

100B, W-81: Planning

Macro Rds

home 1. Paul W. Fater, 1960, The Farmer's Age.

Chap. III, Public Land Policies, pp. 51-69

Chap. IV, The Business in Land, pp. 70-98

2. Philip Cornick, 1938, Premature Subdivision & its
Consequences

Chap. I, "Early Subdiv. Booms & their Consequences"
pp. 1-23

3. G. Haberer, 1946, Prosperity & Depression

Part I, sect. 3, The overinvestment theories.

pp. 39-53

72-79

Macro r/dgs. for use in class.

1. Hick, Pop. Rev., Ch. 1

Ebb & flow of cap. & pop. to frontier,
1880 - 90.

(Cf. Goodrich, 1936, ebb & flow to cities,
1920 - 34.)

(Cf. Gutter, cycles in sales of public lands

(Cf. Hoyt, cities

(Cf. Osgood, Cattle

2. R.C.O. Matthews, The Bus. Cycle

Ch. VI, pp. 98 - 112, "Inv. in House-Building". Shows
swing, 1856 - 1957. Introduces the subject

Ch. IV, "Investment: (2) Replacement, Tech. Progress, &c. Influence"
Titillating, & Temptatizing, assign & then wrap up the
lead

3. Ricardo

On Value?

On Machinery

4. N. f. Silberling, The Dynamics of Business, 1943,
pp. 178 - 82.

R.C.O. Matthews ~~say~~ cites re subdiv. spec. & housing
cycles.

UNIVERSITY OF CALIFORNIA
ATTACHMENT MEMO
GEN 100 (8-72) Series 249-E25

Date

1/12

To

Dr. Gaffney

From

María

Subject

For

☐

Approval
(Signature)

☐

Initial

☐

Comments

☐

Discussion

☐

Information

Please

☐

File

☐

Return

☐

Draft
Reply

☐

Take
Action

☐

Route to:

Message

Icon 100B has been changed
to WAT 1000. On March 6 the
"Model UN" is being held
in that room so you will
have to arrange something.

5. G. Turbogh, Boys of E. Maturity, 1945

6. E. D. Doman, "Depreciation, Replacement & Growth"
EJ, 1953, pp. 1-32

~~7. E. Osgood, Day of the Cattlemen~~

7. E. Osgood, Day of the Cattlemen

Macro Texts.

Stude.

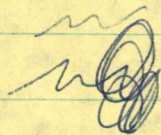
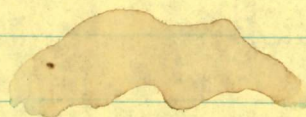
Ch. 11 on Ec. Growth is very good.

Early chaps are a bit hard to follow.

Graphs are needlessly complex.

Ch. 1 on mstrg. u.c. is too short. Omits depression, e.g.

Is a conceivable ~~but~~ text.



Macro Rdgs

Hoyt, 100 Years

Ch. VII, pp. 368 - 423. "The Chicago
Real Estate Cycle,"

Ch. II, The Land Boom of the RR Era,
1843-62. pp. 45-80.

(This chap. emphasizes invt. in rails, & also in
city improvements. Sale of land to fund improvements)

Macro texts. Dense argumentative tracts - like 18 cent. Calvinism.

1. They pile up imaginary difficulties, so they can remove them laboriously.

2. The ones with (real) algebra are better.

- a. They help overcome much anxiety
- b. They get to bare bones of models
- c. They get readers feet wet in otherwise mysterious & intimidating new terminology.

3. Economy is self-equilibrating.

To show this, we must explain
crash of '29, & earlier.

Land spec. must be central

- Xptn. cycle

- Bias toward sequencing K

4. Plan macro course around your own
good ideas. Take charge

3. Crash of Xptn. Cycle was a crash in
that part of the ec. most removed from
free mkt. Land devt. by priv. utilities &
spec. was involved.

Bank crash centered on 2 kinds of bad
assets:

a) L.V.

b) Securities of rails & p.u.

DD

Rdgs.

Begin w. something to stir their blood.
The great crash. Possible sources.

1. Friedman & Schwartz, Great Contraction
2. Haberstick, Great Crash

QJE 45:698-
Aug. '31.

3. Currie, L. "Decline of Commercial Loans"

4. RCO Matthews, X ptn Cycle

5. Schuman, Promises

6. F. L. Allen, Only Yesterday

7. H. Hoyt, Am. Land cycle.

8. Bittington, Western Expansion

9. Cornick, Population Subline.

10. Irving, Cycle, West & West, etc.

11. E. M. Fisher, Spec.; H. D. Simpson

12. L. C. Gray, Land Spec. ESS

Murphy, etc. + unempl.

Distorted factor props.

1. H. S. Ellis, Ec. Expansion thru Competitive
Mkts. in Human & Much Imp. Env't Env.
Prosperity.

2. Carter Goodrich, Migration & Ec. Opp.

3. " " Other books?

4. Hammar, "Intensity of Land Use..."

Crash, cont.

13. Holden, "Crisis in R.F." '31
14. Isard, Walter. "A Neglected Cycle - Transp. Bldg."
RES, 24: 149, (11/42)
15. C.D. Long, Jr.
a. Bldg. Cycles & the Theory of Inv.
P.A.P., 1940
- ~~#~~ b. Long Cycles, QJE 53: 371-403, 1939
16. March, Ben. Taxes of LV in Am. Cities
NY, 1911.
17. Mavnick, Lewis. "Cycles," JLOUE 8: 191-9,
1932.
18. Pearson, Chas. E. "Credit Expansion, 1920-29,
& its Lessons." QJE 45: 94-131, Nov. '30.
19. Sakolski, Ex. Ann., Harper, '32

Credit Rationing

1. Nicholson, J. L., 'Falling of Euro Money', HBR 17(1):
31-4. Cnt., 38

2. A. G. Hunt

E. S. Osgood, The Day of the Cattleman 1929

U. of Chic. Press.

Ch. IV "The Cattle Boom"

Stocking new ranges 187 - 8

Some elements:

1. New land - temporarily free.
2. New xptn
3. Capt. flows west

1882-84, more
head went w. than
e.

The K was cattle. Slaughter cattle converted to breeding stock; shipped ~~to~~ west from Ia. rather than to east. "Stock Cattle" ~~is~~ means breeding stock, etc.

Thus "subsistence" is converted to "fixed" K. There is less subsistence advanced to workers. But this is moderated by K immigrants from outside the system.

4. Presumptive motive toward new land, caused over-in. + premature inv. Rule of capture an element - capture virgin grass, an evanescent thing.

5. Low op's. expenses.

It was K as cattle that was mainly needed, to preempt land.

6. Challenge for students: extract from detail the principles of general application. What from druff of history.

2

7. Military cost - evicting Indians, borne by Feds.

8. Administration:

Grant	1868-76	Crash	1873
Hayes	1876-80	{	Cattle boom, 1879-81
Farfield-Arthur	1880-84		
Cleveland	1884-88		
Harrison	1888-92		
Cleveland	1892-96	Crash	1893
McKinley	1896-1900		

9. Advanced Southerners

RRs - 1881, to n. Yellowstone

Military - 1881, Indians shipped to res.

10. Basic cash flow

C_0 for calves \$5 @

$t = 4-5$ yrs. on grass, say 4.5

$R_n = 45-60$ say \$52.50

$i = .09$

11. E-n Mont. was the new frontier.
(W-n. was already settled, in mts.)

12. Breeder operators outfit butcher buyers for stock.
They intercepted through cattle in markets at Omaha, Dodge City, ~~Ogala~~ Ogala. Meat was snatched from the mouths

of consumers to make more meat for future consumers: to remain K a while longer.

13. Unusual features here are:

- a. H: mobility
- b. Easy conversion of consumer good to K "machine", & back again. The machine is the product.

This feature helps students see how K is transformed into consumables; & how ~~not~~ fixed & working K i) are ~~not~~ more alike than different; ii) are interchangeable.

- c. There is a simple unit, the head
- d. There are millennia of tradition — and the origin of the word "capital" (cf. "manufacturing")
- e. ? , easy to relate life & K/O, using the head as the unit.
- f. Low use of labor.

As with other primary products, big use of labor comes at harvest.

This later labor isn't fixed, long. Only the early labor requires that. A ^{flow} supply of raw intrls. gives a feedstock ~~stock~~ for downstream mfg.

g. K used (in s.r.) to hold back supply; the Δ is l.r.

(Only land spec. holds back in both long + s.r.)

h. Bcs. the product is the K too, the only way to Δ K is to reduce product. This is what makes it analogous to a macro-economy. (The ~~corn~~ corn can be food or seed.)

~~There~~ You can Δ capacity to build chairs, w/o reducing current flow - by using outside K. But not cattle.

Of course the money comes from outside. But cattle sellers cd. go into some other business, so effect is the same as if it was their money. Cont. at #16.

14. A great leverage of K over emplmt. is the flow of feedstocks, on which mfg. depends. There is a true multiplier here, a high one.

Here is a way that complx. factors can be separated, at any time -- that labor is ejected from land. Stop or slow the flow of feedstock, to packing plants, lumber mills, metal mills, constr. cement plants -- + on downstream from them: auto plants, garment shops, furniture, etc. + finally retail. + beyond this, cleanup.

This calls for some change of emphasis in my models. I stress front-end labor. But mfg. cycles become more labor-using as they progress. They accumulate subcycles downstream.

The goal is to divert invt. into these shorter downstream subcycles. Thus, in timber, big Δ emplmt. will not come mainly from C_0 - altho that will become

5-
larger, + often. Big Δ comes from TSC, better
milling, distributing, treating, constr. etc.

15. How easily misled people are, intuitively
objecting to fast cycling, associating it w. materials
throughput.

Faster investment cycling means more
downstream subcycles.

16. Continuous (h).

In micro cycle, reducing ripe supply raises price,
sustains ~~cap. base~~ illusion of demand. But in fact, a
high current price wd. pull cattle stronger to the butcher
than the range, so this may not be the essence.

When range liquidates, this shd. Δ flow of
feedstock downstream. But jobs require 2 things:
feedstock is one; K the other. K has been frozen
in the range, overbalanced in early stages, can't be
salvaged for later stages. K cd. come from outside
to help, & probly does. So here, cattle cycle as

microcosm model of macro cycle becomes misleading.

In cattle, we have oversupply, due to long gestation.

Upstream K can't be liquidated, but the cause is not a
world K shortage. It is a local K shortage caused by
oversupply in one mkt.

The world problem comes when there is an oversupply

in upstream stages of all what, - + no outside source to bail out.

The "oversupply" upstream is relative to what? Not labor. Not real demand. But to downstream K. It takes downstream K to activate labor.
Go to 20

17. Sources of range stock:

Ts. sent 1. + 2 yr. olds, Longhorn.

Midwest sent stock. - higher quality, but less hardy.

18. Some prices, p. 93, 1883, K. City

<u>Grade</u>	<u>Ts.</u>	<u>Midwest</u>
<u>Age</u>		
Yearlings	\$15-16	17-21
2-yr. old	19-22	23-25
3-yr old & cows	24-28	30-35
Cows w. calves	30-35	—
Stock cattle	—	30-35

19. p. 93 500,000 head sent to Mont. Wyo, 1883.

20. p. 94 Spec. more willing to pay for cattle but "if left alone they will multiply, replenish, + grow out of a bad bargain."

Thus, long life, K-intensity, ~~As~~ reduces perceived

24. Ogden worked a mix of fee land, leased land, & open range.

As crowds came they went more for fee land. Fencing them a big cost.

25. Ratio of cattle to pop. (cattle unspecified)

1860	815
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1870	618
------	-----

1884	800
------	-----

26. Range filled up fast. This raised costs. Began liquidation.

27. ~~Now~~ Cattlemen needed local packers - but the K wasn't available! p. 107

28. 1886 summer hot & dry, poor grass; 1886-87 winter harsh, ~~to~~ enormous losses.

Triggered liquidation of what remained. Turnoff, unloading. -- which had begun before anyway. (Thus, the TV-news syndrome will lead some students to find the whole reason in the war -- thus avoiding thought.) (just as they will find collapse of Fla. land boom in a hurricane) But (over)

Not just in Mont., but the whole plains. Cf. 30

29. Credit was w/drawn, p. 222. "Creditors demanded a settlement." Here is shortage of K --- but due to open economy causes. Shortage of ready, liquid, downstream K causes selloff of upstream K.

Wx. is land, + land perception, so don't knock it.
Bad winter reduced land.

30. 1887-88, good grass, good winter. But the investors were slow to come back, in spite of good ex-
thenceafter; & a new cutback in Indian land.

p. 224, outside 15 "no longer available".

Prices depressed, as demand became supply, in selloff.
This is subsistence fund, but all is a rush, hence at
low value - part of fund is destroyed.

It's a form of disorg. In Macro, imbalance
is between stages rather than commodities -- or
rather as well as among commodities, but those
which are K-using will drop in relative value.

The a.i. accts. leave out drops in value as
loss of K. Thus understate the shortage of K.

31. Moral: using new land may be K-int, not
labor int. Jobs created this way are from producing
~~the~~ K using outside K -- imported subsistence.
Highly unstable.

32. Head of cattle in Wyo:

1886 :	9 m.
1895 :	3 m.
1880 :	3 m.

Great decline in use of open range.

33. New wave, green hay, reestablished indy.
on more labor-using basis, close herding.
From open range to ranch basis.

Assign on reserve:

Title page

Chap. IV The Cattle Boom, pp. 83-113.

Chap. VII, Disaster & Transition, pp. 216-27, & p 258.

7
risk. of Macro Idea #4. Let him fasten onto too much.

20. resumes 16

The difference of micro & macro cycle is suggested by price action. Chi. mkt.

p. 95 chart shows time series, max & min. prices.

In 1873, a macro cycle, min. prices fall, while max prices rise. This suggests a big spread for spec. s.r. who can hold from min to max.

In 1885-86, a micro crash, both max & min. prices collapsed in parallel.

21. Prices soared, 1879-82

" plateau, 1882-84

22. Secular decline, price, 1864-90

This did not stop boom.

Step down, 2 big steps:

1. 1870-71

2. 1885-86

23. pp. 99-100. Eur. K flows in.

At first, they bought land. But this was overdone. Land los. had to be cattle los. too.

Note how land as credit base invigorated flow of real K.

Hofstadter, Richard, 1955, The Age of Reform NY: aa Knopf.

"... poor in convertible property."

Hofstadter, R. pp. 36-59.

II. The Farmer & the Realities.

1815-60, farm. became much more commercial, producing for the mkt. (Hence importance of spec.)

Engrossed as much land as they could.
(This predates 1815! e.g. F.W.) More than they cd. cultivate.

Household indy. disappeared.

Migratory tendency, forced by A.L.V. Boom psychology

1818, Birkbeck describes ill-farm. - specs. as "poor in convertible property." Set up for a "liquor panic".

Euphoria, boosting, proful. optimism.

Decline of community sharing & pooling, old village life.

Need for mobile K: machines, ~~the~~ livestock, rolling stock, boats

2

3 centers of Populism: all based on overprodn, falling price, mortgage problems.

South: cotton

West: wheat

Mt: silver.

(Can explain wheat & silver overprod. in west. How explain south? Oppression off war, probably, & also, export-dependence, coupled w. strong \$ & hi tariffs.)

World frontiers were expanding, & compn. of Ag. Canada, Austr. Int'l. - A.P. 1870-90.

Export indies hunting. (hi tariffs a cause!)

Ag. frontier did not close in 1890.

1890-1900 had more new farms than 1860-90 (a new boom.) (new entries probably, not all really settled.)

p. 54 Specs. had created stretch-out, specs. descr. Cites Paul Guter, Ag Hist. JEH Vol. I, 5/41, pp. 60-82. Maybe a better source.

p. 55 Homestead Act, "lure for over-rapid settlement" in regions of "high costs, low returns, & mortgages." (i.e., K sunk w. slow payback, if any.)

p. 55 A l.v. was credit base on which settlers cd. import K.

1890-91, tempo. stop in Δ of l.v. (He does not comment on anomaly of dropping prices, & risg l.v. Answer lies in risg western l.v. vs. dropping Vt. l.v.)

p. 56, 1892, Neb., hi land price means inf. cash flow for new settlers.

(Cf. H.G.'s idea of the "rising rent line." And the ~~to~~ elastic links that stretch, but then give w. a snap. That which stretches is the return to investor - they accept less today, expecting more tomorrow. But then run into a general shortage of ready K.)

Land in farms, U.S.

1870: 408 m.a.

1900: 839 m.a.

p. 57 1887-88 winter, Ks. land boom "abruptly collapsed."

(Here, as later, ~~the~~ agric. had its epi-cycles, not synch-d. w. cities, & anticipating them. Populism cd. well reflect ag. envy, bcs. cities, other than farm towns, were prospering.)

4

Hofstadter's own thesis is incidental to
macro - he is attacking the myth of yeoman
farmers, saying they are commercial
(& ignoring all the Utopianism of communal
settlements.)

p. 53. Enormous scope for infilling, after
supposed close of frontier. 1913, only 60%
of arable land was cult.; & only 12% was
yielding "full return." $.6 \times .12 = .072$, or
7.2% of our land in heavy use - as perceived
in 1913.