



Notes: After the Crash

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Article citation:

Gaffney, Mason. "Notes: After the Crash." 26 January 2011. Notes.

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Outline, "After the Crash", talk by Mason Gaffney to Citizens-University Committee, Jan 26 2011

INTRO.

1. We have been radically wrong; time for some radical rethinking
2. Much of what I propose is returning to older traditions that once made California the most successful case of economic development in history – not the basket case of today
3. I speak of economics, not the politics of stroking erogenous zones
4. Federal, State, and local policies are all involved

PREMISES

These are mostly from classical economists like Turgot, who taught our founding fathers, and also taught Smith directly, and Ricardo and Mill indirectly

- A. Investing and re-investing are the healthy circular flows of capital that animate most of the work of society. **TURNOVER** is a key word.
- B. "Consumption" only takes goods off the shelf. Replacement is what hires people and creates incomes
- C. Replacement anticipates liquidation, and also makes it happen by creating incomes; consuming is a passive function of income
- D. "A" applies only to **NET** new investing, **NOT** to buying old assets like land
- E. Walter Heller had it right. Since him, his policies have been reversed
- F. Land in the right place at the right time is the essential venue for "A"
- G. With subsidized urban sprawl, land is available in the wrong places, requiring massive coefficients of fixed capital as infrastructure. Fixed capital turns over too slowly, or not at all
- H. Taxes based on work - giving or receiving jobs – kill jobs

OUR PRESENT PREDICAMENT SUMMARIZED:

A shortage of liquid capital; a surplus of labor

SOLUTIONS SUMMARIZED

Lower the coefficients of land and capital per worker

MAKING CAPITAL GO FURTHER

Freeze less capital in fixed forms; release more for working capital

- A. When in a hole, stop digging
 1. Avoid new economic "pyramids" of fixed capital
 2. Recast tax systems, now biased to favor fixed capital of slow turnover, and forms of land speculation, both passive and aggressive
 3. Stop subsidizing urban sprawl

MAKING LAND GO FURTHER