



News Articles Written by Mason Gaffney

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25 Oct. 93 L.A. Times
Agnes de Mille

■ Your tribute to the versatile Agnes de Mille (Oct. 8) noted only in passing that she was granddaughter to California's great writer, economist and public figure, Henry George. More than that, she was, with all her other activities, his loyal and aggressive protagonist. Before her stroke, she was a resolute director of the Henry George School and the Schalkenbach Foundation, dedicated to advancing George's cause. She wanted action, pushing and scolding (when appropriate) dawdling old men like children.

In 1979 she contributed a new preface for the centennial edition of George's basic work, "Progress and Poverty"—one whose vigor and urgency rocked cautious co-directors, just as her grandfather would have.

Now, Gov. Pete Wilson can't figure out how to finance this state without driving away business. Agnes and her grandfather figured it out long ago: Tax the land instead of sales and payrolls and buildings. With the state economy sinking fast, it's time again for some George-de Mille pro-incentive taxation.

MASON GAFFNEY
Professor of Economics
UC Riverside

Brains and the public weal

Editor, The Press-Enterprise:

Sydney, Australia, deserves the Olympics. I've just been there: it is not just beautiful, it functions. It has infilled and renewed itself constantly for nearly a century now, unlike our cities. Its method is simple: it exempts buildings from the local property tax — they say "rates."

The local taxes are all on bare land — they say "Unimproved Capital Value."

... They raise plenty of revenue from land alone to have good schools, huge public swimming pools, clean streets, fast public transit, and all the other infrastructure and amenities that impressed the Olympic selection committee. Could we do the same? All it takes is brains applied to the public weal.

PRESS

MASON GAFFNEY

Riverside

12 Oct. 93

Less than honorary 11 Feb 95

Editor, The Press-Enterprise:

George Marotta's paeon (California page) to the Hoover Institution is too much. This is a monument to a president whose better known monuments were squatter camps — Hoovervilles — and whose remorseless doctrinalism forced his party, our nation, and the whole world to disaster.

Herbert Hoover was in the first class in 1891 at Stanford, itself a monument to California's leading land-grabber. If Hoover learned any economics, it was from professors hand-picked and censored by Leland Stanford's widow Jane to exclude anyone doubting the "sanctity" of their loot.

These same narrow doctrines, fanatically embraced, instruct the institution today. "To be a fellow at the Hoover Institution is one of the highest honors that can be bestowed on a scholar," gushes Marotta. "Money, location, . . . make it an extremely congenial hang-out." He's got that right.

These comforts are reserved for those who toe the Hoover party line. There will be no objective science of economics until we recognize such mercenary service as something less than honor.

MASON GAFFNEY

Riverside

choose one that would meet his requirements.

Even if by 'investor' they mean 'user', what would be the ultimate generalised result of ensuring that every site is put to its best possible use, and every user has the best possible site for his purpose? Why, simply that production and exchange would reach their highest level of efficiency, insofar as this can be effected by correct geographical location. The economic rent, therefore, or the unearned return to landownership over and above the return necessary to induce use, would be as high as this method could make it. The owners of the land would benefit collectively from publication of up-to-date market information about their holdings, just as some of them now benefit individually from present secrecy.

Since the promoters of the scheme, by their very choice of a name for it, invite comparison with that of William the Conqueror, it must be said that what they appear to have in mind is an improved means to an unimproved end. The whole idea, however, would wear a different aspect if it could be applied, in conjunction with Henry George's tax on the value of land, to the socialising of the economic rent, which in fact represents the earnings of society as a whole. It would then be possible for industry and commerce to be relieved from their present burden of taxation; and for economic problems that have consistently plagued mankind whenever and wherever land has come to be regarded as private property to be relegated to the pages of past history. Wolfson College and Capital & Counties plc would then have earned themselves a high place on the list of mankind's benefactors.

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Dr Roy Douglas
talks on
"Land and Justice"

on Saturday, 17th April 93, at 1.30 pm in the Quaker International Centre, Byng Place, London W1 (opposite Dillon's Bookshop; Tube Station: Russell Square).

Meals and/or accommodation can be booked in advance at the Centre: tel. 071 387 5648.

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Whose is the Land?, a booklet by Jack Richards giving an account of the policy of the Quaker Land Value Group is available (£1, inc. p&p), from The Clerk, 33 Christopher Close, Norwich, NR1 2PQ

Letter to the Editor - BOTTLING THE AIR

Sir, "Don't you know that if people could bottle the air, they would?...there would be an American Air-Bottling Association...they would let millions die for want of breath, if they could not pay for the air."

- Robert G. Ingersoll, ca. 1892, in Roger E. Greeley (ed.), 1983, *The Best of Robert Ingersoll, Immortal Infidel*, Buffalo: Prometheus Books, p.79.

Times have caught up with Ingersoll. Ronald Coase, prominent Chicago economist, says polluters (whom he calls emitters) have as much right to emit as victims (he says receptors) have to breathe clean air. It doesn't matter, says Coase, how we assign property rights originally: as long as there is a free market it will all work out. But, since people have invested in polluting facilities, and since property must be respected...you see whither he is drifting?

And was he laughed to scorn? Au contraire, he was lifted on the shoulders of his adulatory peers and made into a demi-god (which tells you something about his peers). Having risen on wings of theory the idea found its way into practice, and today The South Coast Air Quality Management District awards "offset rights" to those with strong track records of pollution. New polluters have to buy "property rights" from old ones.

In effect, we don't fine people for polluting, we pay them to stop: vice is rewarded. If you have been a good neighbour, and voluntarily stopped before, too bad, no offset right for you: virtue is penalized. I have offered not to emit millions of tons of nitrates and sulfates, too, and underbid the big refineries by 50%, but that doesn't cut it: to cash in on this, you must already have been abusing your neighbours.

Pursuant to Coase we should no doubt award the Ukraine a perpetual right to have periodic melt-downs at Chernobyl, rights which could then be sold to Uganda or Paraguay or other LDCs wanting to modernize with a melt-down or two.

And those who want to breathe? Coase says they, too, should buy that right from Ancient and Honourable polluters, by buying and retiring offset rights. (They are only "environmental activists," after all, an eccentric lot.) For this they gave him the Nobel Prize. You see, old Ingersoll was on the mark. Nothing is too absurd once we accept trespassing, leeching, and sponging as principles of establishing property rights.

Mason Gaffney,

Professor of Economics, Riverside, California.

Business

Press-Enterprise *

Sunday, March 13, 1983

F-9

UCR economist urges faster flow of capital to create jobs

The writer is a professor of economics at the University of California, Riverside, economics department.

By MASON GAFFNEY

We live in a world where jobs are hard to find. Many do not find jobs at all. A few resolute Pollyannas still call it "job search"; a few old sexists blame it on women taking jobs. Most people now regard these efforts to define away the

Opinion

problem as too absurd to debate. Unemployment has never gone away; now it is back in force, it hurts, and it is scary.

We hear a lot about the need for capital to make jobs. It can't be quite that simple, because there is unemployed capital around us, too. Static or torpid capital makes no jobs. Capital in motion is what makes jobs.

If you have a chain saw, you know that the quantity of wood which any chain can cut varies according to its RPM. It is not the simple number of teeth that cuts wood, but the flow of teeth through the cut. That flow is the product of the number of teeth and the RPM.

day is no such thing. Arthur Laffer, an early guru, had some potential ideas. He wanted to "decriminalize work" by abating payroll taxes which put a "wedge" between worker and employer.

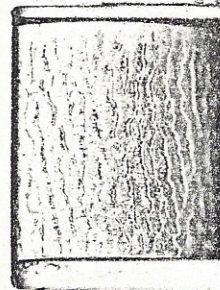
Laffer also wanted to build a fire under landholders by taxing land-holdings even if the land is not used, just as Henry George said. These ideas would have increased output and supply, but they got lost in the shuffle.

The main thrust of policy now is to reduce taxes on property, and property income, with the alleged intent of increasing capital formation. Whether that cause would produce this effect is iffy.

But what about Smith's concern, the particular way in which capital is employed? Capital can make jobs or take them away, depending on its form. Nothing is being done to improve the structure of our tax system which now makes it artificially expensive to advance capital to hire labor, and artificially cheap to use capital to displace labor.

Heavy payroll taxes do indeed drive a wedge between employer and employee: workers cost the employer much more than the worker gets. You cannot read the tax code without concluding that Congress believes giving and receiving employment to be a public nuisance, to be discouraged by heavy fines.

But let the employer spend on land instead, and



Today we would say it is the flow of capital, not the fund, which makes jobs. Small business with limited capital can still generate volume by turning the capital over fast. A nation can do the same.

Classical economists like Adam Smith called this "advancing subsistence" to labor. Now we call it "investment," but by whatever name it is still a flow of capital, or capital in motion.

This flow is what meets the national payroll. Most of this flow has its source in the recovery of capital previously invested. Only a small part comes from net new savings in any period.

We hear a lot about the need for more capital to make jobs. We should hear more about "the particular way in which it is employed," as Smith put it. Investing capital is not always the way to make work for labor.

The Houston ship channel today is lined with hundreds of miles of heavy steel drilling pipe, rusting. That capital will not make work again until the owners recover it in disposable, liquid capital. Frozen capital neither serves consumers, nor is it recovered in cash to meet payrolls.

The demand managers who used to direct our economy fell for the seductive notion they could control real investment by controlling a few levers in Washington that affected spending. They forgot the company store model. Investment, to be real, must really "advance subsistence." Money without goods behind it, ripe and ready to consume, is a fraud. Demand without supply just meant inflation.

You can tell a useless economist when he talks "dismal" and moralizes at us about how we must suffer more. That is how economics became the "dismal science" in the first place, and that is what the demand managers fell to when faced with double-digit inflation.

It was either that or unemployment, they preached. Economics was a science of choice, and all the choices were bad. The people got fed up, and rightly so.

And it came to pass that we got supply-side economics. It is the obvious reaction to the excesses of demand managers who thought their job was so easy, all they had to do was spend money. So there arose a new school who said, "Let's unleash the forces of supply." Sounds reasonable. So what went wrong?

Alas, what passes for "supply-side" policy to-

he qualifies for fancy tax shelters. Let him import machines from his overseas subsidiary to displace American labor and he gets an investment tax credit, fast write-off, and more goodies that may amount to virtual tax exemption.

Let him invest overseas and there is no tax on profits until they are brought home, if ever. Let him misdirect investment and pile up frozen capital and he gets early tax write-offs anyway, even though taxable income is deferred until capital recovery.

Ponder these things and there is no mystery about the causes of unemployment. The only mystery is why we tolerate it.

As before, you can tell a failed supply-side economist because he talks dismal: he moralizes that we must wait and suffer. Good policies would in fact start working right away. What are good policies? Here are a few:

✓ To lower taxes on working and increase taxes on property and property income (especially land,

and land income).

✓ To eliminate tax bias against capital in motion. If there is to be bias, let it be against frozen capital, and land.

✓ To end federal deficits. Borrowing from people drains more capital from the private sector than taxing them does. And dare I suggest — are you ready — the next logical step is to run a surplus?

✓ To cut the fat out of military spending and give up the "Keynesian Hawk" idea that wasteful spending of any kind makes jobs.

✓ To call home U.S. capital from abroad by eliminating its preferential tax status. If capital is good for us, let's bring it home.

Do those ideas seem shocking? If so, it only shows how deeply ingrained in our mindsets are policies that are hostile to full employment. If we are serious about solving this problem, we must make some drastic changes in our thinking and our doing.