been tedious. I assume you had somebody check them.

Regards,

B.C. Institute for Economic Policy Analysis
3771 Haro Road
VICTORIA, B.C. V8P 5C3

September 29, 1975

M.S. Polly Roberts,
2490 Channing Way,
Rm. 218,
Berkeley, California
94704

Dear Polly:

Congratulations on your "Property Taxes and Land Value Taxes". It will come as no surprise to you that I find it persuasive and irrefutable. I would suggest however, on page 2, that in California, the term "irrigation district" has a specific legal meaning relating to a district formed under the Wright Act originally passed in 1887 and that Irrigation Districts under this Act are required to have elections in which all residents of the district vote. There are other forms of special districts in California and most other states and provinces in which only land owners can vote. However, the one man, one vote, principle is something quite special about California irrigation districts.

No, Don Hagman was kind enough not to send me his snide chapter. I can get along without it.

All the best,



Mason Gaffney
Executive Director

MG/lg

B.C. Institute for Economic Policy Analysis
3771 Haro Road
VICTORIA, B.C. V8P 5C3

October 1, 1975

M.S. Polly Roberts,
2490 Channing Way,
Rm. 218,
Berkeley, California
94704

Dear Polly:

Your conference program is artistic, imaginative, and impressive. Congratulations.

The Lowell Conference Center is in Madison. The airport limo goes there and the driver knows how to get there.

You're right, I'll probably not make it in Friday night, certainly not early. I have that talk to give in Portland.

Your comments on the Forest Taxation paper are very valuable. Good heavens. On page 11, how could I have gotten west east mixed up. My map reading is terrible and I went over that so many times too. Likewise on page 16 your sharp eyes spotted a serious typo. As to high-grading, that means taking the high-grade stuff out of the woods and leaving the marginal stuff behind. The term is also common in mining. It's a valuable shorthand way of expressing the concept of diminishing returns without using that expression.

TSI means timber stand improvement.

Stumpage is the value of timber net of harvest costs, yes. However these harvest costs are averaged over a whole cutting operation or "show". Within any given show there will be a number of marginal logs difficult of access and so on. In practice the timber is measured not on the stump but on the scale as it leaves the timber show, so the tax collector really doesn't know which logs were hard to get and which were easy to get. He simply taxes them all the same.

I will rewrite page 9 with your comments in mind. Thank you.

Cordially,



Mason Gaffney
Executive Director

MG/lg

B.C. Institute for Economic Policy Analysis
3771 Haro Road
VICTORIA, B.C. V8P 5C3

Sept. 23 1975

TO ALL PARTICIPANTS, TRED '75 CONFERENCE:

The enclosed article is reprinted from Science magazine
August, 1974, and forwarded to you for your information.

Mason Gafney
Executive Director.
Chairman, TRED Conference.

Friday, October 10, 1975

Dear Mase,

I have a question and an offer.

Question: How's the weather in Madison in later October? I want to know what sort of clothes to bring.

Offer: If you can produce some sort of outline, I'd be glad to try to splice together a paper for you using excerpts from T. M. JAW, "Full Employment for a Small Planet", and other relevant tracts. I'd hate to have Allen Ferguson come all the way out to California for the conference, and not have a paper to give him. By the way, if he hasn't written you, he told Carl Pope he thought T. M. JAW was really excellent.

The conference is going as well as I suppose might be expected. Two first-rate papers (not entirely on the agreed subject), one good paper (on target but with which I strongly disagree), one muddled but salvageable paper, one utter disaster, one very late paper (Steve's), one paper I don't think I'm going to get at all (Burco's), and high hopes for yours. I've been spending some sleepless nights, but I suppose that's a reasonable batting average. Registrations are slow, but I'm sure they'll pick up before the deadline. There's a lot of interest and good publicity. I can't wait to have the damn thing over with and get back to my thesis, which is presently languishing in yellowing mounds all over my dining room table.

There's an interview with Nat Goldfinger of the AFL-CIO in the latest Forbes which I'll send if I can find it again. Same old tired stuff: more public employment and crank up the printing presses.

I've been reading Muth, Cities and Housing: The Spatial Pattern of Urban Residential Land Use. It's pretty good, though obscurely written. I'm going through it looking for ideas for statistical things to test in SF census data. He insists strongly on one point which we Georgists tend to forget in our enthusiasm for site value taxation: the genesis of slums is not only the supply side of the equation, but on the demand side. Slums arise from poor people's demand for substandard housing, because they can't afford better. Property taxes, service discrimination, urban renewal, etc help determine the location of slums, and worsen their quality by restricting supply. But at bottom, the slum problem is a problem of inequality in the distribution of income.

It's been raining the last few days, so I haven't been able to jog. I have a sore back and a runny nose from too much swimming. Groan. How are you?

Regards,

POLLY ROBERTS
2490 CHANNING WAY, RM. 218
BERKELEY, CALIFORNIA 94704
(415) 843-4619

①

Sunday, Nov. 9 1975

Damn your wretched backwards country, Mase. I've had so much I've wanted to write you, but they've cut me off at the pass. So I'll start anyway - and send the results when the coast is clear.

I talked to Dave Shapiro a couple of days ago. (He's coming to dinner Thurs.) Like me, he felt enormously turned on by your conference. One of the liveliest he'd seen in a long time. It certainly put me into a turmoil about what I'm doing. It's not just that you offered me the possibility of publishing the piece I started for Norgaard (if I turn it into something good of course). But it started me wondering what I'm doing with my current thesis topic - which promises a lot of tedious data collection, without necessarily breaking much new ground. But then why should one break new ground with a thesis? One simply should get it done as fast as possible and go on to more important things. Dave Shapiro did a benefit-cost of the Trinity River project - strictly a grind-out-the-numbers affair. But now I'm so intrigued by the idea of going through the material on behavior of the firms to show that large firms ^{or govt bureaucracies} use an unwarrantedly low internal discount rate - and tying that easily demonstrated phenomenon to macro problems. Is that much too huge a project? - probably. I have a tendency to bite off more than I can chew, as you know. On the other hand, all that reading I did for BMS would fit in nicely. Funny, I think I understand that subject so much better now - at the time I worked on it I just didn't

have the breadth of background to cope with it. I don't. but alot of things now fit that didn't used to. (2)

What do you think of that idea for a thesis topic? Am I nuts? I wish I had a year just to read economics without having to worry about a thesis.

Your talk at "my" conference enormously impressed everybody. And it was by far the most entertaining session. However, I think it did point up a couple of areas where you (and I) should be careful in making your pitch - especially if one day you write your own version of "Small is Beautiful". First the point that more labor also means more managerial labor, - more frequently combined with menial labor in the same person. Second - Allen Ferguson & Paul Pope were discussing your talk afterwards - And they came up with - you guessed it - the Brems fallacy. i.e. higher interest rates $\Rightarrow$ more rehabilitation $\Rightarrow$ longer building lives etc. You were right for some cases, wrong for others, so the generalization didn't hold. I explained the problem to Keith who immediately saw through the apparent contradiction - if only economists occasionally studied real estate investment!

Dennis Wamben - remember, he tried to take your capital theory course at UCLA - made an interesting comment. He said he'd always taken you for an extremely conservative economist, à la Chicago. So he was surprised and delighted that you came out in favor of more employment and other good things!

I think I now understand why you're kept up with Bud and June Wedon. Does Bud always act like such an ass - making Bob Scrofani's horrid little dogs yap - or was he just drunk? I'd imagine June finds that pretty hard to take.

I finished reading your mineral leasing paper. Its interesting, full of good insights, entertainingly written BUT (ominous pause) it suffers from a bad case of your old ailment - alluding to things without stopping to define or explain them. You seem to have two audiences - economists - you use economic jargon, and mineral leasing bureaucrats.

you use mineral leasing jargon - which leaves you with an actual audience of the intersection of the two ~~two~~. I don't know if you have time to make revisions - at the very least, for the benefit of us poor economists, you should add at the beginning a brief run down of U.S. and Canadian policies on mineral leasing and tax treatment of income from leases. Here are some specific comments:

2-3. Talk about rents - 3 "tenure control to maximize net rent & wielding market power to raise prices" You're losing non-economists right here.

p. 8 C. Overallowance for amortization. I simply couldn't figure out what actual practices you were referring to. Allowing overly large tracts? Some kind of tax treatment? All policies that slow down recovery of investment?

p. 9. You might explain M.E.P. a little further - i.e., it's the rate which maximizes total output from a well - which isn't relevant except at 0 interest rate. What are "allowables"?

p. 11. You might explain why the depletion allowance should speed use of deposits.

p. 12. 3rd # "If these rents... meaning all labor and capital might as well be applied to other resources" What does that mean?

4th #. What's the Carter Commission?

p. 13 top. What's the "life index"?

E. Property tax policy

Assessments on BC are based on load factors. What are they?

The more remote the lands from population, the less danger they will ever be subject to school taxes.

p. 14. top. ~~overly~~ overly slow recovery not overdecelerated. How does failure to tax capital in marginal mines... you mean there's too much investment in marginal mines?

p.17 bottom ¶ When should people start bargaining with permittees and lessees? Can't you avoid the problem of having land tied up too soon by making takers pay full carrying costs? Also, the Crown is a monopolist. The best time for the Crown to start leasing may therefore be later than the social optimum. Sort of like the zoning board maximizing community land values. (4)

p.18. Overallowance for risk. Again, what actual practices are you referring to? Are Canadian oil and gas prices regulated with a risk premium in the allowed rate of return? Or is this something in accounting for income taxes?

p.21. "Energy is pretty clearly a superior good". The Ford Energy project - which Frances Francis worked on - found the poor spending a higher proportion of income on energy. I don't believe it - but there you are.

p.23. Dave Shapiro got upset over your use of profit in the accounting sense as opposed to the economic sense of excess of actual over expected return. Might be worth a footnote.

p.24. I assume you mean by "raiding" things like Ottawas taking away deductibility of provincial royalties - but you should say so.

p.26 Discussion of raiding is unclear.

p.28 3rd ¶ What are "cash delay rentals"?

I've perhaps sounded harsher than I meant to be. I found it a very stimulating piece - as usual, of course. I hope my comments were legible. I'm home with a fever and a case of poison oak, which is why I'm writing by hand.

I gave Keith a guitar for his birthday 2 yrs ago. Of course he never learned to play it. So now I've appropriated it and have been poking at it. Who knows. Maybe I'll get somewhere.

(5)

POLLY ROBERTS
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Monday, Nov. 10

What did you think of Ted Rust? As you may or may not have guessed, Ted is my current romantic interest. Not that a great deal has actually happened, but it keeps threatening to.

I'd always considered married men strictly off bounds. (I made an exception for Martin, but that was at a conference. I'd heard that one got laid at conferences, so I thought I'd give it a try. Martin, who I'm very fond of, seemed a logical target. Darn near succeeded too. Later he gave me a lecture on how I was hung up on older men, had unresolved conflicts about my father, etc. Poor Martin! For God's sake don't repeat any of that to him.)

Anyway, I've known Ted for years, and liked him very much, but never considered him a possibility. Then he started getting affectionate towards me a few months ago, odd for someone so basically uptight. This has been gradually escalating -- but every time I respond too enthusiastically he stiffly reminds me of his loyalty to his family, etc. So I'm not sure what's going on. He gets angry and defensive whenever I try to discuss it. Then I feel bad about Rainy, whom I like, though I suppose she's none of my responsibility. I don't think they're very happy together, but that seems to be another totally off bounds subject. He finally took me sailing yesterday, I think behind her back (she was off for the day with the kids) -- she'd vetoed past attempts to take me sailing, which was getting to be a very sore subject between us.

I'm finding the whole business rather entertaining, though I hate the game playing that goes on. But I guess that's unavoidable with two rather shy people.

Keith is having a similar non-affair with a woman who has a steady boyfriend. I think he's taking it a little more seriously than I am, as he gets very despondent at times. But it's fun to compare notes. And after all, we have each other, which helps keep outside adventures in perspective.

Sunday, Nov. 16

I think I mentioned to you that Dick Norgaard is splitting up with Marida. I had lunch with him Tuesday and heard further gory details. It seems that all the while she's been accusing Dick of not being affectionate enough, and smothering her identity, she's been having an affair with her 59 year old accordion teacher. Ouch! What a painfully familiar pattern! It's all finally beginning to get to Dick, who up to now had been fairly calm about it. But at least, after a nasty battle, she agreed to give him custody of the children.

What is it that happens to married women? They lose their identity, go into hibernation... I felt completely overwhelmed by Keith, and yet at the same time he didn't give me enough affection -- I was very demanding, while he kept backing off. And this perverse need to seek independence -- by rushing off to an older man?! (I think I've successfully worked through that one. I'm even attracted to younger men, like Chris Hartzell. And Ted, despite his grey hair, is only 36.) The desire for independence, and self-reliance is genuine, but mixed with the fear that one simply can't hack it alone. The longer the marriage, the stronger the fear.

-18-

(6)

I never did fill you in on my story, though you seemed interested. So here's a brief sketch.

After Keith and I took up separate living, he had a whole series of minor affairs. I was jealous. Not of the other women, but of him for having such a good time. I was also getting bored of moping over you. So when Bill came along, I jumped at him. (Feb. '74). I found every conceivable excuse to see him. After much protesting that he wasn't what I wanted, he finally came around. He was a superb lover -- I suppose there are some advantages to being unable to stick with any one woman for long, but otherwise... I don't think I've ever had such a bad case for anyone, in terms of hours spent making myself miserable. He was terribly unpredictable, sometimes charming and affectionate, sometimes shouting angrily at me for no apparent reason. He complained that I pressured him by being so much in love with him, and complained at my spending time with Keith. (It was completely clear by then that I wouldn't leave Keith for him or anybody else.)

This unhappy business limped along until June, when he finally wrote me that he had decided "the relationship was unsatisfactory". After that, we got along much better. I called or dropped in regularly. He was always pleased to talk, mostly to bitch about his shrink and his new girlfriend, Lyn. (You met her at the party.)

In December I met Pedro, a fellow student in Alonso's regional development class. It was the first and last time I have jumped into bed with a total stranger. (He's a beautiful guy, with a long sad face right out of an Orozco painting.) But communication was terrible, starting with my getting his name wrong, and continuing with the strain of trying to understand his heavy accent. We had absolutely zero in common. So after a few sessions, he broke it off. (I mooned around for a week, then forgot him.)

In February the affair with Bill revived again. It was much better this time. Not that Bill was any less difficult, but I didn't get upset so easily. But after a couple of months, he went into a gradual retreat, getting steadily less and less friendly. I took to dropping in on him every two weeks, then every three... I still haven't figured what went wrong this time. I had hoped we could go back to being good talking friends. Perhaps it would have been different if he had found a new girlfriend; but instead he became more and more of a hermit. If I hadn't happened to drop in as he was packing to leave for Amman, I'm sure he'd have disappeared without telling me. I've written him, and will continue to write -- keep him up on the news of San Francisco at least. But if I get a single postcard from him I'll die of shock.

Then over the summer there was Gary, a charming, right-wing yacht designer. I'd been having coffee with him regularly for months, hearing about his woes with his wife, who he's breaking up with, and his secretary, who he's having an affair with. In July, he took me rowing on Lake Merritt, and then up to his apartment to see his yacht designs... Then, after explaining it was too complicated to see me what with his secretary watching his schedule, he just disappeared. As usual, I moped for a while, then forgot him.

More recently, there has been Ted. He's like Bill, though not so pathological a case -- so wrapped up in his own emotions and perceptions of the world as to make it very hard for him to relate effectively to other people. I find it an interesting challenge to put him at ease, and draw him out. But I'm also quite happy to enjoy his company without caring whether it turns into a real affair or not.

I had beer with Earl Brossard two weeks ago. He's an interesting fellow, though awfully full of himself. (No effort needed to draw him out!) He's teaching in the City Planning department at San Jose, and working part time as a consultant at ABAG. He called me trying to get in touch with you. I gave him your numbers in Victoria.

Keith and I had dinner Thursday with Dave Shapiro. What a funny, nervous fellow! But we had a great time arguing with him about all sorts of subjects. I imagine we'll be seeing more of him. I think he's very lonely in California without his family.

I chatted with Phil LeVeene Friday, catching up on department gossip. Somebody or other may resign, so there's a possibility they can finally recruit for a full tenured position next year. Needless to say, I made sure he knew you were available. Also, there's been more pressure on Jim to force Hoos out, and Sammet has less than a year to retirement. So, who knows? The senior faculty also finally recommended Dick Norgaard for tenure, which wasn't certain as he's made alot of enemies.

More gossip: Tim Wallace has finally split with Audrey. I gather Tim has played around with other women for years, but I'd thought they still had reached some sort of accomodation. She's quite a success in her own right as a painter. But Phil said she was feeling put down and subordinated. He said Tim's very unhappy about it. At least their children are grown. I haven't talked much to him since he became Director of Agriculture, -- maybe that had something to do with it. Gee, evil thought, perhaps I should give him a call. I've resisted passes from him before, but now...

I have actually decided to do my thesis on the low internal discount rate, etc, of large firms and organizations. Dick Norgaard thought it was a much better idea than my topic on land use in San Francisco, because it will take me through the main stream of economic literature. I've spent a week in the library going through the journals, and have turned up abundant material. I'm going to try to kill two birds with one stone: a piece for you, which will double as a research essay. Of course, as you said, you're under no obligation to take it, but I think it will be pretty good. I'm very excited.

By the way, do you understand the Cambridge controversy? With my change in thesis topic, I've been running through the capital theory literature. I can't for the life of me figure it out. I tried to read a supposedly elementary introduction to the issue, by someone called Edward Nell. He threw around the terms capital and profit in a very loose way, and made some obvious blunders in describing the "reswitching" business. But if Samuelson and John Hicks take the controversy seriously (not to mention Joan Robinson) there must be something there.

Well, it's been a nice Sunday morning. Time to troop off to the library in search of more goodies.

(8)

POLLY ROBERTS
2490 CHANNING WAY, RM. 218
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(415) 843-4619

Friday, Nov. 21, 1975

Dear Mase,

Wow! Back in communication again. You see what a pile I've accumulated for you. That strike must be wrecking the Canadian economy.

I think we must be missing each other on the multiple depreciation. And I readily admit I haven't worked through the mathematics.

The question is whether depreciation is a major factor in creating slums, and creating blighted buildings in economically stable or booming areas. There's a good reason why it should be, namely, the advantage of repeatedly depreciating land under the guise of depreciating an old building. In fact many writers besides you, including some of the authors of the Douglas Commission report, assert that this happens.

However, some empirical work done in the last few years casts doubt on the importance of depreciation in the creation of blight.

First, there's the evidence that slum land values are very low, even zero. There's not much advantage to depreciating land if the land is close to worthless. Sternleib's study of Newark shows, as do other studies, that slum property owners are a relatively poor lot, -- wealthier property owners have long since sold out. Slum property is marginal property. Just as the wealthy don't own marginal farmland, they stay out, or get out of marginal urban land. The value of the depreciation loophole depends on tax bracket. If slum property owners have a low tax bracket, they don't get much out of depreciating property even if there were much land value to depreciate. Sternleib looked for evidence of investors depreciating slum property for the tax advantage, and found none.

Sternleib did, however, find a very interesting pattern of ownership: The more blighted properties belonged to older, wealthier (but not wealthy), absentee persons. These people by and large owned the property free and clear and had held it for more than thirty years. The better-maintained properties belonged to younger, poorer, recent purchasers, usually owner-occupied, with a heavy debt service. In your scheme of things, the neglecters have a lower internal discount rate than the maintainers. But notice that the neglecters, who are the only ones who could conceivably take advantage of the depreciation loophole, own free and clear and haven't purchased recently. So they're not taking depreciation. The maintainers may take depreciation, if they're not owner-occupiers, but it can't be worth that much. And they maintain or improve despite the alleged advantage of neglecting.

Now, as for stable areas, or areas in transition to higher uses. Land values are high here, and wealthy property owners may abound. Here's where you'd expect to find alot of multiple depreciation going on. And you do. Only it isn't, by and large, the old wreckers that are getting depreciated.

For the evidence I've seen suggests that the same pattern of ownership Sternleib found in Newark slums holds for other areas as well. Joseph Mønsen's study of the San Francisco CBD, and Appelo's study of the Seattle CBD found that

-3-

(9)

the most underimproved properties belong either to institutions like churches, or to elderly persons, estates, trusts, etc. The neglecters had held the property a long time, and rarely sold. Newer, better-maintained property turned over much more frequently. In other words, once again, the neglecters were not in fact taking advantage of the depreciation loophole. This is a generalization, of course. I'm sure some multiple depreciation of old wrecks goes on. But I question how important it is.

Now as I said, I haven't worked through the math. And maybe I should before I sound off further. But offhand it strikes me that the depreciation loophole makes capital artificially cheap for new buildings. So it encourages excessive durability, and the construction of new buildings as opposed to the maintenance of old. Now if the best place to build new buildings isn't on the site of current old buildings, depreciation may divert capital from old buildings to new ones. In your terminology, the carcass life of both old and new is lengthened by denying capital to one, and force-feeding it to the other. Am I getting confused? But that's not the same thing as giving investors a direct incentive to neglect their property.

I am confused. I'll sit down and work this one out properly. I'll also check out how the depreciation rules apply to different categories of property. Keith knows all about that.

We're leaving tonight for a week back east. A few days in New York, then Thanksgiving in D.C. with my parents. I haven't been east in a year and a half, so it should be fun.

Polly

Best to Jean & Tish & Laura.

P.S. If I send you my paper / research essay. when do you want it. Dec 31? I can try.

British Columbia Insti for Economic Policy An

Independent research in the public

3771 Haro Road · Victoria · British Columbia · V8P 5C3

477-9311 477-6911

November 10 1975

Mis Polly Roberts
2490 Channing Way
Room 218
Berkeley, California
94704

Dear Polly:

On June 3rd 1975 you wrote that tax depreciation is not a major factor in the creation of slums. It is useful only in areas of transition, which are not slums.

I don't get your point. Multiple depreciation is useful in static areas as well as areas of transition, is it not?

I see no basis and know of no basis for your next statement, "The owners of old run-down buildings in areas of transition are elderly persons, estates, trusts, etc." Is there any basis for that allegation, and if so of what relevance is it?

You say, "If anything, multiple depreciation is an incentive to buildings of very long life". That implies that it is effective in their later years, the very point you seem to be denying originally.

Finally, as to my not giving Wicksell credit for staggering the ages of trees. Not so. I have credited him many times with this point. After a while it seems redundant, and besides he needs no further adulation from me. By the way, did you dig Emil Sunley's alluding to me as a "neo Austrian"? It's nice to have a new label.

If you never saw Jean Dangerfield's article on tax loss farming and if you think she used some of your stuff ask her for a copy. It's a very good piece. I just wonder if she ever wrote it, inasmuch as when I talked with her she didn't seem to know much about it. By the way, show her the piece by Evenson and Welch as well, if she is still interested in the field.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

"Until end of strike
return address is
P.O. Box 21546,
Seattle, Washington, 98111"

Sunday, Nov. 30, 1975

Dear Mase,

Here's your folder. Your letter of Nov. 3 arrived after that of Nov. 10. But at least it arrived. Keith will send you a check for your expenses,

We had a great trip east, and have returned raring to go. Yesterday afternoon we spent with Frances and Walton Francis, and Margaret. They've just acquired a large new house out on Military Road (#115, zip 20015 if you're sending Christmas cards) to provide a yard for Margaret to run around in. I gather you visited them this summer. Frances said you stayed in town while Tish visited her family -- I thought you got along reasonably well with her family, despite ideological differences.

How well are the alternative mail services functioning? That should be a fascinating study.

Regards,

British Columbia Institute for Economic Policy Analysis

Independent research in the public service

3771 Haro Road · Victoria · British Columbia · V8P 5C3

477-9311 477-6911 locals 891 or 892

November 3 1975

Ms. Polly Roberts
2490 Channing Way,
Room 218
Berkeley, California
94704

Dear Polly:

It was a great conference, and although that ambitious politician, Kopp, was handing you a line of bs for his own nefarious purposes everything he said was perfectly true. You organized a splendid conference. People were really turned on and they were good people.

Please don't wait for the postal strike to be over to return my folder. Please note Seattle P.O. box number.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

Enc.

"Until end of strike
return address is
P.O. Box 21546,
Seattle, Washington,
98111"

Tuesday, Dec 23, 1975

Dear Mase,

Guess what! I was at the department Christmas party yesterday, talking to Jim Boles. Jim raised the subject of hiring, and repeated what I've told you: there will be three vacancies on the senior faculty coming up in '76. They're still trying to get the Dean's permission to hire at the senior level, and hope to get at least one position in '76. Then, without my saying anything, Jim said that of course you would be "outstandingly qualified" for such a position. That means that, with the junior faculty, you have a clear majority of support on the faculty, if and when the Dean comes through. So for god's sake hold your horses awhile, and don't go rushing off to Santa Barbara, Riverside, or Podunk.

I got a long letter from Hazel Henderson, about her new organization, Environmentalists for Full Employment. Apparently we may both be invited to a conference on the subject put on by Hank Cole in Madison in March. I think you deserve a lot of credit for getting Hazel onto this tack. I'm sure she will be a better propagandist for your ideas than either of us could be.

I went carolling last night with Ted & Rainy and Bill and Mary Ellen Alonso and their various kids and neighbors' kids. Made me feel very nostalgic for that sort of a cozy home life. And the kids are all so cute and bright. I'm jealous.

My paper is going fairly well. I haven't done too much writing yet, but the ideas are falling into place nicely. So nicely that it's all beginning to seem too obvious.

Happy New Year!

Regards,

British Columbia Institute for Economic Policy Analysis

Independent research in the public service

3771 Haro Road · Victoria · British Columbia · V8P 5C3

477-9311 477-6911 locals 891 or 892

December 30 1975

Ms. Polly Roberts
2490 Channing Way,
Room 218
Berkeley, California
94704

Dear Polly:

Our mail from Seattle still hasn't arrived
even though other mail is coming through.

Do you have Bob Scrofani's home address?
I just had something returned from 366 Collingwood
Street, San Francisco.

Cordially,



Mason Gaffney
Executive Director.

MG:jm

MAJOR PUBLICATIONS

January 1955 through December 1970

M. Mason Gaffney, Visiting Scholar
Resources for the Future

A. Books and Monographs

1. CONCEPTS OF FINANCIAL MATURITY OF TIMBER AND OTHER ASSETS. A monograph, Agricultural Economics Information Series No. 62, North Carolina State College, Raleigh, N.C., September 1957. 105 pp. (mimeo.) Second Impression, December 1960.
- ✓ 2.* With Miles Colean, Ernest Fisher and Pierpont I. Prentice, "Land--A Special Issue," HOUSE AND HOME 18 (2) entire issue (August 1960). (Jesse H. Neal Award for Business Journalism, 1960).
- ✓ 3. EXTRACTIVE RESOURCES AND TAXATION (ed.), Madison: University of Wisconsin Press, 1967. Reviewed: Peter Pearse, Canadian Journal of Economics, February, 1969; Peter Steiner, Journal of Economic Literature VII (2), June, 1969; F. P. Hall, Natural Resources Journal 9 (1): 128-30, January 1969.

B. Chapters in Books and Bulletins

- ✓ 1.* "Urban Expansion--Will it Ever Stop?" LAND, The 1958 Yearbook of Agriculture, Washington: Government Printing Office, 1958, pp. 503-22.
2. "Ground Rent and the Allocation of Land among Firms," in Miller, Frank (ed.), RENT THEORY, PROBLEMS AND PRACTISES, North Central Regional Research Publication 139, University of Missouri Research Bulletin 810, pp. 30-49, 74-82.
- ✓ 3. "Land and Rent in Welfare Economics," Clawson, Harris and Ackerman (eds.), LAND ECONOMICS RESEARCH, Baltimore: The Johns Hopkins University Press, 1962, Chapter 8, pp. 141-67.
- ✓ 4.* "Containment Policies for Urban Sprawl," in Stauber, Richard (ed.), APPROACHES TO THE STUDY OF URBANIZATION, Governmental Research Center, The University of Kansas, 1964, pp. 115-33.
5. "Economic Analysis and Air Conservation," a chapter in AIR CONSERVATION, The Report of the Air Conservation Commission of the A.A.A.S., Washington: A.A.A.S. Publication No. 80, 1965, pp. 281-304.

*Republished. See (H).

6. "Welfare Economics and the Environment," Chap. 4 in H. Jarrett (ed.), ENVIRONMENTAL QUALITY IN A GROWING ECONOMY, Baltimore: Johns Hopkins University Press, 1966.
7. "Adequacy of Land as a Tax Base," in Daniel Holland (ed.), THE ASSESSMENT OF LAND VALUE, Madison: University of Wisconsin Press, 1970, pp. 157-212.
- ✓ 8.* "Coordinating Tax Incentives and Public Policy: The Treatment of Land Income," in Charles Schultze (ed.), THE ROLE OF INCENTIVES IN PUBLIC POLICY (Washington: The Brookings Institution, publication planned for 1971.) My chapter is completed, and part has been republished. (See H, 9.)
- ✓ 9. "Editorial Findings," Conclusion to M. Gaffney (ed.), Extractive Resources and Taxation (Madison: University of Wisconsin Press, 1967), pp. 340-419. (This is essentially a separate chapter of substantive material beyond the editorial work.)

C. Journal Articles and Proceedings Papers

1. "Rural-urban Competition for Water," JOURNAL OF FARM ECONOMICS 42 (5): 1363-66, December 1960.
- 2.* "Suburban Development Districts," Comment on a proposal by Marion Clawson, JOURNAL OF THE AMERICAN INSTITUTE OF PLANNERS 27 (1): 79-80, February 1961.
- 3.* "Diseconomies Inherent in Western Water Laws: A California Case Study," ECONOMIC ANALYSIS OF MULTIPLE USE, Report No. 9 in the series WATER AND RANGE RESOURCES AND ECONOMIC DEVELOPMENT OF THE WEST. Proceedings of Western Agricultural Economics Research Council, Range and Water Section, Tucson, Arizona, January 23-24, 1961, pp. 55-82.
4. "The Unwieldy Time-dimension of Space," AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY 20 (5): 465-81, October 1961.
5. "Water Law and Economic Transfers of Water: A Reply," (to Dean Frank Trelease), JOURNAL OF FARM ECONOMICS 44 (2): 427-34, May 1962. With Trelease's Rejoinder following.
6. "Comparison of Market Pricing and Other Means of Allocating Water Resources," WATER LAW AND POLICY IN THE SOUTHEAST, Papers of the Southeastern Water Law Conference, University of Georgia, November 7-10, 1961, published by Institute of Law and Government, The University of Georgia, in cooperation with the Farm Foundation and the Southeastern Land Tenure Research Committee, 1962, pp. 195-229.
7. "Soil Depletion and Land Rent," NATURAL RESOURCES JOURNAL 4 (3): 537-57 (January 1965).

8. "Property Taxation and the Frequency of Urban Renewal," 1964 Proceedings of 57th Annual Conference on Taxation, National Tax Association, Pittsburgh, 1965, pp. 272-85.
9. "Applying Economic Controls" (to conserve air), BULLETIN OF THE ATOMIC SCIENTISTS, June 1965, pp. 20-25.
- ✓ 10.* "The Benefits of Farm Programs: Incidence, Shifting and Dissipation," JOURNAL OF FARM ECONOMICS, December 1965, pp. 1252-63.
11. "Milliman on Urban Water Price and Tax Policy," AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, September 1966, pp. 399-404.
12. "Tax-induced Slow Turnover of Capital," WESTERN ECONOMIC JOURNAL, 9-67, pp. 308-23 (abridged).
- ✓ 13. "Tax-induced Slow Turnover of Capital," unabridged, AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, 29 (1): pp. 25-32 (January 1970); 29 (2): 179-97 (April 1970); 29 (3): 277-87 (July 1970); 29 (4): 409-24 (October 1970); 30 (1): pages unannounced (January 1971).
14. "An Economist Looks at Research on Water," Colloquium on THE SOCIAL SCIENCES IN WATER RESOURCES RESEARCH, Water Resources Center, Pennsylvania State University, 1968.
- 15.* "Economic Aspects of Water Resource Policy," AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, 28 (2): pp. 131-44 (April 1969).
16. "A Tax Tool for Meeting Urban Fiscal Crisis," AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, 29 (3): pp. 253-58 (July, 1968).
- 17.* "Land Planning and the Property Tax," JOURNAL OF THE AMERICAN INSTITUTE OF PLANNERS, 35 (3): 178-83 (May 1969).
18. "Land Rent, Taxation, and Public Policy," Papers of the Regional Science Association, Vol 23, pp. 141-53, 1970 (abridged).
19. "Land Rent, Taxation, and Public Policy," unabridged, AMERICAN JOURNAL OF ECONOMICS AND SOCIOLOGY, in press for early 1971. Also mimeo., 1968 (47 pp. + vii).
- ✓ 20. "Replacement of Individual by Mass Systems in Urban Growth," 1969 PROCEEDINGS of American Real Estate and Urban Economics Association, Vol. IV, pp. 21-68.

D. Comments, Reviews, and Presidings

1. "Water Supply," review of book by Hirshleifer, Milliman and DeHaven, THE APPRAISAL JOURNAL, April 1962.
2. Discussion of Paper by William Pendleton, "Some Economic Aspects of

Land-use Regulation," in Reiss, F. (ed.), FACTORS IN THE FARMLAND MARKET, Urbana: University of Illinois College of Agriculture Special Publication No. 8, November 1965, pp. 15-18.

3. "The Valuation of Public Goods," Morris Garnsey and James Hibbs (eds.), SOCIAL SCIENCES AND THE ENVIRONMENT (Boulder: University of Colorado Press, 1968), pp. 154-60.
4. "Urban Water Supply--A Second Look," comment on paper by J. Hirshleifer and J. Milliman, PROCEEDINGS of American Economic Association, May 1967, pp. 192-195.
5. Review of James Heilbrun, REAL ESTATE TAXES AND URBAN HOUSING, for University of Chicago JOURNAL OF BUSINESS, April 1968, pp. 276-77.
6. Comment on papers by John Hogan, Clyde Browning, and Vincent Schmit, Session on property taxation, 1967 Annual Meeting of National Tax Association, PROCEEDINGS.
7. "Black Power, Green Power," in John J. Sullivan (ed.), EXPLORATIONS IN URBAN LAND ECONOMICS (Hartford: The John C. Lincoln Institute, 1970), pp. 75-80.
8. Chairman, Second General Session, "Property Taxation," 1969 PROCEEDINGS of 62d Annual Conference on Taxation, National Tax Association, Boston, 1970, pp. 51-108.

E. More Popular Articles

- 1.* "The Drift from Medium-sized Farms in the United States," retitled by Editor "Big-money Farming," THE NATION, 181 (23): 480-81, December 3, 1955.
2. "The Federal Role in Water Development," retitled by Editor "Water, Politics and Human Nature," CHALLENGE, 8 (9): 24-28, June 1960.
3. "Reduction of Housing Costs," a letter written on request of U.S. Housing Administrator Norman P. Mason, VIEWS ON REDUCTION OF HOUSING COSTS, Washington: Housing and Home Finance Agency, January 1961, pp. 3-7.
4. "If Philosophers were Kings," Excerpts from address, "Criteria for the Assignment of Financial Responsibility," (for the Feather River Project), CHRISTIAN SCIENCE MONITOR, November 9, 1963.
5. "The Great Urban Tax Tangle," FORTUNE, March 1965. (I consulted with the editors on this, and it paraphrases my Publication B, 4, above.) Also in THE NATION'S CITIES, March 1965.
6. "What Kind of Cities Do We Want?," THE NATION'S CITIES, April 1967, entire issue. (I consulted with P. I. Prentice, who wrote the text, and much of the material is paraphrased from Publications B, 4 and C, 8

above.) Unpublished findings in Milwaukee are discussed (pp. 34-39 et passim). See J, 2.

7. "The Urban Fiscal Crisis," THE NATION'S CITIES, March 1969. (I contributed sections and consulted with the author, P. I. Prentice.)
8. "Tax Policies and Downtown," in University of California Extension, DOWNTOWN DETERIORATION IN ORANGE COUNTY (Irvine: 1969), pp. 26-29.
9. "Better Assessments for Better Cities," NATION'S CITIES, May 1970, complete issue. (I consulted with the rapporteur, P.I. Prentice, and was called on to defend the issue from critics. See (I, 6) below.)

F. Published Hearings

1. Testimony on Property Taxation and Urban Renewal, National Commission on Urban Problems, HEARINGS, Vol. I, pp. 281-86, 291-309 (Washington: United States Government Printing Office, 1968).
- ✓ 2. Testimony on Federal Water Policy, Hearings on ECONOMIC ANALYSIS AND THE EFFICIENCY OF GOVERNMENT, United States Congress, Joint Economic Committee, Subcommittee on Efficiency in Government, Part 2, pp. 334-342, 384-419 (Washington: United States Government Printing Office, 1970).

G. Reports

1. "Use of Land Rent to Finance Minnesota Experimental City," July 1969, 28 pp. + v (typewritten).
- ✓ 2. "Policies and Practises Affecting Urban Land Costs as an Element of Housing Costs," report to Department of Housing and Urban Development, 1968, 59 pp. + v (mimeo.). Distributed by the Institute for Defense Analyses, prime contractor. (*Sorry about that!*)

H. Republished Pieces

1. "The Drift from Medium-sized Farms in the United States," (Item E, 1) Republished:
 - a) The Coop Grain Quarterly 14 (1): 12-14, Spring, 1956.
 - b) The Congressional Record, April 27, 1956, 84th Congress, 2d Session, pp. A 3431-32.
2. "Diseconomies Inherent in Western Water Laws ..." (Item C,3). Hearings on Economic Analysis and the Efficiency of Government, U.S. Congress, Joint Economic Committee, Subcommittee on Efficiency in Government, Part 2, pp. 389-405.

3. With Colean, Fisher and Prentice, "Land--A Special Issue," (Item A, 2).
 - a) Digested, Current Magazine, No. 6, October 1960, pp. 33-39.
 - b) Digested, Readers' Digest, July, 1962, by Wolfgang Langewiesche.
 - c) Reprinted and distributed by Government of Western Australia, 1968.
4. "Suburban Development Districts," (Item C, 2). Richard Andrews (ed.), ECONOMIC PRINCIPLES AND URBAN LAND USE POLICIES (Glencoe: The Free Press, in process).
5. "Containment Policies for Urban Sprawl" (Item B, 4). Richard Andrews (ed.), ECONOMIC PRINCIPLES AND URBAN LAND USE POLICIES (Glencoe: The Free Press, in process).
6. "The Benefits of Farm Programs .." (Item C, 10).
 - a) Expanded version, American Journal of Economics and Sociology 26: 237-50 (July, 1967) and 26: 417-24 (October 1967).
 - b) Robert S. Ross and William C. Mitchell (eds.) READINGS ON PUBLIC CHOICE IN AMERICA (Chicago: Markham Publishing Co., in press).
7. "Economic Aspects of Water Resources Policy," (Item C, 15). Charles J. Meyers and Dan Tarlock (eds.), WATER RESOURCE MANAGEMENT: A LAW SCHOOL COURSE BOOK (in press).
8. "Land Planning and the Property Tax," (Item C, 17). Richard Andrews (ed.), ECONOMIC PRINCIPLES AND URBAN LAND USE POLICIES (Glencoe: The Free Press, in process).
9. "Coordinating Tax Incentives and Public Policy .." (Item B, 8). Hearings on Economic Analysis and the Efficiency of Government, U.S. Congress, Joint Economic Committee, Subcommittee on Efficiency in Government, Part 2, pp. 405-15. This is prepublished, from manuscript.
10. "Urban Expansion" (Item B, 1). R.G. Putnam, F.J. Taylor, and P.G. Kettle (eds.), A Geography of Urban Places (Toronto etc.: Methuen, 1970), pp. 291-312.

I. Unpublished Manuscripts and Drafts

1. "Irrigation Districts and Economic Development," Draft, mimeo, pp. 1-16, 1968.
2. "Capital Turnover: a way out of the Inflation-Unemployment Hangup," Paper delivered at 1970 Meetings, Western Economic Association, Davis, California, August 1970, pp. 1-15. Being expanded and incorporated into book (J, 3).
3. "Land Use, Taxation, and Employment Opportunities," A paper delivered at June 1970 meetings of Committee on Taxation, Resources, and Economic Development (TRED). To be published, in 6th TRED volume, ca. 1971.

4. "Reconciling Full Employment and Environmental Quality," Paper at Conference on Economics and Survival, John Muir Institute, sponsor, Aspen, Colorado, June 1970. Probably to be expanded and published in Proceedings of expanded John Muir Conference, 1971, if conference is held.
5. "Tax Policy and Capital Rotation: A Case Study in Forestry," 1970, pp. 16-43. To be incorporated in book (J, 3).
6. Reply to Messrs. Schmit and Whittow, 1970, pp. 1-10. This defends statements about assessments of land in Milwaukee made in NATION'S CITIES, May, 1970 (E, 9) and describes Milwaukee's stagnation. Owing to its critical nature there is now some doubt as to whether it is to be published by NATION'S CITIES--we will see.
7. With R. Bruce Ricks and Donald Kaplan, "Economic Goals, Treasury Policy, and Real Estate Investment." This summarizes work in the basic mathematics of how depreciation policies affect investment incentives, as a theoretical basis for Rick's report to the U.S. Treasury, "Real Estate Investment and Federal Tax Policy," 1968. It is based on my TISTOC (C, 12). To be used in J, 3.
8. Translation of Léon Walras, Théorie Mathématique du Prix des Terres, and related works. To be used in J, 4.

J. Work in Progress, 1970-71

1. With William Bentley, "Financial Maturity of Timber." Monograph in process. (Updates and expands A, 1).
2. Impact of the Property Tax on Land Use: A Milwaukee Case Study. Book in process.
3. Full employment through full use of land and capital. Book in process.
4. Readings in the Economics of the Land Value Tax. Book of readings in process.