



Economics 201: Capital Theory

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READINGS IN CAPITAL THEORY

UCLA Economics 201C

Professor Mason Gaffney

1. Valuation, capitalization, allocation

- R Lutz and Lutz (L and L), Ch. 1, "The Time Element in the Theory of Production and Costs."

F. Babcock, Valuation of Real Estate, (New York: McGraw-Hill, 1932)
(Chapter on the elementary mathematics of discount).

- R A.A. Ring, Valuation of Real Estate, Chap. 14 or 15, (on basic math. of valuation),

- R J.P. Jensen, Property Taxation in the U.S., Chap. III, pp. 53-97. [The definitive work on capitalization of property taxes].

- R R. Thompson, An Examination of Basic Principles of Comparative Forest Valuation, pp. 49-64, 91-94.

Leon Walras, Etudes D'Economie Sociale (Theorie de la Repartition de la Richesse Sociale), 2nd ed., Lausanne: F. Rouge et Cie., S.A., 1936, Book 3, The Mathematical Theory of the Price of Land and of its Redemption by the State, tr. by M. Gaffney, to be published as a chapter in forthcoming Readings in the Theory of Land Value Taxation (To be xeroxed and placed on reserve).

2. Replacement

Peter Pearse,

- R. T. Ely, "Land Speculation," JFE 2:121-36 (1920). [The theory of "ripening costs" -- Ely's idea about deferring land succession because of rising rents).

_____, "Outlines of Land Economics" (Mimeo.), Vol. 3 [same topic].

- I. Fisher, Theory of Interest, pp. 161-65. [When to cut a tree -- according to Fisher].

- R F. and V. Lutz, Theory of Investment of the Firm, (L and L), Chapter. II, "Criteria of Profit Maximization." [When to cut a tree -- according to Lutz. Note especially the fallacy in aggregation, pp. 33-34].

- R K. Boulding, Economic Analysis (3rd ed.), Chap. 39, [when to cut a tree-- according to Boulding].

J. Faris, "Analytical Techniques used in Determining the Optimum Replacement Pattern," JFE 42:755-66, November 1960, and 43:952-55, November 1961. [When to cut a tree -- according to Faris. Badly in error.]

- R R.G.D. Allen, Math. Analysis for Economists, pp. 248-50 [When to cut a tree according to Allen. Same oversimplified solution as Fisher and Jevons.]

- M.L. Cotner, "Optimum Timing of Long-term Resource Improvements," JFE 45:732-48 (November 1963).
- J. Winder and G. Trant, "Comments on 'Determining the Optimum Replacement Pattern,'" JFE 43:939-51 (November 1961). [They demolish Faris, but in such turpid economese as to be virtually incomprehensible.]
- A. Chisholm, "Criteria for Determining the Optimum Replacement Pattern," JFE 48(1):107-12 (February 1966). (Seeks to explain Winder and Trant and Faustmann to Faris, who had dismissed them.).
- O. Burt, "Optimal Replacement under Risk," JFE 47(2):324-46. (For you confirmed mathematicians.)
- R M. Gaffney, Concepts of Financial Maturity of Timber. [When to cut a tree -- according to Gaffney and Faustmann] pp. vi-viii, 1-11, 17-24, 45-83.
- R _____, "Land and Rent in Welfare Economics," in J. Ackerman et al (eds.), Land Economics Research, pp. 141-67, at pp. 154-57. (Marginal vs. average products of time).
- Pierre Masse, Optimal Investment Decisions, Chap. 2.
- R R.U. Ratcliff, Urban Land Economics, pp. 403-05. (When to call the wreckers -- according to Ratcliff. But is site renewal the same as capital replacement? And shouldn't he tell us how he finds the optimal life of the replacement building?)
3. Macro-economics and factor proportions
- R K. Wicksell, Lectures, (Classen transl.), pp. 144-95.
- _____, Value, Capital, and Rent, (S.H. Frowein, tr. 1954), pp. 127, 131-33, 145-46.
- M. Gaffney, "Unemployment as Related to Land, Taxation and Capital Turnover," (Mimeo.) pp. 11-16, 22-28; on capital turnover.
- E. v. Bohm-Bawerk, Capital and Interest
- R Dorfman, "A Graphical Exposition of Bohm-Bawerk's Interest Theory," Rev. of Ec. Studies 26:153-58 (February 1959).
- R _____, "Waiting and the Period of Production," QJE 73:351-72 (August 1959). (Take special note of his "bath tub theorem." Cf. Wicksell, Lectures, pp. 175-76.
- F.A. Lutz and D.C. Hague, Theory of Capital.
- G. Terborgh, Bogey of Economic Maturity, Chap. 7
- E. Domar, "Depreciation, Replacement, and Economic Growth," EJ, (March 1953).

- R H. Brems, Output, Employment, Capital, and Growth, Chaps. 18, 19.

John Hicks, Capital and Growth

- R G. Ackley, Macro-economic Theory, 1961, pp. 467-69. (An erroneous rejection of the identity of durability and capital-intensity. Economists have had problems in aggregation. Cf. Lutz and Lutz, pp. 33-34; and Joan Robinson, Formation of Capital, her dismissal of the period of production concept.)

4. Public Finance

- R M. Consigny and M. Gaffney, 'Tax-Induced Slow Turnover of Capital' scheduled for publication, Western Economic Journal, September 1967. Long version, mimeo, currently on Reserve, more to be distributed. It would be useful to compare the short version, printed in WEJ, to help distinguish the skeleton from the flesh.

E. Cary Brown, 'Business-Income Taxation and Investment Incentives,' in Income, Employment and Public Policy: Essays in Honor of Alvin H. Hanson, New York: W.W. Norton and Co., Inc., 1948. Reprinted in R. A. Musgrave and Carl Shoup (eds.), Readings in the Economics of Taxation, Richard D. Irwin, Inc., 1959, Chap. 32, 525-37.

_____, 'The New Depreciation Policy under the Income Tax: An Economic Analysis,' National Tax Jour., 8, 81-98.

John Denton, 'The Land Speculators,' Frontier, August 1960, 14-16.

- R Stephen L. McDonald, 'The Effects of Severance vs. Property Taxes on Petroleum Conservation,' in 1965 Proceedings of the National Tax Association, pp. 320-27.

_____, 'Percentage Depletion, Expensing of Intangibles and Petroleum Conservation,' in M. Gaffney (ed.), Extractive Resources and Taxation, Madison; University of Wisconsin Press, 1967.

- R R.A. Musgrave, Theory of Public Finance, New York: McGraw-Hill Book Co., 1959, Chap. 14.

Lawrence Seltzer, The Nature and Tax Treatment of Capital Gains and Losses, New York: National Bureau of Economic Research, 1951.

Carl Shoup, 'Incidence of the Corporation Income Tax: Capital Structure and Turnover Rates,' in National Tax Jour., March 1948, 1. Reprinted in R.A. Musgrave and Carl Shoup (eds.), Readings in the Economics of Taxation, Homewood: Richard D. Irwin, Inc., 1959, Chap. 20, 322-29.

Harold Somers, Capital Gains, Death and Gift Taxation, California State Legislature (Assembly), 1965.

_____, 'Taxation of Capital Gains at Death,' in Paul Kleinsorge (ed.) Public Finance and Welfare: Essays in Honor of C. Ward Macy, Eugene: University of Oregon Books, 1966, pp. 136-55.

L. and L., Chap. 19, 'Distinction Between Capital and Income,' pp. 224-36, Depreciation Methods.

William S. Vickrey, Agenda for Progressive Taxation, New York: The Ronald Press Co., 1947. pp. 7, 137-38.

_____, "Economic Criteria for Optimum Rates of Depletion," in M. Gaffney (ed.), Extractive Resources and Taxation; Madison: University of Wisconsin Press, 1967.

James Heilbrun, Real Estate Taxes and Urban Housing, New York: Columbia University Press, 1966.

- R M. Gaffney, "Property Taxes and the Frequency of Urban Renewal," 1964 Proceedings NTA, pp. 272-85.

_____, (ed.), Extractive Resources and Taxation, Madison: University of Wisconsin Press, 1967.

5. Planning investments

- R J. Hirshleifer, J. Milliman, and J. De Haven, Water Supply, Chap. VII, "The Practical Logic of Investment Efficiency Calculations".

- R Wm. Baumol, Economic Theory and Operations Analysis (2nd Ed.) chaps. 18, 19.

R. Blitz, "Capital Longevity," AER, 6-58.

Vernon Smith, Capital Theory.

Pierre Masse, Optimal Investment Decisions

M. L. Cotner, "Optimum Timing of Long-term Resource Improvements," JFE, 45: 732-48 (November 1963).

6. Minerals extraction and discovery, soil conservation

- R M. Gaffney (ed.), Extractive Resources and Taxation, Madison: University of Wisconsin Press, 1967. For a course in capital theory, the relevant parts are: Ed's. Intro. to Section I, "Theory"; Chaps 2 (A. Scott); 3 (O. Herfindahl); 4 (John Hogan, first part only, a history of theory); 14 (Wm. Vickrey); Ed's. Conclusion.

_____, "Soil Exhaustion and Land Rent," NRJ 4(3):531-57.

L.C. Gray, "Rent under the Assumption of Exhaustibility," QJE 28:466 ff. (1914). Also in M. Gaffney (ed.), Extractive Resources and Taxation, Madison: University of Wisconsin, 1967.

O. Herfindahl, Three Studies in Mineral Economics, pp. 13-23, "The Long-run Cost of Minerals".

Stephen McDonald, "Percentage Depletion and the Allocation of Resources," NTJ, 14 (December 1961).

Harold Hotelling, "The Economics of Exhaustible Resources," JPE 39:137-75 (April 1931).

A. Lockner, "The Economic Effect of the Severance Tax on Decisions of the Mining Firm," NRJ 4(3) (January 1965).

S.V. Wantrup, Resource Conservation [Emphasis on credit rationing].

R W. Roberts, State Taxation of Metallic Deposits, Chap. 3, on factors affecting the rate of recovery.

A.C. Bunce, Economics of Soil Conservation.

7. Credit rationing and allocation

M. Gaffney, "Rent and the Allocation of Land Among Firms," in F. Miller (ed.), Rent Theory, Problems, and Practises, Mo. A.E.S. R.B. 810, pp. 39-49. [On tax capitalization under credit rationing].

_____, "The Unwieldy Time-dimension of Space," AJES 20(5); 465-81.

S.V. Wantrup, Resource Conservation [Emphasis on credit rationing].

A.G. Hart, Anticipation, Uncertainty, and Dynamic Planning

8. Unclassified

H. Huhn and C. Morris, Mathematics of Finance. [The only book of its kind written on a reasonably high level].

D. Dewey, Modern Capital Theory

R Tables of Compound Interest. (Any publisher. Chemical Rubber Standard Math Tables are OK.)

Vernon Smith, Capital Theory

Theodore L. Shaw, Precious Rubbish, Cahp. VI, "Sleepwalkers" (on obsolescence or "fatigue" of art works)