

Outlines, LICTE

~~all used incorp in outline.~~
CTWO ~~the~~ Cap. Turnover - a way out.

pp. 1-25

Relevant - WEA

~~1st~~ thoughts, (processed from earlier works.) pp. 1-25

1. The I-U hangup.

Reflects a one-dimensional perception of problem & its solutions. Limited range of tools.

2. ^{classical &} Old common sense solution, ^{use land more intensively,} put people to work doing something useful. Answer was overgrazing, no demand.
✓ ^{Reply to that was Hay's Law: & counter was overgrazing.} When infln. is ~~severe~~, clear signal to work directly on
✓ bottlenecks of bus. Now, spoilens will say that's infln.!

1 + ^{maybe} if goods aren't produced. (even then it's labor's share.)

✓ 2. Faster R means cap. use less cap./acre, and more labor/acre, leaving free cap. to spread over more land to hire yet more labor.

3. Another hangup. Structured reform means anti-trust, or union busting. & these don't work.

Tax reform works.

4. Gross invt., mainly replacement.

To 1 empl., need:

a. More ~~inc.~~ inc. - creat'g exp.

i. More \$ spent

ii. Cheaper cap.

✓ b. Higher labor share in receipts. This

equates "inc. creat'g" & empl. - creat'g.

argument that $\Delta \text{inv.}$ is infly. is not plausible. Severe to distract us from real causes of infln. - farm programs, etc.

5. If put unempl. to work, Δ wages offset by reduced welfare. Main change is, they are producing something.

Deflationary? Not much, but. - Δ welfare offset by lower taxes.

The infly. impact of ΔE is only if it is net Δ spending, anyway. Now, Δ wage bill (Δw_b) comes from other spending. No inf. lig. trap at $i = 10\%$.

So? Then how can there be net ΔE ? Must get net Δ sp., matched by Δ final goods. Let the Δ final goods take initiative. We have blocks vs. that.

- 6. If get high W , reduces unempl., subst. cap. for labor.
- If " " i , raises " " labor for cap.

✓ Big stumbling block: explains how hi i can Δ unempl. No problem... Δ inv. opp., Δ demand. Simul Δ supply by Δ economy.

Step 1. There is a conflict of macro effects & micros, when lower i for macro benefits, get bad effects too, unrecognized.

Develop this one.

As $\Delta R \rightarrow \Delta E$, the ΔT causes $-\Delta V$,
or stops ΔV . So MV cd. have been a
barrier once.

But that is obsolete thinking, now. Autos.
 ΔT is needed.

- ✓ 7. "Busy" vs. lazy capt.
" " land.

The busy capt. & land are in small, labor-intensive firms.

8. The misleader "productivity". (fallacy, hoax, illusion,)
When firms get bigger, raise 'prod-y', by pubd. statistics
at least. This should fight infln. But it's just
factor substatn.

- ✓ 9. Pareto's Law (of ineluctably some inc. inequality)
has been rejected. Labor theory of value rejected.
But man continues w. labor as only art.
Wage-price spiral. Intramurals of unions causes infln.

10. In my first model of factor proportions. Land was
fixed, I think.

In urban housing model, land can expand as
p.w. extend.

- ✓ In proper model, LR means less cap./acre, less new land be
developed. spread capt. more evenly over the land

11. "Recovery" of capl., a good central term.

In any yr., only so much capl. is recoverable. Output is recovery — hardly. Output less interest. Recovery is the true residual in ec. life. That makes it unstable: net of int. & rent.

✓ Recovery requires output, but that is not enough. In capl. trap, hi i means less of cash flow of old capl. is recovered

12. When produce housing, how much frozen labor gets to end of pipeline in yr. 1? Only the resid. after int. & rent. That is little or nothing.

It may be neg. Esply. when appren. involved. Is it then that land appren. may freeze capl.?

✓ ~~The best way to take cash out of appren. land is to (over)~~

12a. "Half-life" — is when value of asset half-gone. This precedes the year of half of final age — latter indeterminate b/c dwindles off. (over)

✓ 13. Build house on appren. land. Finance it. by loan. Cap. recovered by lender only as payments exceed int. If land appren. offsets bldg. deprec. he allows slow repayment.

— longer initial loan

— 2d mortgage

— refinig. later.

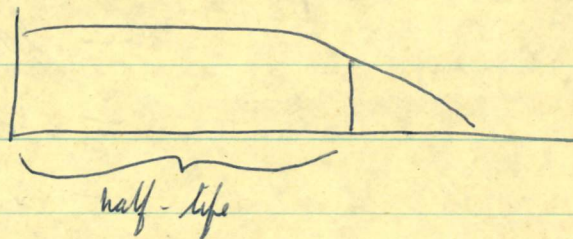
Here, non-recovery of capl. is by borrower never paying off loan. He consumes Δ l.v. This is not same as Δ "durability".

~~present~~
~~costs~~ cap. recovery ~~total~~ like income.

One can also treat cap. recovery on other land as income, of course, or reduce other saving, or dissave anywhere. But the link is closest when the capl. is on the very land that appreciates.

✓ $12\frac{1}{2}\%$ Δ l.v. after Δ s reprodu. cost of capl. on the land, thus Δ s its value. That is a sort of storing up rent in capl.

But half-life means more when value declines at const. %.
Not so good under st. deprecn:



20. When you anchor capl. to land, you can't get rid of it soon easily.

It is pretty immovable.

It is a unit - must demolish bldg. as a whole.

It may integrate several bldgs. if a road etc.

So you're to be stuck w. it for some time anyway, better make it to last.

Hence greater durability of 'rent-goods'. Call it "Sited Capital"

21. It is often argued that equity in land shd. be held by owner, so he can borrow to improve land.

This admits that credit goes to landowners.

Thus, invt. is misallocated. Goes ~~not~~ to landowners. Hence to bldgs.

If lender expects l.v. to rise, he will lend longer. (& borrower may expect refinj.) This makes problem. The more likely is L.O. to occur, the easier to build durably.

22. ~~But~~ Sited capt. makes better collateral bcs. immobile.
Reduces lenders' risk, fld. to chattels, movables.
Public capt. better collat. bcs. diverse base.

23. Cf. one Kernan vs. 2 Aerilans
Assume one Kernan costs = 2 Aerilans, and
lasts 10 times as long. --- 100 yrs. vs. 10 yrs.
Aerils. cover twice the area.
Recover cap. in 10 yrs, replace. Kernan remains,
but hardly any cap. recovered, not even $\frac{1}{10}$; nowhere near $\frac{1}{10}$.
Can work out details. Main idea is, short
capt. spreads over more land as well as more labor.
When try to occupy much land w. slow capt., you
can't make it -- cause of crises.

More, the cap. recovered from Aerilans each yr.
can be used for more, during the 10 yr. interval.
Stagger the 2 & their ave. age is 5 yrs. Thus,
one cap. commitment is $\frac{1}{2}$ orig. cost. W. full staggering
you cd. cover 4 spaces w. orig. capt.
No comparable multiple w. Kernan, bcs. negligible
cap. recovery in 1st 50 yrs.

So short capt. compls. labor 2 ways:

- Directly, by Δ turnover
- Indirectly by fructifying more land.

24. K/O ratios are in #19.

K/P ~~the~~ ~~c/p~~ ratios are important too. They are higher, b/c. $P < \text{output}$.
Use them in "Breus' eqn." (or wherever)

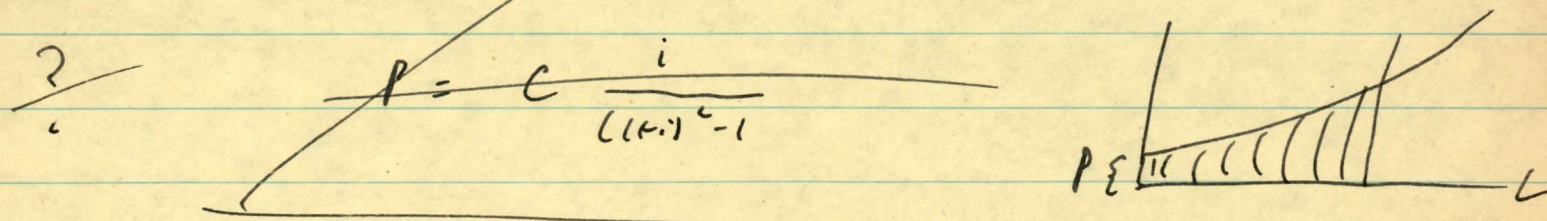
$$\text{Payroll } (P) \text{ ~~is~~ ~~(above)~~ } \equiv C_0 = \text{~~P} \cdot \text{W}~~ \text{ ~~H} \cdot \text{W}~~ M \cdot W$$

~~M~~ ~~H~~ = Man-hours

W = Wage rate per Man-hour

A. Apprais. asset.

$$\frac{C}{P} = C = f(L) = \frac{C(1+i)^L - 1}{i} = \text{~~defn.~~}$$

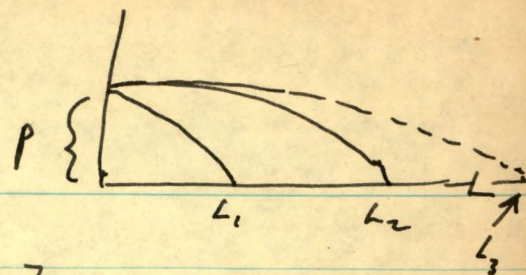


$$K = P \frac{C(1+i)^L - 1}{i}, \text{ or } K/P = \frac{C(1+i)^L - 1}{i}$$

$$P = K \frac{i}{C(1+i)^L - 1}, \text{ or } \frac{P}{K} = \frac{i}{C(1+i)^L - 1}$$

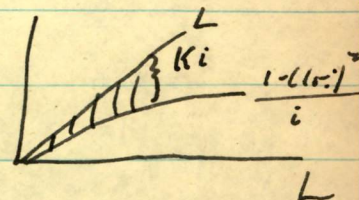
$$P \propto K, \frac{1}{L}, \frac{1}{i}$$

B. Deprec. asset



$$K = \frac{1}{i} \left[L - \frac{1 - (1+i)^{-L}}{i} \right]$$

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



No

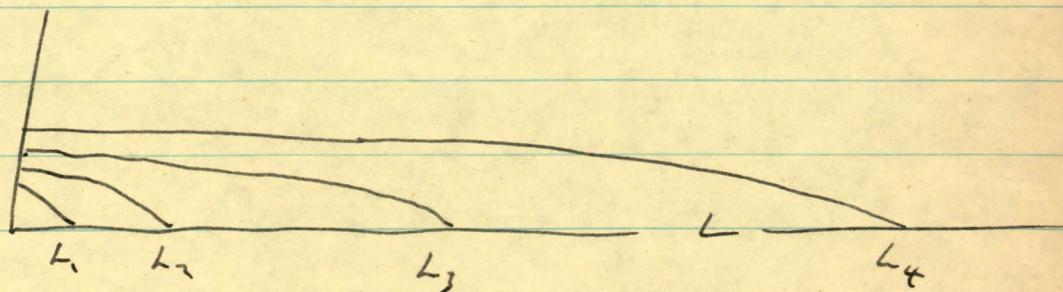
$$K = \frac{1}{i} \left[L - P \right] = \frac{L}{i} - \frac{P}{i}$$

$$P = i \left[\frac{L}{i} - K \right] = L - Ki = L - L + \frac{1 - (1+i)^{-L}}{i} = \text{identity, stente}$$

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

(Value of Σ trees $\propto L$ because you add values at end of curve; & they are higher. But is same curve.

Value of Σ houses $\propto L$ bcs you add values at end; and this raises values at beginning; and makes them drop slower.



This means payroll (P) rises ~~as~~ w. L if we build one house each yr. So we must decide what to hold const.

Since K/p is sought, gets same effect as holdg one const.

Try

$$\frac{K}{p} = \frac{1}{i} \left[\frac{L \cdot i}{1 - (1+i)^{-L}} - 1 \right] = \frac{L}{1 - (1+i)^{-L}} - \frac{1}{i}$$

$$P = K \cdot i \frac{1 - (1+i)^{-L}}{L \cdot i - 1 + (1+i)^{-L}} \propto \frac{1}{L}$$

Probably OK.

24(a) A rise of i drives people into shorter invts, where share of capt. is less.

The pressures can be dramatized by numerical e.g.s. The differentials are great. Do so. See 1st set notes, (6)

The idea is, if payroll is 5% of output, a small drop of i (or rent) allows a big Δ payroll.

Moral: there is great scope to ~~subst.~~ ^{use more} labor.

25. "Substituting" labor is an unhappy term, implies const. output. May use same capt. land, but more labor.

~~24 (resumed)~~

25 (cont.)

E.g. when hold land const. & shorten L of trees,
use more labor but not less land.

Use less capt. on given land, but can apply it
elsewhere to use labor on more land.

26. List factors making capt. turn slow

a. Tax pol.

b. P.W. pol., logging, immed. gratifi. vs. deferred
"pain" — meaning output.

c. Rules of capture

d. Cartel syndrome, hold'g back rentable land.

Freezing the latent rents is failing to ^{produce service flow} receive inc.
against which there is some kind of inc. charge?
Dubious.

e. Hold'g over for ripening?

f. Hold'g suburban land for ripening — makes
p.w. Turn slow

g. Covenants & zoning. By freezing a whole
area they encourage Bldg. Methuselahs.

d. (resumed.) On rentable land, ground rent can
be diverted to cap. recovery by an owner.

2. On rentable land, you will not build to last long. Bes. later yrs. will be chopped off.

On ungen. land, w. no rent, you will build to last bes. any AL you can get by small AC is gravy. Any extra land used in early life for extra capl. that extends life is free.

Also w. apprais assets, trees grow slower on poor sites. That's what makes them poor.

Re bldgs, they return capl. slower on poor sites, & that's what makes them poor. The speed of cap. recovery on good sites is reduced by rent, but in eq. cap. std. still come back faster -- broder.

h. But if ground rent is too high, can arrogate capl., and/or slow recovery.

E.g. if buyer pays too much for land, debt service eats into cap. recovery.

This normally happens when at crest of cycle. Prevents cap. recovery. It makes rentable land like subgen. land.

At same time, ungen. land becomes subgen. Cap. there is lost.

i. Mines. Cap. recovered faster from rentable mines in opt. eq. solution.

Regul. mines less hurry.

Rule of capture & cartel etc. makes too many regul. mines.

Downturns worse.

j. High prices of new metals slow turnover in later stages by raising Co.

E.g. dear lumber is just like higher wage rate w.r.t. home bldg.

i, resumed.

Biases to premature expln - E.R.T.

'Engagement' of firms w. reserves.

27. 'Soluble' capt. is liqescent.
Capt. 'dissolves' or becomes substance. "Breaks loose",

28. Empl. & GNP

GNP not as good a meas. of welfare as NI.
But a better index to empl.? I doubt this. It
double counts -- the value of exhaust'g capt. + the cost of replac'g it. A
housewife w. only value is to show impence of diff. cap. structures.

(29.) Cap. advances substance. Real cons. can not
exceed $K \cdot T$, (+ services plus sav'g.)

T = turnover in cycles per year.

(like wages fund except

- not a fund but a flow

- not just for wages but all payments)

Rapid recovery ~~is~~ or withdrawal from stocks of K
is done by investing money. This is means by which depositor
withdraws.

If depositor seek to withdraw more than is free,
it is rationed. Means is infln. (cont.)

✓ 30. The Schubert's both on Unfinished Society Economy.

29. resumed.

Inv. is not necessarily inflg., bcs. "replacement anticipates exhaustion."

Inv. from other sources is 'forced' -- mostly from ΔM .
Forced inv. works if can Δ Turnover. K-u. models make labor the bottleneck. Infl. w. unempl. indicator other bottlenecks.

31. Distrib. problem helps explain.

Rent & int. take more of KT , is less for labor.

Instns. force us to use more land & cap.; and pay more per unit.

Other instns. force us to seek full empl. of labor via ~~inflation~~ spending.

Prices are rising relative to what? To w.r. But not relative to ground rents, = $LV \cdot i$. And perhaps not relative to int., bcs. int. is a rate indep. of price. (except for infl. lowering real rate due to time lapse.)

32. Bugaber is cost-push infln, or in eqn. of exch. an autonomous ΔP .

Needed is autonomous Δ Transactions. This is furnished by Δ turnover or $K.T$.

33. The frozen plant fallacy: an obstacle to understanding factor in
Most sects. Think of "cap." as a semi-permanent
thing that operates on output. Instead it is a
flowing thing that becomes part of output. It is in
the stream, rather than a fixed channel containing
the stream.

Concept of half-life is
useful to expound.

Thus they think of ^{hi} cap: output ratio as a
process involving big bldgs & few men, unrelated to L of
bldgs. Calkley's explicit goof. N.I. different treatment of dep. & turnover.
Yet if bldgs. must return cap. in 10 yrs. they will
give much higher added value than if in 50, etc. They are
a delay, a way-station between labor & output.

They think of plant as pure fund, which doesn't flow.
A catalyst which helps output but is not incorp. into it.

Funds are not separate from flows. They are the
sum of the flows matter.

37. Govt. def. & surplus may be relevant.

Govt. taxes me, they get to spend my inc. instead of me. My cons. is reduced.

Govt. is not a consumer. It may ~~consume~~ be my vicarious consumer: parks & reem. Actually govt. produces these services, but as the outlays are not recovered (save by future taxes) --- Well, the function doesn't determine what govt. is doing. A capt. outlay for a gym or tennis courts is inv. --- the cons. comes later. A capt. outlay for a submrgl. dam or road is not even inv., but waste --- that makes it much like cons. as far as warehouse goes.

✓ As parks are free, or gyms, they are not part of the incentive warehouse. Their cons. will not motivate work to replace them. (but land taxes can do so.)

Anyway, govt. can create capt. by a surplus. Taxes reduce priv. cons. below prodn., & govt. spends on bldg. roads; or repaying debt.

Most people perceive surplus & deficit in an implicit or explicit liq. trap model, & that is wrong. But in a cap. warehouse model it is still relevant. A surplus lets there be prodn. up.

cons., just like saving. Assuming the saver also invests (instead of bldg. up cash) he guides current prodn. too, but he doesn't consume. If he guides prodn. well he adds to future cons. But he can misguide it totally w/o disaster bcs. he is operating w. surplus resources.

So Fed. surpluses are deflating. Def. of surplus is interesting. Maybe any tax is deflating. if govt. workers produce useful goods? ...
~~But~~.

?

37A. P.w. that pay out slowly (in future & taxes) are as bad as pvt. works that do the same.

A tax system that pays out slowly by deferring collections is also bad. The pvt. payout looks like inc. to receivers.

37B. How to accelerate payout from new bond. It might seem, since it is not a fund, you cannot. But you can subdivide, intensify, even at some loss of later rents.

Conversely, snob zoning etc. delays payout from p.w.

37C. Transfer payments are better than make-work, bcs. the recipients of gifts may be doing something useful, while make-work wastes labor -- & land, where that is rented & idled.

Done

pp. 26 - 51

37. Govt. can accum. capl. Take taxes & spend ~~on~~ ^{to create} capl. It does so constantly.

(In crisis, govt. cd. release capl. & help some.)

In 'warehouse anal.' govt. payments to factors are diff. from payments for final goods. Govt. deposits in warehouse by hiring factors. Differences arise bcs. is outside mkt. incentive structure.

(Storehouse anal., storage anal., inventory anal. Inventory anal. includes age-profile anal.)

Govt. may buy final products & not be a consumer. E.g. bonding farm products. It stores for resale. This is like creat'g capl. But it takes a loss on farm stores. The loss is a net payment to land -- like soil bank rents. A payment for doing nothing, like welfare.

A payment for doing nothing is not same as a payment to do nothing. Welfare & farm payments as the latter.

Govt. does not consume. But it may pay people to consume -- welfare. This is same ^(store-wise) as the no taxes or ^{gov.} spending, (except reduces sav'g of taxed.)

Govt. may create capl. w/o running a surplus by spending on capl.

If govt. does run a surplus, that likely is cap. fin. bcs. taxes come mostly from cons. so even if all G is Cons. there is a surplus.

Govt. spending is a cost of prodn. ideally & generally. Then taxes are not 'sawg' so much as they are a way of paying costs that cannot be collected by price: police, fire protn, military protn, etc.

A govt. surplus, if sequester M , is a way of suppressing results of short & subsistence, ~~a def.~~ And $\therefore$ of stopping any cure.

A deficit $\therefore$ is reverse. It Δ s inventory spread, attract capt. into shorter invs. This can be good, handled right.

- - - -

38. Modern policy opposes inv. incentives. Keynes policy favored them. Keynes appeared to be creating something from nothing, in modern view. Modern view sees capt. as limited, i.e. real inv. as limited.

But limits on capt. & savings do not limit gross inv. T is vastly changeable. Agent of change is r after taxes.

✓ Modern crabbed view of limited opps. is new variant of familiar old philosophical positions that make suffer's ineluctable: Malthus; wages-fund; Selignem vs. single tax, "where will ^{capt.} money come from?"; Pareto on inc.-distribution.

39. Re bldg. taxes & housing life.

If untaxed bldgs opens new inv. opps., this raises r & avoids ΔL of bldgs. In closed ec.

In open ec., r stays down. But K rises, so advantage you ~~get~~ don't get from higher T you get from higher K .

38 (resumed). So Keynes may not be the butt of criticism. If he assumed implicitly that cap. cd. turn faster, maybe he was right, if trigger was lower taxes on new inv. (He was so wrong about O-int. tho!)

40. Books:

- a. S. Marglin
- b. Israel Kirzner, Essay on Capital
- c. J. Hicks, Critical Essays in Monetary Theory
- d. Haverman & Krutilla, Unempl. Idle Cap. & Co. of pub. exp.

41. Kns. says if unempl. labor, ΔG is net gain.

Storage anal. says:

- a. ~~No~~ ΔG may not employ labor, if other bottlenecks
- b. If ripe stores are not self-replacing. Why wd. that be? E.g. amortizing houses allow no place to replace, and new sites may be unavailable.

42. False productivity.

^{imaginary,} pretended, counterfeit, ^{illusory,} ~~illusory~~, ^{deceitful,} pseudo, specious, ^{delusory,} ~~delusory~~, ^{ve,} ~~delusory~~,
^{imaginative,} deceptive, chimerical, unreal, ~~unsubstantial~~, suppositions
(clever sophism, casuistry)

untrue, spurious, faked, phony, sham, mock, bogus, factitious,
ersatz, imitation, simulated, feigned, quack, fabricated, forged,
fictional, figmental, mythical, misbegotten, meretricious, ~~specious~~,
~~hallucinatory~~, phantasmal, hollow, empty, beguiling, flumm, trickster's,
Bogus productivity is a bad masked as a good.
sophist's, humbug, fraudulent, humko

43. In ^{balanced} macro ~~inv.~~ ^{macro} ~~inv.~~ ^{macro} ~~inv.~~ there is a flow of subsistence
syndr. w. ^{balancing} flow of gr. inv. to replace it. The

balancing I both replaces cap. & advances M to factors to
buy subsistence.

The long inv. adds little to flow of subsistence, ~~not~~
~~Neither is there any.~~ and also only little to
flow of self-replacement, (or gr. inv.).

In spending terms, that seems to make a case.

In monetary terms, lower Tr. automatically
raise P. Higher P $\rightarrow$ lower V.

44. "Inc-creating/spending" is too broad a term.

There is true and false inc. generation.

Replmt. inv. gens. true inc., or real.

Pumped-in inv. gens. unreal inc.

True inv.-gen. spending does not cause release of
subsistence, but is caused by it. But they are similar.

45. In a free mkt. cap. T is a narrow thermometer.
Part of the price system, ~~to~~ adjust factor mix
so all res. used.

45. Replac'g p.w. is not as automatic as p.w. capt.
bes: a. They are not given as work-incentives. They are
often given free, replaced by ^{use of} tax proceeds. Govt. may forget
~~to replace~~ This ok if taxes animate work & input of land -- flat taxes.
b. Their owner, govt., may not be sensitive to opp. to
replace.
c. Many never return capt. anyway.

46. "Infln" is mrd. in price of whet. goods.
Govt. goods may be better & more abundant. Only incentive goods have risen.

47. GNP is a msre. of ~~prodn.~~

But is measured by spending: C, I, & G.

a. Some spending is not for prodn.

e.g. govt. ~~pays~~ rents soil bank land.

b. Some prodn. is not spent on

S.F. of owned land & capt. Imputed inc.

(There is some adj. for this).

c. Some inv. is not spent on.

Growth of trees.

d. Some inv. spending is offset by disinv. --

e.g. buy's land for bldg.

Some of these errors may mislead us.

48. Cons. is more stable than net inv. (at least as mrd.)

This belies idea of fixed mult. between I & Y.

49. Hist. says new inv. in durables drops in slumps.

This is consistent w. hyp. that preceds the slump, too much longevity put in cap. stock. Too many durables $\div$ undurables, so investon redress balance, animated by hi i or credit rationing (no more "mortgagj out", e.g.)

Why synth. w. slump? Bes. cap. is yielding subsistence too slowly; is being recovered & $\therefore$ replaced slowly. Gr. Inv. falls --- and what there is is directed into short lives.

Macro doctrines say ΔI causes the changes in GNP. Cause & effect. I think they are common results of a 3d cause: shortage of throwing capl.

50. "Postponable replacement", a useful concept. It means the SF of old bldgs. is extensible on need. When cap. is tight, mkt. responds by delayjg demos., as in war. Releases cap. for shorter inv., allows shortening age-profile of cap. Means rubbing sand for capl.

Thus slump clearing may be very bad.

51. Age-profile of capl. is med. from end of life, not begining. "Unused-age-profile". "Term structure", i.e. how long to payout.

For new bldgs., they yield a SF w/o any cap. recovery. (hence no replacement)

52. In war we ~~have~~ built up short lived cap.

Deployable, recoverable, reallocation, retoolable, flexible. Then down longevous capl. bcs. replacement was postponable.

Built up liquescent capl., free, disposable. Lean domestic c.

R.r. stock. Machine tools. Farm tools.

"Reconversion" meant recovering value from flexible war tools, recycling into civil tools.

We had big invy. of "war surplus" consumables to start with.

In '40s, "producer durables" exceeded new "constn".

'50s, constn. pulled ahead. A crude index to grow'g durability of capl.

53. Criticism of p.w. in slump.

There is too little S.F. Need people to work produ'g, meeting urgent needs. Not produ'g postponable needs.

People are not unempl. & deprived bcs. of surplus of subsistens, but a shortage. Their work needs redeployment into produ'g services & short goods.

Is True, they might as well be doing something as nothing. Social cost of h'ing them is only excess over their unempl. comp., welfare, etc. But merely bcs.

social cost is low is no reason to accept lack of benefits. They might as well stay on the dole as to boondoggle.

✓ Besides, they preempt other res. than idle outside labor. They misallocate wtr. e.g. They require purchased inputs that might have gone elsewhere & fructified other lands.

Political efforts to help unemployed will be directed toward labor & regions & firms that produce durables. I.e. it will seek to prevent the realloen. of capt. to short forms.

Thus public inv. designed to be counter-cyclical is hurtful.

Other pub. inv. is also hurtful bcs. is in durables anyway.

✓ 54. In N.I. accts., auto buying is all cons. in yr. bought. All other cons. durables than residences are assumed consumed when bought. Russian rugs!

✓ Simul., all govt. spendg is lumped -- constn. not segregated.

✓ So huge bld-up of nation's autos & highways is not counted as inv., or capt.!

But F.R. "flow-of-fund" accts. from '62
treat cons. divides as invs., & divide govt.-spending.

✓ 55. Labor-intensity, a micro^{or structural} concept, means faster T, a
macro concept. Thus the direct link. Automation etc., empl. effects
depend on durability. means inv. of M, a spending & empl. concept.
T means volume, gross inv. spending.

Replacement supply creates own demand? It does for
short term capt. Long term capt. postponable replmt. disinv. possible,
convert goods to cash. Focus on net inv. blanked out essence of problem -
non-replacement, disinv. #

56. Many reflexes ^{remain as} become vestigial ^{destructive} ~~addimentary~~ appendages, relics
as conditions change. Exply. sneer-snickers reflexes.
Re Say's Law is one.

Now we fear a supply will create too much
demand. (And it will, if we produce for future &
not to replace consumed subsistence.)

They called some of it "bus. saving". Deprec. & retained
earnings were lumped. Thus "oversaving" partly
comprehended non-replacement.

But theory overlooks greater problem — capt. that
isn't replaced bcs. it doesn't wear out.

57. Crisis market is not yet selling as usually conceived, but disinv., $\equiv$ nonreplacement.

Macro comprehends this, & calls some of it "bus. saving". Lack of form on it however is betrayed by lack of form on depress.

~~Spending anal., weakness of, is to lead people to say disinv. is no harm if disinvestor spends on C. But spending in goods mkt. not $\equiv$ spending in factor mkt. Raise prices, lower wages. Take from fixed flow of ripening capt.~~

58. When l.v. rises under old bldg. so owner need not replace, he disinvests.

Disinv. wd. be deflag. if inf. liq. sinks. But now, hit & rising V of M, disinv. funds go right to final goods mkt. They inflate ripe goods, deflate factors.

Similarly, when inv. in long capt. inf. liq. trap ^{reflex} logic says good, you've set spending in motion, with ΔC of other goods & that is good. But no good if ripening-flow not augmentable.

Develop similarity.

61. Why do regions decline? (a 'structural' problem)
are exog. & endog. reasons. Exog. are unavoidable
& good.

Endog. are same as why urban neighborhoods decline.
Bldgs. get old age.
Faster replmt. cycles.

62. "Inert" capt. vs. animate.

Inert, listless, slow, motionless, patient, inanimate
vegetating, sterile, fossilized, frozen, solid, thick, fat, static,
latent, potential, dead, sluggish, inactive, quiescent, disengaged
torpid, languid.
vs.

Energetic, fast, fertile, fecund, live, motile, animated, lively,
impatient, re-emergent, liquid, free, lean, thin, slim, trim.
activated, Kinetic, active, quick

63. When the mirror ^{age} profile of capital hits a trough,
flow of cap. recovery drops. Subsistence supply drops;
Flow of replmt. invt. drops too.
Now this cd. go 2 ways.
a. Normally, e.g. when trough results from a p.w.

In either case it is desirable that credit be rationed by price, i.e. by i , rather than any other way. Bes. then it goes into pent, thin capl. - lean & hungry, Cassius firms.

Hi i doesn't much reduce demand for capl. There are so many lean & hungry borrowers. Rather, it forces bankers &c. lenders to work harder, to turn over their portfolios faster, go into short-term. It keeps capl. out of dead sinks, rat-holes.

64. Fallacy of coordn. of factors.

Same as frozen capl. fallacy.

Office of capl. is non-coord.

Capl. as a coord. or synch. factor is just ^{indirect} labor, applied indirectly via int'l. embodiment.

Capl. as a store of subsistence is the employer. (The store is in a pipeline, limited discharge capacity at "mouth," orifice.) A steel plant, e.g., is a long section of pipeline, -- & not at the mouth. Still it repr. subsistence inching towards consumers.

B 2

69. Halve durability of bldgs; cut cost $\frac{1}{4}$. Bld. $\frac{1}{3}$ more bldgs. Or, cut cost $\frac{1}{3}$, bld. ~~twice~~ ^{more} ~~or many~~ -- (note twist, you cut cost by lesser fraction than cut longevity, but Δ no. by larger fraction than you cut cost.)

Now there are 50% more bldgs. Each deprec. faster, more than twice as fast. So deprec. is much greater.

But deprec. not changed vs. $\$NP$. So ΔGNP .

Empl. $\propto$ GNP

In genl: a. Empl. $\propto$ GNP

b. Spread cap. thin. Lean out cap.

Thus for any $N.I.$ or NNP , ΔGNP .

(i.e., $\Delta GNP/N.I.$; or, $\Delta [GNP - NI]$, but 1st form better)

c. Thus $\Delta \text{empl} \propto N.I.$

70. Leverages from flow of substitutes are..

a. Cons. w/o replacement, or deinv.

b. Replacement of ~~that~~ fast by slow capl.

Here, instead of a liq. trap there is a cap. trap. Prodn. can sink into trap & not push any substitutes out the other end.

I visualize a model analogous to macro models that use inf. liq. trap. -- using large cap. trap. And probly a more reason. for variation in cap. T greater than in V of M .

71. There is also leakage from spending stream. Focus on Gr. I, --- and assume inf. liq. trap. When investor goes into long term cap. he advances M & clears out his short cap. Now inv. has M , but nothing to replace. Two options:

- a. He sinks M in trap ... just as tho he disinvested
- b. He ~~sp~~ invests again, knowing it won't come back.

This is a choice to lower his cash.

- Maybe he will, b/c. is reducing vol. of bus.
- Probly won't, b/c. he has to keep going until recovers cash from (cashes) long capt.

He certainly won't uncash entirely.
("Who uncashes hath a lean & hungry look")

To extent that he uncashes, he adds to his total cap. stock. Factor who get M ~~as~~ find higher P — which takes from them, unless they get higher wages, and ~~since~~ ~~ΔV~~ came $-\Delta V$, so you end up w. same result at higher P . -- same as (a). So controlling factor is life of capt.

72. Another cause of unempl. is expatriate capt.

The export doesn't hurt. But it is replaced by foreign labor. (I land). The "purchasers" of Am. capt. outside U.S. are greater than those of Am. labor.

Capt. abroad is much like long term cap.

Develop analogy. Good for exposition. Also important in own right.

73. Allow'g cap. export seems a policy that favors capt. over land. But the haves like to be indep. of nations & all jurisdns. They ally w. military who like maintaining presence abroad. And even w. labor, which likes abundant raw mtrls. (perhaps mistakenly?)

74. Effect of abundant land & capt. on wages is dramatized in bio. cycles. ~~At~~ Deprec. as well as apprec.

By letting trees grow longer, they are easier to log, haul, & mill, so labor has higher AP (I probly MP)

Shorter cycles depend more on cheap land. Cattle, (poultry) - Cheap forage & grain, longer cycles.

Trees (fruit), alfalfa, ~~the~~ terraces, etc.

75. The inv. to employ soft-goods workers comes steadily & predictably, to replace ~~sales~~ goods sold.

Inv. to employ constn. workers comes from deprecn. In perfect staggering this is steady (if l.v. are steady.) But replent. is very postponable.

76. Postponing replent. of old bldg. is subj. land for capt.

But cause is often drop of l.v. This creates capt.! But not empl., bcs. creates it w/o labor.

After a while it helps, bcs. owners can no longer regard rents as inc., but cap. recovery, that must be replaced.

77. Labor "works with" capt.

Am't of cap. it works with yrlly. is the SF. SF not prop. to K , but to K/L .

This is apart from producing the capt.

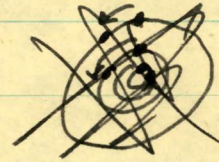
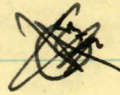
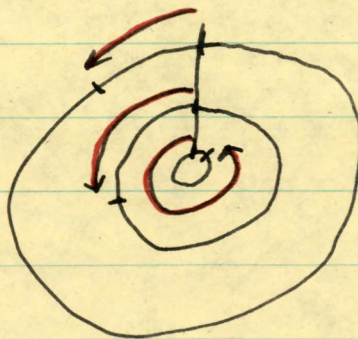
E.g. Trees, staggered, labor only works w. those harvested yrlly.

Assuming comply, this raises workers' M.P.

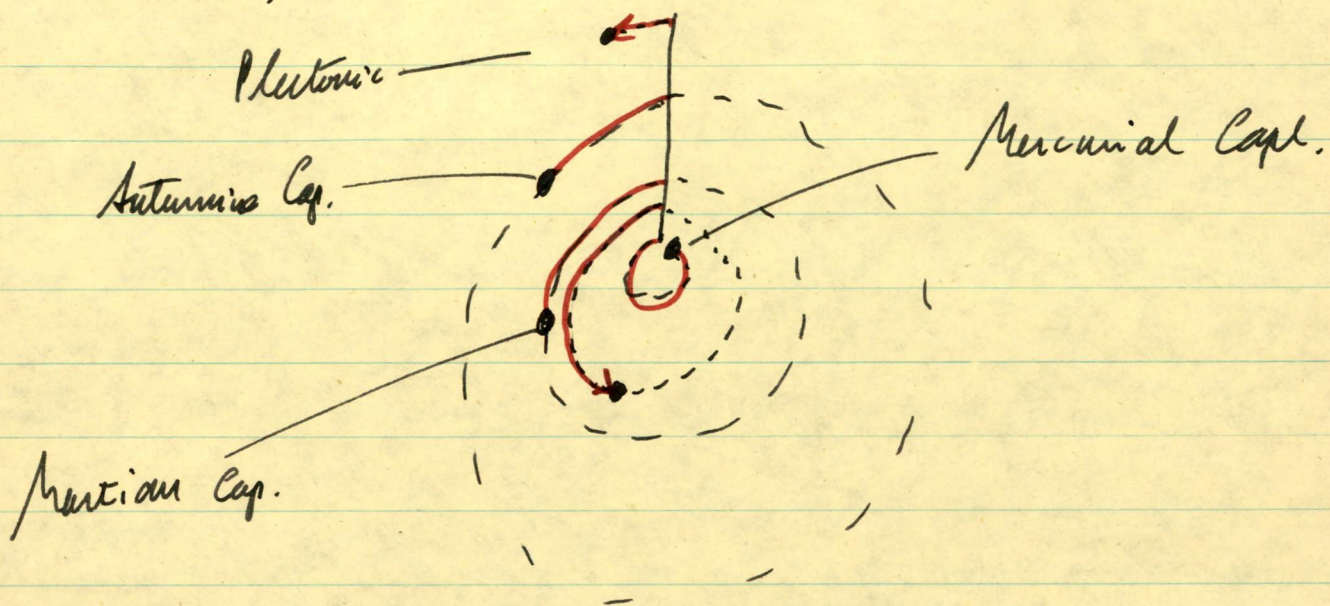
Same w. bldgs. E.g. new houses in '20, reversing

long trend, have fewer s.f., but more appliances, machines.
(Air condit., kitchens, refrigs.) These compl. labor (of
housewife). Release SF faster.
(More SF ÷ sf !)

78. Cap. goes into orbits, long & short.
Long orbits, you shoot off capl. do not hear from
it again for yrs. like Pluto.
Then Mercurial vs. Plutonic capl. (or
Saturnine)



78 (cont.)



79. "Aggr. demand" -- for factors, not for goods, is what employs.

80. "Quick-impact" inv. is one w. quick output. Quick output means sustained impact.

81. i is mkt. needs, whereby cap. adapts to employ full labor supply.

Cap. is (kaleidoscopic, polymorphic, versatile, --) protean, elastic, plastic, pliable, metabolic (catabolism is exhaustion & service flow; anabolism is replacement.)

81.

~~80~~ (cont.)

mutable, ~~transformable~~, convertible, transformable

"Basal metabolism" is rate of protoplasmic turnover at complete rest, w/o food. Just enough to survive.

Catabolism or disim. liberates energy in breakdown of complex compounds, energy that keeps organism going.

An ex. must have a basal metab. -- enough to keep alive. A floor under turnover.

82. Bldgs. built w. emphasis on longevity & neglect of current wants are sepulchral, monumental, tomb-like. Like banks & ins. cos. w. pillars & high ceilings & statuary. Forbidding, cavernous, gloomy

83. Cap. you save by reducing L can go on other sites; but also can go to A S T on same site.

84. Prodn. has to be grubstaked. Spending on C doesn't do this. E.g. if inventor ~~disincent~~ go long, some say M keeps "cirig" anyway. Requires more than

circ's. Has to be invested (in a quibetabre.)

85. Weintraub's Law. Another crabb'd one.

Wages are a const. share of "hous. proceeds."

86. Kn. mult. in effect says you ΔT of K by
try'g to ΔK .

I say

a. That may not ΔT

b. Can ΔT w/o try'g to ΔK , by
tax changes etc.

87. Most bus. op. on revolving fund basis. Goods
must be sold & replaced.

Chr. Fed. 4-65, shows corp. cap. outlay on
plant & eq. $\cong$ deprec. + retained earnings over 1946-64.
To Δ outlay, Δ deprec. So simple!

88. 50% black youths unemployed! A real problem!

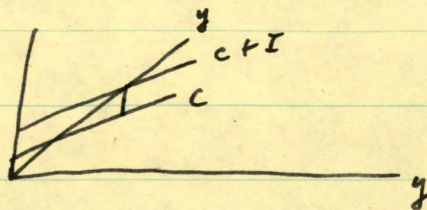
89. Most think ^{final} goods are extruded from end of pipeline when
pushed by goods entering. Not so. Extrusion of 1970 were preset in
1950-69. And they pull new goods into hopper, by replacement demand.

Input is often $>$ output, when input $\equiv$ o.c., b.c. of
misy, wealth, & ineff. But output can't $>$ input, b.c.
eff. of 100% is max.

Thus NI accts. in to say NI at factor cost =
NI used by output. Factor cost is higher. To adjust,
accts. must understate factor cost, by ignoring o.c.

So?

147. Is the mult. a fixed ratio of I/y ?



$$c + I = y$$

$$y = c + s$$

If $I = 0$, $y > 0$. So no fixed ratio.
How did I get that notion?

148. Other adherents of fixed labor share, etc.
Wernstau, extreme. (cites Arthur Grant)
Harrod & Domar, esp. Harrod, w. fixed
ratio of K to output.

✓ 149. ~~But~~ When long term debt outstanding is
at i premised on future infln; and infln.
ceases; then int. cuts deeply into cap. recovery, by
cutting into equity. Is like refinancing.

(and when debtors are unable to pay full
debt service, what they pay is called int. Contractual

int. is a prior claim.)

✓ Contrarywise, unexpected influ. is like refin. at lower i , speeds cap. recovery.

These are why influ. is a, so stimulating; b, so hard to stop once started.

There is also contractual refin. Is common to force. for pd. shorter than payout. Refin. at higher i gives more to lender. Rare are escalators in debt contracts.

150. We face a cap. shortage, crisis propn.

151. Indiv. must mesh maturity profile of assets & liabilities

3. To employ labor:

a. Use land more densely. This may mean more cap./acre.

b. Use cap. more densely. Means faster turnover. Faster turnover needn't mean less cap./acre. It cd. be same cap. or more, turning faster.

LVT allows more cap./acre, but doesn't needly make it turn slower.