AN AMERICAN ROMANCE:

A VIA MEDIA BETWEEN MEMORY AND HOPE

IV. An American Romance: A Via Media Between Memory and Hope.

I began the first of these essays in describing the relevance of demand-revealing and incentive compatible mechanisms in the context of endogenous preference-shaping activities, for example, as enunciated by Gintis (1974) and Albert and Hahnel (1990). However, even friendly critics of that and subsequent books that the ideas might have more relevance to the evolving Chinese political economy rather than our own. (Cite review of Albert and Hahnel).

As I maintained in Clarke (1980), perhaps "charity begins at home" and, in this concluding essay, I will try to describe an approach which I believe could have broad practical appeal in terms of American political and economic institutions late in the 20th century. In some ways I am trying to revive both the "progressive" American tradition, say that which had such a great influence over our political thought in America after the Civil War (1870-1920) as described by Koppleberg (1986).

There is also a lot of classical political economy in the approach which often appears in conflict with both pragmatic liberalism and the return to civic republican virtues. In this essay, I will simply outline a policy trajectory that could reasonably evolve over the next 5 - 10 years that grows out of the classic modern philosophy that Heilbroner (Visions, 1995) said started about 1750, and which happens to be the date of Turgot's Sorbonniques. I chose Turgot because his thought first expressed the view of modernity -- "of 'dynamic' institutions that derive from the separation of time and space, the disembedding of social systems (which connects closely with the factors involved in time-space separation and the reflexive ordering and reordering of social relations in the light of continual inputs of knowledge affecting the actions of individuals and groups." (Giddens, 1990)

Giddens analyses these phenomena in some detail (which includes an initial look at the nature of trust in his lead essay, entitled "modernity, time and space" and the themes are picked up, without reference to Giddens in Fukayama's Trust (1995) which also attacks modern social choice.

I have covered or will further cover the linkages to Turgot (1750) and others in the earlier essays, but I have simply outlined what I believe a system of fiscal and regulatory federalism. which in many respects follows the spirit of Turgot and Condercet, would begin to look like in the coming millennium.

The notions are built around another kind of trust (a "master trust" of social insurance) that I first described in Clarke, 1980. There is a broad set of entitlements (particularly in terms of social security, health and education) as well as to "non-educational" goods and services. For both individuals and communities, there are incentives to determine where and at what time expenditures can be most productively made.

The focal point of decisions lies with individuals and communities, not with the current superstructure of "bureaucratic socialism" tied to professional subsystems that balkanize access to entitlements.

Looking Backwards: Note to the Reader -- the first part of this essay is a set of science fictional accounts that take place in the year 2100, about 100 years after Edward Coverdale's conversation with the (Coalition) Candidate. The 2000 election had not been earthshaking in a physical sense -- like the Lisbon earthquake that preceded Mercier's 2440 rendition of a "Parisian utopia". It had been earthshaking in a political, moral and religious sense and may have set off an "earthquake of evolutionary change that will be described by Dr. Leete (born around 2020) and who has met his conversation partners on a high speed train between Boston and Washington in the Spring of 2100. The conversation includes visits and meetings in Lamoille (a county or "shire" in Vermont) and the Northern Kingdom (a real Lake Resort and the closest thing to a Fourierian phalansthery that appeals to late 21st century Urrannians or Americans) where Leete (and his wife Edith from Looking Backwards engage Edward Coverdale (poet-artisan) and Lin Shevek (social-scientist).

The conversations are often about "the way of the economy" the "way of science" and the "way of art" as I could imagine them to be late in the next century. In this essay, the conversationists talk mostly about Dr. Leete's accounts. At eighty years of age, he has just retired as controller of Lamoille Co. (a sort of Turgovian intendant of Limoges) and has taken up his main residence in the Northern Kingdom where he administers the accounts (public and private) of his clients. Dr. Leete, Coverdale and Shevek talk at length about "the meaning of money" (public and private) as they see it in the 22nd century world. The conversation here is one of these accounts of Dr. Leete (picked up here and developed further

in the next essay "From Romance to Reality".

Dr. Leete on entitlements, community, education, the workplace and the environment.

In 2100, Dr. Leete tells our protagonists (Edward Coverdale and Lin Shevek) that the distributional concerns that consumed you the last 13 years of the last century are not of great concern today. I keep "the books" in this community because I am mostly retired and the job of a "reeve" like myself is to keep the individual and community accounts.

Here in the Happy Valley of the Northern Kingdom, we have a somewhat more individualistic approach and many (or most) of us are savers. Many though are transients, like yourselves here for a summer's vacation.

Going back to the beginning of the last century and using your real dollar numbers (for 1995), we largely transformed the social security system that had been in place 65 years, using a "second tier" popularized by Beard (1995). This tier also accommodated expenditures on health and education. The "second tier" can be described in the way it works for me. I'll show you my account, from the date of my birth (2020).

Dr. Leete's "Account".

I started out here in Happy Valley in the Northern Kingdom

with a $_____ per year entitlement as a child which was not spent on educational purposes. The school system in this area was very traditional and we spent no more than the educational minimums which were gradually established through national and regional deliberations (mostly within the Northeast Corridor) where we mostly travel -- Here in the Northern Kingdom, Lamoille, Boston, New York and Washington. Gradually it evolved into what amount to a "national land tax" for financing education, which was stimulated by what were then termed, often deridingly, by neo-Georgist thinkers, late in the last century. These neo-georgists were men like Gaffney and Tideman proposing then seemingly radical solutions to the local financing of public goods and services, particularly in the financing of education.

However, these approaches gradually evolved into the kind of combination of minimums for education which established an entitlement, which could also be used in tandem with a "second tier" of spending that equalized family wealth and spending. Again, this was a variant of ideas that came from California where the debates had been fairly brutal -- over Gaffney's proposals for land value equalization and "family power equalization" born out of the Coons and Sugerman tradition in the school district equalization debates of the 1970's which were revived in the late 1990's.

This was also closely linked to the enormous reforms in social insurance, where there had been sharp and divisive debates over the "power equalization" in the proposals by Beard (1995) for social security reform, ideas again coming out of California.

An obscure government economist at the time (Clarke) wrote a set of essays at the time showing how all this might fit together (see Essay IX: "Competition, Choice, Equality and Demand Revealing Markets for Local Nonprivate Goods" (Clarke, 1980). Later, Clarke defined these ideas (compare his "Making of Social Millionaires in "An Idealized Trust Fund with Beard's work, originally entitled "100 Million Millionaire's).

Note to the reader: The dialogue between Dr. Leete and Coverdale is a kind of mix between my favorite 19th century science fiction fantasy (Looking Backward) and my favorite 20th century one (Le Guin's The Dispossessed, the hero of which is Shevek). Joined by Lin Shevek, they debate the merits of a system that seems very appealing in Dr. Leete's old age, although he is not enjoying a standard of living even approximating that of his age group a century earlier. The world may be somewhat less appealing to Coverdale or Shevek. Using the subtitle of LeGuin's book, the world in 2100 as perceived by Coverdale/Shevek is truly "an ambiguous utopia".

I go on to describe a social insurance system for the new century

that leads to Dr. Leete's portrayal of this ambiguous Utopia.

After substantial domestic conflict early in the next century, a system has been put in place that provides much more equalization in terms of social insurance, health and education. The novel features of such a system in terms of what is envisioned in the policy debates are not all that new, except that educational entitlements financed out of family income and equalization of land values as a basis for school finance are part of the system. This builds on the ideas set forth in my 1980 book and which was further described in the first essay.

Back to "the Conversation"

In any case, I left Happy Valley at a young age (at 15, around 2035) using a combination of my saved entitlements and additional entitlements that arose from the second tier of "family power equalization" which permitted young people like myself to attend preparatory schools that we felt were as good as Hotchkiss or Yale. It was also possible to take part of the accumulated savings in Happy Valley's community account, resulting from the fact that the community did not spend much on roads, etc, or used privately provided ones.

When I went to "community college" in Lamoille, it was beginning to thrive under the "shire democracy" envisioned by Bryan and McClaughrey. But the Happy Valley in Lamoille was very different from the one where I grew up here in the Northern Kingdom. It was a fast growing educational, research and cultural center, very transient in that many came only for a few years. It also developed into an artistic and cultural center of some renown (sort of like an American "Limoges". It was also heavily into the information sciences, rapidly becoming one of those incredible, diverse "economies of signs and spaces" that the reflexive modernists (sociologists like Giddens, Lash, Urry and there followers been describing late in the last century).

It was tough going -- I became an accountant (also into the information sciences), so it was easy to get employment. My wife, Edith, an artist (into computer graphics in addition to portraiture) and together we did fine. My best work was helping students/artisans like ourselves put together packages for financing all that we wanted to do, over the 15 years that I spent in my "apprenticeship" there in Lamoille. Edith and I later went to Boston and then Washington where I practiced my skills as "a financial controller, only to return to Lamoille to join the University and then become the chief controller of the then-thriving City.

During my tenure at the University, I spent a good deal of time discovering how "smart markets" (mainly in the pricing of communications and computers) evolved into the governance of the university and the "city" around it. Early in the century, most universities practiced incredibly complex strategies of "yield management" as sophisticated as the practices found in the travel industry of the time (i. e. the airlines). As the University was competing for citizens, it had to develop acceptable rules of practice. It was a major struggle at the time (starting when I was a University student) to get the university to practice acceptable principles in the pricing of technology used by the students and the younger teaching assistants, for example.

It became extremely important, however, to avoid situations where, in the pricing of services, (like information technology) one would find individuals or groups expressing overt opposition to what the group believed should be done. This, to our mind, was either the manifestation of far more "egotism" than was proper or the display of attempted exploitation. Of course, in small communities or groups, these were not terribly important problems. But as the size of the polity grew, they did become important.

Continuation of Dr. Leete's "conversation" and the underlying philosophy. This will continue, following the discussion below of the philosophy underlying it in the form of Liberal Political Theory. The conversation will pick up later in a section entitled "the pricing of Elasticity" -- the major information technology adopted in the University and the City of E.

The philosophy, as mentioned earlier, is close to that suggested in Ackerman's Social Justice in the Liberal State with many features further elaborated by Tideman. As a scholar, Ackerman refrained from spelling out too may details, as he felt for reasons stated below that this would be a treacherous domain. In his chapter 8 "Exploitation" (page 231), Ackerman says:

"What then is the use of all this power talk? Does it have any value in the world in which we are fated to live?

"The problem - relating ideal to reality - serves as a critical test for any political philosophy. On the one hand, a theory that cannot serve as a practical guide is merely utopian fantasy. On the other hand, a book that offers a detailed action program is merely a symbol of the theorist's power lust and an inferior form of autobiography." Ackerman then goes on to describe the fate of Polonious and leaving everything to the discretion of statesmen. In avoiding the fate of Polonious, I have, of course, opened myself up to Ackerman's worst fears -- written an "inferior form of autobiography". All I can say flippedly is: "I give it what it takes".

Ackerman ventures as far as he permits himself to go in evaluating "liberal solutions" in an intriguing footnote in Chapter 6 (Section 45) on "transactional flexibility", particularly in Section 45.1 on Federalism and 45.2 on "Lindahl solutions". There is identifies the demand revealing process as a way out of some of the more important difficulties, qualifying this with the observations that a host of imperfect devices will, depending on particular institutional contexts, be relied upon in an effort to approximate Lindahl solutions." (The approximation of Lindahl solutions in the form of marginal benefit taxation is, of course, the basic purpose of the demand revealing process).

I go on to describe an approach to implementing Lindahl solutions, starting with the approach outlined in the first essay, for grants-in-aid affecting transportation and the environment. This leads to a form of implementing environmental regulations first elaborated by Tideman and which was elaborated by

Brough, Clarke and Tideman in the paper on Airport Congestion and Noise (BCT, 1995). I illustrate this method with respect to the examples set forth in Section 45 of Ackerman. There Ackerman's liberal theory makes contact with an important branch of economic theory. He points then to Lindahl solutions (footnote 11) and to the demand revealing process and variants to get our way out of the Federalist dilemmas he describes. The examples are further elaborated in relation to the problems discussed in the "Regulatory Star Wars" treatment of the previous essay.

I pick up here from Tideman's description of "ending privilege and political exploitation" (see page 30-31, first essay) with a further elaboration of recent essays on "ethics and public finance" and the "morality of taxation -- the local case" and "integrating rent and demand revelation in the evaluation of public services".

(I am in the process of consulting Tideman on the "liberal" use of his work and it is my intent, with his consent, to elaborate more fully here, in terms of the "recommended local order" mentioned in the first essay. I am concerned here with the transition steps.

Stated briefly, I see a devolutionary evolution from say the $250 billion in domestic distributive Federal programs, of which transportation is the largest part, first towards the administrative regions, and then towards rather small units of government. The various subunits (counties, shires) would be allocated entitlement levels and relative to these levels they could choose to spend or save, in the later case reducing their share of the deficit. Also, individual units could choose to design cost recovery mechanisms that would recover costs in relation to benefits received (i. e. from marginal cost charges and levies on increases in territorial rent).

To illustrate in more depth, I take Tideman's ideas and relate them to the work of Bryan and McClaughry in their Vermont Papers (especially "financing shire democracy". They also reflect the ideas of Foldvary in "Public Goods and Private Communities" and my own ideas spelled out in Clarke, 1980. Dr. Leete's "account" moves back now to Lamoille which became during the next century a virtual "Limoges" -- one of the most wonderful cultural centers in North America. Dr. Leete's account continues; (A lot of material from "Economies of Signs and Space (Lash and Urry, 1994) enters into the description, prior to a discussion below of the "Nomadic Economy".

Here's The Deal. (To borrow the title of one of my favorite books about real estate development in Chicago during the 1970s and 1980s).

Section here under development. Shows how communities make choices to grow from a stable "shire" with the kind of financing that Bryan and McLaughry describe. In this case, its an evolution into a growth center -- say with a population going from about 15,000 to the order of 50,000 to 200,000. Early in its growth stages, it is relatively easy to substitute for the tax sources illustrated in Figure ___ (borrowed from the Vermont Papers) some of the savings being accumulated from what I now call the General Progress Program (described in the first essay and further elaborated here). This section deals in particular with equalization of educational expenditure and the transition to the world of work (and community). How this is treated with respect to the fast growing community -- the City of E.

Obviously many of the newcomers to E (that is made up of many subdivisions contains immigrants. Many have learned about "smart markets" in the pricing of communications services -- in the early years, many of the decisions that will shape the City of E involve transportation (the airport) and the communications system (called "Elasticity" -- see reproduction of painting -- Boccioni, one of the Italian "futurists who offered an alternative to "Cubism", a static art form, early in the 29th century.

In this section, I try (for the first time to give the reader an introduction to "rent and demand revealing" -- relating to decisions on the usage of "Elasticity" -- which permits users to have access to all the world's utopias as say envisioned by Bloch (the encyclopedist of utopias".

The Pricing of Elasticity

In this section of his "accounts", Dr. Leete describes the evolution of the system of pricing (of Elasticity -- the communications technology that forms the "backbone of E, the City of Hope. Dr. Leete's account is concerned mainly with the preoccupation with "usage-based" pricing of the Internet, starting late in the 20th Century. The reader can go to a search engine (altavista, hotbot and type in "usage based pricing" and get a good feel for this evolving work). At the time, there emerged an interest in the demand revealing governance of communities that sparked the interest of the "third wave -- mainly Greens and libertarians -- as well as economists and social scientists. (See appendix 3 on Greens and libertarians by Sullivan, which follows "The Basic Tenets of Our Philosophy: "Ending Privilege and Political Exploitation -- appendix 2). Dr. Leete's account describes this evolving political philosophy in terms of the "pricing of elasticity" as it spreads from "usage-based" pricing on the Internet down to experiments in communities dealing with "local access" issues.

Dr. Leete has described to Coverdale and Shevek how the system is basically managed, based on examples from textbooks used in the last century and examples of utopias that people then imagined concerning the pricing of communications system like Elasticity.

He contrasts the static visions of "incentive compatible theorists" with the actual practice that had actually evolved over the previous hundred years.

First with respect to the static vision of Clarke and others.

"One such example was the work of Clarke, one of the original incentive-pricing theorists." Author's (Clarke's) note: The simple following example of the demand revealing governance of communities represents the kind of textbook examples I might imagine Dr. Leete to then be using. The examples draw on the "supply side" conjectures elaborated in my 1980 book, where I promised to further develop an approach to building demand revealing markets in real world institutions, particularly in communities that work, in regions that work and where everything is working together." (attributed to the great developer, James Rouse, during the 1960s)

During the 1980's, I continued to hold to this plan, although my work basically had focused on such issues as public and private enterprise governance, which attempts to use demand revealing as a remedy to inefficiencies and distributional inequities in the present patterns of State enterprise and governmental regulatory control. I intended to incorporate all of this into a book, hopefully with other E-process collaborators (tentatively called the Doctors Esperanto or Esperantoj, using that language's plural, around the year 1996, in a book on growth and development policies for the next millennium. I intended (in 1990) to call it "Incentives in America: The Evolution of Rules for Promoting Growth, Stability, Social Efficiency, and Fairness" I intended to welcome volunteers from public choice and other communities of scholars, the only suggested self-selected criteria for membership being open-mindedness and a modicum of energy. The scholars would also be government civil servants and working people, and hopefully a good number of people from other lands. My hope was to build a set of practical recommendations for a new approach to economic growth that breaks down class and nationalistic divisions, that utilized a practical approach towards local economic development with evolutionary theories for the use of labor, land and capital, was relatively free from ideology, and various other distortions that created conflicts between environmental and economic goals that the E process seeks to mitigate.

As the process evolved in this set of essays, it occurred to me that the "supply side" aspects had never been satisfactorily explained (despite my attempt to do so in the 1980 book. In the following example from Dr. Leete's "account", I try to describe these "supply side" principles and illustrate them more simply than in 1980, I am now relying on a variety of textbook examples in order to lead the reader into a better appreciation of the technique.

Let me begin with a modification of Harold Varian's example of the "Clarke tax" (Figure 1) which appears as Table 31.2 of INTERMEDIATE MICROECONOMICS (1989) with an elaboration at pages ____ (also reproduced in Figure 1) I simply assume the three roommates -- John, Mary and Henry or Varian's people (A, B and C, respectively) -- are sharing an apartment in a condominium development, and they are choosing whether they want a "pay-TV" hook-up or no hook-up (The cable supplier also provides the TV set as part of the annual $300 rental). We also have a condo manager (George) and an accountant (Angel). Appendix 1, Figure 4-1 basically describes the demand revealing processes, borrowing largely from Varian. I elaborate on some "supply side" aspects below.

Let me first take a short excursion into the political economy of E: Before elaborating on the textbook example, I ask the reader to now imagine an experimental city that could easily exist in the foreseeable future. A city or community like it may start elsewhere (perhaps in someplace like a "university community" in someplace like Hong Kong (the Chinese magically discovered the principles elaborated here and used them to successfully compete worldwide in a new charter that replaced the governing charter of that former British colony -- while social freedoms may be somewhat constrained, there is a good deal of freedom in the development of innovative techniques for financing information technology). In any case, the condo where John, Henry and Mary (who are recent immigrants to America) reside is located in a "long open city" (I borrow from the recent urban economics literature, which like urban public finance has until recently largely ignored incentive compatibility -- see Asami, 1989) and is part of an E - complex that may have strong incentives to supply all services, including "Elasticity" (the communications technology used in the City of E), -- that is, on marginal cost terms. George is a condo manager, whose employer also manages the local airport (see the latter sections of this essay and the following one), who is on contract to Frank that also develops condos for the city of E. Following the recent theories of Asami, Fujita, and Thiesse (1990), Tideman 1985, 1989 and Clarke (1980, and herein), the city has discovered that local public goods (and the provision of many private goods) can be ensured through the use of mechanisms for the collection of land rent through mechanisms similar or isomorphic to Vickrey-Clarke-Groves or demand revealing mechanisms. (See collection of essays -- Does Economic Space Matter, 1995, particularly Tideman on "Rent and Demand Revealing"). Thus there is a strong "supply-side" impetus for efficiency (including efficient pricing). The examples here show how that drive for efficiency is also enhanced by contractual incentives in the organizational structure. Its very similar to the structure of local real estate commissions (where all the relevant actors may receive some percent (X%) of annual increase in land and public goods rents (see Clarke, 1980, Chapter I on appropriating public goods rent through Clarke taxes). Also Asahi, Fajita, and Thais (1990) and Simi (1989) on application of the "Henry George Theorem" for financing the fixed costs of a composite good through land rent. (See also the conclusion to this section on recent developments in spatial economics and incentive compatibility).

George, also the President of the local Henry George Society (which has a large and growing membership -- it is 1997, a centenary (one hundred years after his death running probably successfully for the mayorship of New York) for old and rapidly growing numbers of new Green libertarian embracing "neo-Georgism) and Dr. E, regional director of the "Free Airports Administration" (a Federal/local government cooperative) have also trained Angel (renamed Allysa, a 21st century public accountant described later in this essay), not only in the "new" airport accounting but also in condo accounting which she also does in her spare time. Angel works for a whole community of Angels in the city of E (a new cultural paradise in 21st century America) which also has a thriving business of land value accounting and benefit assessments.

The city of E is growing rapidly because its one of the new free cities that have been created as the result of a cooperative agreement with Washington in 1994 when the local airport was also declared free and its grant assurances were rewritten with both the Federal and the (F)ree (A)irports (A)dministration as cooperative sponsors. The "free city" of E follows many of the principles outlined in Clarke, 1980, although as a older city with a complex local tax and residential regulatory structure, it is likely to take 10-20 years to gradually supplant the old tax and regulatory structure with the kind of E process that has been put together in the new local charter or Constitution. Like the Nation immediately to the north, however, E is an active part of this Nation's Federal structure, and is proving to be one of several successful experiments that is helping the whole world begin to successfully organize itself along "free market" or "free market" socialist principles (in the supply of public goods and internalization of spatial externalities) and deter secessionist activities that have grown out of widespread dissatisfaction with Nation-states that had been organized along bureaucratic socialist or totalitarian lines. (The city of E was one of the first experimental cities that won a competition along with its airport to join Alaska and Hawaii which got that right because of special consideration in the 1990 OBRA for flying Stage 2 aircraft all over the world on supplemental charter service (other than to the European Community), saving the Nation countless billions in unnecessary costs of controlling aircraft noise. E compensates the nation, as does its E airline and the local E banks that were, in large part salvaged as a result of its creative use of a new "marketable" permit program, created in 1991 in conjunction with new Federal noise regulations. E's compensation to the rest of the Nation reflects the considerable localized benefits, employment and otherwise, for the special cooperative agreements that have been worked out with Federal regulatory agencies that better harmonize local (including local enterprise) preferences and Federal instruments of control. The city of E is gradually eliminating all sources of special privilege and social exploitation and largely saves its entitlements of "Public Works" expenditures, preferring to use capital raised from "developers" swarming into the City of E . This is the result of a 95% special majority vote (not counting immigrants in E who could not vote) on its new charter and cooperative agreements which stipulate a careful system of compensation and generous mobility grants for some dissatisfied persons (few in number) that still wish to return from E (on the new frontier of growth) to the old, almost shattered "frontier of deterioration" (Clarke, 1980). E, is also a magnet for the Nation's considerably increased level of immigration (about 1 million a year in increased quotas) and much of the compensation that E would otherwise provide to the nation for its relative freedom is actually used to equip new citizens for the special costs (about 1/5th of the average family income in the city of E) of education and other costs that are not being recovered through short-term increases in land rents. (Education will not be a big up-front problem for E because the State also permits it to utilize the Education and Training Investment Program first developed in the State of Illinois in the early 1970s (See Clarke 1980) particularly when is new program for hosting immigrants is adopted. In the meantime, E is such a "special magnet" for immigrants that it has to operate a lottery system until it gets Federal permission to sell entry visas to accommodate the short-term special costs (see Simon, 1989). On voting, the new charter provides for a system of either weighted voting or demand revealing as set forth, for example, in Tideman 1990.

End of brief excursion into the political economy of E and return to the modified Varian example.

In helping to efficiently run the E-complex, George and Angel each have an incentive to create the highest net benefit for apartment dwellers (through an incentive-based commission arrangement) and , as a result, seek initially to sort their rather mobile and heavily immigrant-intensive community of apartment dwellers into those desiring an array of rather heterogeneous services provided within the community (John and Mary are close friends from Poland and China, respectively, who have both chosen to "Anglicize" their names. They have a relatively easy "exit" alternative such as getting their own apartment or own TV, but they like Henry from who is from East Germany (and the amenities of a large, four-room apartment they share with him) and don't really watch TV in their own suite. (Instead they mostly study Esperanto and English. The apartment has separate residential suites in a large A-frame and a common living/dining and kitchen area). John and Mary believe, however, that Henry will be a much too avid as user of Elasticity services within their unit (too much a "pay-TV" and Internet user in the current parlance) and haven't been able to find him a good friend (or stimulate his interest in Esperanto) so as to motivate less Elasticity consumption.

We also have Frank, an immigrant from Cuba, who works for Frank and Co. for the city of E which is maximizing land rent through a process of governance set forth in Tideman 1990. Frank also runs on a competitive basis similar complexes all over the city of E -- for young, middle-aged and older people, and he has instituted a simple "contract management" system for running these complexes which provide most city-type public services, other than simple grade K-12 "public" education. (Most of the residents in the E complex, however, are presently childless).

In addition, everybody in the community has been adequately and thoroughly indoctrinate in "rent and demand revealing" and "the pricing of Elasticity" as part of their intensive workplace training (both initial and recurrent) and courses at the local community colleges, which is also part of the membership privileges associated with living in many of the complexes. Consider one such complex where, George, the complex manager, gets most of a 1% bonus for the value of any services (such as TV hook-ups or the provision of "access" to Elasticity) less any Clarke taxes and/or administrative costs. The E-complex also has a "watchdog committee" (see Free Zone Authority, Ltd. 1985) that can compete with George for the commission and we have Angel, who is completely independent of George or the committee who is ultimately responsible for all demand revealing cost allocations such as those illustrated in Figure 1. She is a true "Wicksellian auctioneer" (the "judge" of Clarke and the "econometrician" of Tideman and Tullock, 1976) as described more generally in public choice's modern treatment of "just taxation" (Mueller, 1989).

For the TV hook-up example (Figure 1) with a illustrative commission rate of 4%, George, Frank, the watchdog committee" and Angel may receive some breakdown (i. e. 3% for George or the watchdog committee, with some portion of this for Frank) and 1% for Angel's company). The overall commission would then be .04 ($50) = $2 in the Figure 1 example upon a final decision to get the TV installed, unless John and Mary were to exit to another apartment, and then Henry cancels the subscription (paying a pre-arranged cancellation charge) or finds other roommates.

There would also be a negative element in the commission structure (0.5%) to reflect votes against the proposal. With this element taken into account, the commission would be reduced by 0.5%x $100 or $.50, resulting in a net commission of $1.50.

However, by better allocating costs or even allocating them perfectly (in proportion to benefits received or Lindahl/Wicksellian "just" taxation principles, therefore making Henry's (C's) share $200 or more and John's and Mary's (A's and B's) $100 or less, the suppliers (and Angel) will maximize the commission rate at $2. For an actual decision involving "no service", where the intensity of Henry's preferences vis a vis John's and Mary's could have generated no service but a positive Clarke tax paid by John and Mary, Angel might have gotten a negative commission.

Frank, the developer) also "markets" memberships in all his condos on the principle that "everybody pays for what they get" (according to marginal opportunity cost principles) and this principle embeds almost all activity among the young immigrant set (both American and foreign) in the community. George, the manager, also applies "congestion pricing" (see section 3.2) for tennis courts, suanas, and even use of the much larger TV hook-ups which he manages in the E - complex lounge on weekends.

Frank also markets the development of competitive, demand revealing public service pricing and management principles, using demand revealing to select suppliers on a annual basis (i. e. whether to retain George or to hire another manager from a competing firm. (Some of the complexes use other decision rules such as weighted voting, depending on the relative perceived preferences of the residents for novelty -- older, retired people in the R-complex don't, for example, like demand revealing, even though its basically used by their representatives in the process of land rent allocation to determine the spatial allocation of economic activities throughout the city of E.

In the E-complex, however, the dwellers like a great deal of "supply competition" which is facilitated by the demand revealing approach. To show how they get it and why it works, I revisit here the "supply-side" approach laid out in my 1980 book (Chapter 1, which is also the 6th essay in this collection, and Part II), using the TV hook-up example as an illustration of a vote among the three roommates on replacing George (but not Angel) in the annual competition.

In Figure 2, following the description of procedures for George and the "watchdog committee" we assume that George works with supplier 1 vying with supplier 2 who does not "price discriminate" as efficiently, but is reputed to be providing other services of potentially greater appeal, most of which however tend to be provided on an equal (per capita) sharing basis. Angel's job, on the other hand, is to ensure that there is no collusive price discrimination between suppliers and consumers where with relatively modest collusive side arrangements, and any lack of consumer mobility, the advantages of giving a buyer a price break or services for free could overwhelm the incentive arrangements underlying the commission structure.

Figure 2 illustrates a situation where there is some distributional competition that would alter supplier 1's (George's) arrangement with the three existing apartment mates (J, H and M). If, however, there were something like equal sharing proposed by supplier 2, the result would be a perverse "Clarke tax" result. To avert such a possibility, Angel must be able to police such an arrangement which she can do on appeal given the E - complex by-laws. Angel is clearly motivated to maintain efficient price-discrimination, as she will avoid the negative commissions implied by Figure 2 as will others sharing the commissions. (The appendix describes a more complicated commission structure when, as in this case there are more than 2 alternatives, including the status quo). However, as in the simple case, the highest commissions is generated by a perfect "benefit tax" result which maintains "competitive parity" between the existing supplier (1) and a competing supplier (2) in the provision of TV hook-ups.

Note, as suggested earlier, that each of the supplier's (George, the watchdog committee, or another permanent alternative to George) each of which can receive a similar commission rate all have the incentive to provide the service on the most efficient, price discriminatory terms in order to maximize the commission rate with zero incentive taxes. However, as also suggested above, there is always the potential that one of the suppliers would represent a class of buyers (supplier 2 favoring Henry, for example, who gets a $100 windfall from equal sharing, a portion of which, if greater than a $1, would give supplier 2 a positive incentive to collude. Thus Angel, who we assume remains independent, ensures that such behavior will not occur. John and Mary would simply appeal to her to adjust the price terms if supplier 2 were to win the competition in such a manner.

If Angel can't be trusted, and there is no mobility, they always have the police and the courts to try to remedy what in E would be a criminal act, even though maybe the difficulty of proving that, would lead to civil alternatives. And if all fails, and a lot of Clarke taxes are generated or the good is simply not supplied, There is just the waste of Clarke taxes. (The E complex devotes them to the establishment of similar communities elsewhere, unless they are likely to be large enough to warrant a special arrangement, illustrated in the aviation work to follow, so that the expected amounts are rebated ex ante and reduce apartment rentals in the E complex).

The airport work to follow in Volume II also emphasizes the utility of a "priority pricing" scheme for relieving conjestion that was first advanced by Robert Dolan in 1978. Lets introduce that concept in the E - complex by assuming that our three apartment sharers (and other persons in the community) have varying patterns of use the basic information technology -- Elasticity -- for access to morning and evening bus service, the values of which (based on six possible sequences shown in Table 1) are shown in Table 2. Henry (individual 3) has a daily value of $6. $4, and 0 respectively, to be served 1st, 2nd and 3rd (no priority). If the individuals were voting on a service sequence, they would choose option F, generating "Clarke taxes" of $3 and $1, respectively. Alternatively, George (the system administrator) who runs the bus service could assign such prices, so that upon self selection of the service level, there would be zero Clarke taxes. If, also the amounts collected were given back to the participants (per capita or in relation to amounts paid for other services such as TV), then the arrangement would generate net benefits relative, for example, to random selection or first-come, first-served.

We see, for example, as shown in an addition to Dolan's tables (Table 4) that the net value of random (equiprobable selection is $6, and the net benefits with Clarke tax/priority pricing of obtaining Option F, the optimum sequence, is $4. If, however, we reallocate the amounts collected, the net benefits are $8. Furthermore, George has the incentive to institute the service if his management contract includes some estimate of the net benefit (e. g. one percent of the difference between F and the random or first come, first-served scheme. If his service arrangement did not generate net benefits, say as a result of a Clarke tax vote on whether to institute it, then he would be penalized by any Clarke taxes generated as a result of the vote.

Such an approach motivates efficient priority pricing with little or no effort on the part of the participants to actually vote, because the work is done by the system administrator. This is why I continue to maintain the extremely powerful potential of demand revealing to motivate efficient industrial organization, where suppliers will price at marginal costs and supply most of the relevant information in so doing. There is an incentive to "find" individual preferences in order to win service subscriptions and supplier contracts.

What has been illustrated here is directly applicable to airports, as well as airlines as representative of consumers. We can easily improve the efficiency of the economy by well over a $100 billion by efficient priority pricing and efficient investment in airport and air traffic control by replacing a highly legalistic and exploitative system of control with an incentive compatible, demand revealing one. It is a decentralized, free market system, and if people continue to jibe that it is free market socialistic, I can only reply that its like going to the social moon vis a vis the current system of bureaucratic socialism that I observe day after day after day in reviewing every government aviation regulation. It is time, as a society that we free ourselves and this industry from this bondage.

Some concluding observations on the stylized examples: Students of public goods pricing would probably offer a lot of quick observations about my use of pay-TV to make my supply-side points. It was, in fact, the issues surrounding the efficient private provision of a quite-public good, having some relevant externality and the Journal of Law and Economics articles of Samuelson and Buchanan (1967) and Demsetz (1970) which absorbed me as I was putting together my original supply-side defense against the spread of national environmentalism across the landscape. Through the 1990s, the society will learn the consequences of the Clean Air Act for their economies, and their jobs and there may then be a place for my environmental management authority (see Clarke., 1980) , at least in the cities of E. The Drs. Esperanto expect that we will be ready with some readily implementable institutions by 1996, which embody some of the principles about airport authorities enunciated here.

Critics may quickly observe in the meantime that I might not have a "public goods" problem, as clearly George and Angel have access to a range of potentially efficient exclusionary, policing and monitoring edevices so as to make this mostly an exercise in the effficient delivery of private goods. But the rapidly developing spatial economics literature, which has now discovered the incentive compatible mechanisms, and Tideman (1990) will make these public goods vs private goods distinctions without a difference. Everywhere, in E at least, we can use techniques of exclusion and demand revealing checks and balances, to ensure the delivery of services i. e. locating supermarkets, hot dog stands and providing public services in a manner that implements the principle of "to each according to his or her marginal product" and "from each according to his or her marginal opportunity cost or benefit". We achieve the antithesis of vulgar Marxism at least in the city of E even though we might be attacked as municipal socialists by those protecting local rent seeking (see Mills, 1990).

Dr. Leete then goes on to compare the thinking of the "rational, left-brain" rational theorists, with the "right-brain, intuitive thinking that characterized the evolving social philosophy at the time, as embodied in part, in Clarke's later essays. Dr. Leete observes: Clarke's account (essays, esquisse or sketches), then go on to show how much the kinds of things he is talking about in terms of the Green philosophy of "municipal" socialism" is like his "Free Airport". (discussed at length in this and the following essay. First, however, Dr. Leete observes, Clarke was disturbed by these images. Is this heaven or Hell? Clarke's essay went on to describe his concerns with the "nomadique politique" (the nomadic political economy) he was seeking to understand. Clarke then turns to "Green conservatism" -- as Clarke began to see this in 1996. Dr. Leete returns again to Clarke's account.

My more immediate focus is a fairly detailed treatment on the themes that are developed in conjuction with the above section with respect to what I call the Nomadique politique, a broader portrayal of the political economy of mobility. It is a world in which we have awoken to the implications of the years ahead and we begin a refashioning of public financing institutions in order that America can better integrate itself into the international political economy and culture. At the same, I try to show how the institutions can be fashioned in the spirit of community, recognizing that human beings need a sphere of independent action -- a home, "a network of common practices and inherited traditions that confers upon them a settled identity." (Gray, 1995). Indeed what I am responding to here, in the context of institutions for financing transportation and the environment is a mix of responses to Attali's "Nomadic Man" and Gray's "Green Conservatism". I call it the interplay of "nomadicism" and "cocooning", borrowing from Jacques Attali.

Let me briefly outline the content of this philosophy as it bears on the themes of this and the following essay.

Creeping Towards Nomadicism?: A Personal Journey

A French economist, Jacques Attali, who sat for years at the side of Mitterand, describes an evolving World Order divided between "nomadicism" and "cocooning" (NPQ, Millennium). Nomadicism is a good word to describe the world of culture, communications and the networks of computers and transport (road, rail, and air) linking this world.

C and I have been seeking to understand and portray this world in terms of his PEITT and my PEM, and both might be somehow described as nomadic political economy.

The next essay describes the nomadic political economy in relation to incentive compatible theory. Nomadicism is not utopianism -- in fact, it may well be hell (as Max Beerbohm might have suggested) --

Beerbohm: "Utopia? -- excuse me. I thought it was hell."

Attali concludes his chapter on nomadicism, a far cry from the "nomadicism pastorale" which we find in dictionaries. Attali describes the potential future of this nomadicism as akin to

"industrial cannibalism". (see below and Chapter 5, Attali, 1995).

This view became clear to me when I first began to study Attali, a decade after first discovering him (his writings of the 1970's which I discovered in a Moroccan bookstore in the mid-1980's and which I treat briefly below and more fully elsewhere in a discussion of Bellamy vs. George), and beginning to answer the question posed by a physics student (I should enjoy teaching him the new institutionalism at the "Lafollette Public Policy School", if I continue along my path of cocooning".

Jacques Attali: Who Is He and What The Hell Is He Saying? (http\\www....).

To quote the beginning of Attali's " Nomadic Man" (Millennium, Chapter 5):

"Humanity is entering a hyperindustrial age. New zones of wealth will exist uneasily alongside of vast regions of poverty. Advanced technologies will create a class of products and goods that will empower individuals as never before while shattering traditional bounds to country, community and family. These new objects, which i call nomadic, because they are small and portable, will alter relationships across the spectrum of modern life. Above all, they will change man's relationship to himself". (p. 87)

Attali goes on to describe a kind of "nomadic madness". Describing the end product of genetic engineering, "man will

create himself just as he manufactures merchandise. The distinction between culture and barbarism, between life and death, will dissolve... All this will mark a momentus turning point. The culture of choice, wed to the logic of the market, will deliver the means for man to gain an unprecedented degree of personal autonomy. Possession of (or access to) nomadic objects will be regarded as a sign of liberty and power. Just as pagan man gained strength from the consumption of objects he regarded as containing the spirit of life, so too will millenial man have enabled himself to consume, in the market sense of the word, morsels of himself. He will have enrolled himself in what will amount to a cult of industrial cannibalism."

In the mid-1980's, I discovered Attali's work in a Morroccan bookstore ((For example, La Nouvelle Economie Francaise, 1978). What this and other of his books (many best sellers) portrayed was a biting critique of both capitalism and all existing forms of socialism. As Brown, 1982 explains, the critique appears to be lifted right out of Situationist literature, notably Guy Debord's excoriation of the "society of spectacle". For Attali capitalism is the ultimate in degradation, reducing people to the level of both commodity and spectacle. But socialism is little better. Attali argues, as does Debord that bureaucrats in both East and West today decide for most people how they will be employed, how they will organize their time, and how they will define their lifestyle.

"Attali follows Herbert Marcuse in contending that Utopia is the only basis today of real liberty of spirit. the only hope of something between capitalism and socialism. the essence of socialism is autogestion --- the direct management of productive enterprise and collectivities by workers and citizens". (Brown, p. 63). How will people be converted from spectators into actors of their own liberation. Attali offers just enough detail to make autogestion appear to be realistic; but he leaves enough blank spaces so that eager readers will be inspired to participatein the building of the new society by using their own fevered imagination. Attali's future economy bears an extraordinary resemblance to that described in Edward Bella my's Looking Backward. Both utopias have the same mix of unattainable dream and down-to-earth practicality.

"Adela has thought up an ingenious scheme whereby, in Edward Bella my's ideal economy- each individual is entitled to goods of a certain value and to ensure that consumers do not go wild, disbursements are strictly limited and closely supervised. Also, through an active "pedagogy of liberty", people will be taught to want the goods that will make them free. In order to coordinate the market, Adela proposes he interchange of signals between a central point (the new designation for the State) and the myriad local enterprises and individuals. "The economy resembles a video game with fifty million players" (all Frenchmen). The Plan becomes the simple two way exchange of signals (requiring the creation of a great many emitters and receivers of signals), so that workers and consumers can participate in the orientation of production. All that is needed is the development of "sophisticated mathematical techniques" to be presented in "simple, non-mystical" terms readily understandable to the average citizen.

Once the mechanism of autogestion (the two-way telex) is perfected for economic exchanges, Adela suggests that it can be readily adapted to political purposes. Adela's book, in fact, presages what is talked about actively in American politics today -- giving examples of how each taxpayer can be asked via telex how funds should be distributed among ministries and whether or not taxes should be increased.

During the 1990's, these ideas were picked up by Albert and Hahnel, who also linked them to the new potentialities for realization in the incentive-compatibility, demand revealing literature. See The Quiet Revolution (1990) and their sequels: The Political Economy of Participatory Economics (1991) and Looking Forward: Participatory Economics in the 21st century (1991).

Something akin to Albert and Hahnel's treatment of what I will call "socialist humanism" lay in my mind when I sat in my lonely chateau in Port-au-Prince (1987) with Esquisse, Bella my and George laid out in front of me. I wanted to compare and contrast the Georgist path with that charted by the modern Saint-Simonists in terms of the kind of Utopia portrayed by Bella my. Only later did I know that Bella my had borrowed heavily from French Socialism (Gronlund's Cooperative Commonwealth) and that we continue to do so, as in the case of Albert and Hahnel. (This is not meant as any criticism of A & H -- their work represents a far deeper elaboration of what I found in the post-1968 work of Adela, which possibly also did not originate with the latter. Am consulting with these authors on this question).

Today, I have in mind a much more well conceived path in the tradition of Ackerman-Tideman Liberalism which also lay at the heart of the "free market socialism" laid out in my 1980 book.

I was also influenced by several years of working in countries heavily influenced by French Socialism that it led me to undertake quite a bit of work on the demand revealing governance of enterprise (see essay IX) and to translate many of the ideas into practicable means of regulation pertaining to what I call the second largest socialist enterprise in the world (America's air traffic control and airport system -- see essay XI).

Essentially I am trying to combine Ackerman-Tideman Liberalism with methods of appropriate governance that will deal with the Tofflerian-Attalian Practopias in front of us. I am also very much influenced by the new turn to neo-modernization after almost 30 years of "anti-modern" and "postmodern" social theory (see J. Alexander, 1995). What Alexander calls neo-modernization, and which we and my colleague call simply globalization, is what motivates me to develop short think pieces like PEITT in relation to C's studies. Also I have been "decocooning", so to speak, in the context of SHAPE -- my acronym for concretizing utopia (a sort of Tofflerian Practopia) in which I have been gradually absorbing values in the rest of the world (like eco-feminism, socialist humanism and the like). In the social theory of globalization, this would likely be described as convergence and would be expected in a time where (American?) values (markets, democracy, and the resurgence of universalism) seem to have taken hold all over the world. I use "American" with a question mark because obviously modernization originated in Europe and it has spread its economic, political, and ideological aspects all over the world (Alexander, page 92).

But moderization in its traditional form has clearly failed. We continue to experience, along with accelerating globalization, the conflict between the global and the local (MacWorld vs. Jahid, so to speak). However, I see incentive compatible governance as a way of addressing these dilemmas. In the context of American values, I start with the aspirations set forth in the America First literature (like the Vermont Papers). I also move into the philosophy underlying recent work like Gray's "Agenda for Green Conservatism" (many of the ideas portrayed here are in fact a further elaboration of his Green conservative program for global environmental management institutions, road and transport, education and health, for example.

Underlying this philosophy is his perception that the neo-liberal New right ideology is, in effect, the most recent form of secular liberal utopianism, "a species of rationalism in politics which affirms that the dilemmas of political life can be resolved, once and for all, by the application of a system of first principles for the regulation of government activity. In rejecting this dogma, in particular with respect to man's interaction with the natural environment. As Gray states eloquently: "We are not like the butterfly, whose generations are unknown to each other; we are a familial and historical species, for whom the past must have authority (that of memory) if we are to have identity, and whose lives are in part self-created narratives, woven from the received text of the common life. Where change is incessant or pluralism too insistent, where the links between the generations are broken or the shared raiment of the common culture is in tatters, human beings will not flourish. They will wither, or else fall into anomic violence. In so far as neo-liberalism has been an ideology of radical change. whose debts are to liberal individualism rather than to traditional conservatives, it has tended to reinforce the disintegrative processes of modern societies. This chapter may be understood as an attempt to restore a balance within the conservative philosophy which has in recent years shown signs of being lost."

To be developed further (relation of Gray's Green Conservatism to neo-modernization). The attempt in these two essays to illustrate how to effect the reconciliation in two areas of finance and regulation -- transportation and the environment. Builds upon a "rationalist" mechanism -- compensated incentive compatibility developed by Tideman, and recently elaborated by Brough, Clarke and Tideman. Importance of recognizing how values (including eco-values can be translated into social action, avoiding the pitfalls of the utilitarian cost-benefit calculus, where experts will determine what is best for society.

Going beyond the appeal to "Green Conservatism", there are other elements that go to my conceptions of social policy that date back to the original conceptions of Turgot and the "ideologues" (see the first essay)". One is what I referred to above (Adela) as an "active pedagogy of liberty". (See my tripartite organization on the "memoire sur les municipalities" of education, decentralization, and "rent (land value) taxation".

The conception began in the mid-1960s, shortly before the radical "antimodernization turn in "the practice of everyday life", best exemplified by the events of May, 1968. Life took a Situationist turn and in its extreme form life was to be play and no work. Life was a carnival, a spectacle. Prior to May, 1968, I viewed education as expressing the moral ends of the moral life (reflecting the deepening of my pragmatic liberal orientation in the work of Dewey and James). My wives had been educators whether first grade schoolteachers or adult educators. This is partly how ETIP and GETIP (see the sixth essay) evolved in the evolution of school and adult education financing (at least in my somewhat Utopian conceptions in the early 1970s. I describe elsewhere, however, how this almost became an element of National policy by 1973, except for the intervention of the Supreme Court.

As I explain all this to my erstwhile colleagues these days © and B), the active pedagogy of liberty (life after school) is what may link the world of the Adela's and the Green Conservatism of a John Gray. See the close connection of my approach to financing education over a lifetime to Gray's discussion of education financing in "An Agenda for Green Conservatism". As I explain to B these days, the active pedagogy also carries over into education in the practice of everyday life (work and play) which is what her work is all about in the practice of human development in organizations.

This is all about constructing institutions that reflect Goethe's maxim about "doing and thinking" as the sum of all wisdom. C works for more than a score of years designing institutions within the current constraints of power and influence and then enters a period when he thinks and studies about institutional development in the future. B does the same, as do I. This is the sum of my "reflexive modern" approach to institution development and human capital building. It also presents one of the largest challenges to the construction of modern public finance and fiscal federalist institutions in America today. I get into this in a treatment of Tideman's recent work in respect to "the morality of taxation -- the local case and the (national") case.

The essay now moves into the realm of what is generally known as physical infrastructure investment. In particular, it builds on the examples presented in essay one and elaborates on "incentive compatible fiscal federalism", reflecting also moves a "reflexive modern" treatment of global air travel institutions. Here I also pick up on the dilemmas portrayed in the "Voyages to Nowhere" section of the last essay. The spirit of this is picked up in a letter to Mr. C, encouraging him to explore the regulation and finance of global air travel from a "reflexive modern" public economics perspective. It picks up on my letter to Dr. B (circa 1992) described in the last essay, and like that letter, the rendition here is with non-indented paragraphs.

"I am thinking about your three fold course of study focusing on political or social theory (PT), international relations (IR) and public policy (PP). As I indicated to you and in my January, 1996 letter of recommendation, I think there is a great contribution these fields can make to the political economy of international travel and tourism (PEITT).

Let me start with PT. You and I have developed a great fondness for Giddens and reflexive modernization. My essays build on this philosophy in trying to operationalize (via incentive compatibility) a new approach to pragmatic liberalism (pl) and philosophic conservatism (pc). The latter, pc, is the order of the day as social theorists of different stripes move "beyond left and right" (Giddens) or "beyond the new right" (Gray). In my essays, particularly four and five, I am trying to show how my ideas (which you have labeled GPP (general progress program -- in place of demand revealing -- or general progress payments in place of Clarke, or incentive, taxes) can achieve more workable communities (civil society) and enterprises that better serve civil society.

Thinking about your proposal paper has led me to think about my own objectives in your contexts. Around mid-February, 1996 (actually President's Day -- February 19), after about a year working on these essays, I decided to direct them in some very specific ways. This was sort of a reflection of Goethe's famous dictum roughly paraphrased that "The good or worthwhile artist must always restrict himself". I thought about ways of orienting a paper that was invited for the annual meetings of the Southern Economics Association (SEA) in November,1996.

The paper to be presented "The Incentive Compatible Design of Grants-in-Aid for Public Works" would be published in Public Budgeting and Finance. I am appearing on a panel that is also oriented towards innovative approaches for transportation financing with Dr. P, who has been commissioned to write a CBO paper on the subject.

The paper grows out of the short piece that you and I discussed last April (building "win-win" black boxes for the allocation of grants-in-aid. (See the discussion of intergovernmental coordination in Volume II of these essays).

Back to my comments to Mr. C. on "globalization and air travel"

which addresses some of these issues.

The Political Economy of International Travel and Tourism (PEITT).

In fleshing out the PEITT, you might start by tightening the "global-local" linkage through what I call the case of Ghali vs. Dole.

I am sending you an article from the Weekly Standard (2/28/96) by J. Rabkin which is the Republican p. c. response to the Dole Bill to cut off all funding to the U. N. if it tries to impose a tax or fee on U. S. citizens ... or so much as engages in "any effort to develop or advocate, promote or publicize any proposal concerning taxation or fees".

One could quickly make the leap that, not too far down the road, such discussions might even be regarded as "indecent" and subject to the prohibitions on the Internet that some feel are implicit in the new telecommunications bill. See note of February 22 from Ashley H. Clarke and her 22 co-signatories concerning the discussion of "abortion" on the Internet. (While I stay out of "Pro-Choice" issues, I am very strongly "Pro-Voice").

We would hope that a moderate Republican leader would see the pitfalls in the reaction to Khali's idea (which was mentioned in passing). The leader has become a prime advocate of a proposal (deleted in the telecommunications bill) to auction the spectrum (though not necessarily to share the proceeds internationally) and the prohibitions he might be leading to (concerning international taxes or fees) might be something he might endorse in the future. In any case, this is where I am trying to lead you in the following discussion.

In any case, I am sure you can fashion a provocative and interesting linkage between PT and current political reality. The next step, which builds some real meat (including empirical meat) into the heart of the paper is a discussion of the relation of the regulation of international aviation and the growth of the world's largest industry (travel and tourism).

International Aviation and Tourism.

You include Wheat croft's Aviation and Tourism in your bibliography and I have seen Chapter 2 of this book (on bilateral agreements) cited several times. I must read it. I also want to point you to the Bellman (GRAY) manuscript on international code-sharing arrangements and an excellent article in the Winter, 1995 International Organization (B. J. Nayar on "Regimes, Power, and International Aviation".

I am not suggesting a in-depth exploration of the complex international aviation regime, but I think you will find how, within the current regime, those interested in expanded travel have focused on the exercise of "fifth freedoms" and the development of code sharing arrangements. The former gets around some of the restrictions of a bilateral (in allowing, say, an American carrier to flying from the U. S. to London) to pick up passengers in London and fly them on to the Continent. Code sharing subsitutes for the reciprocal exercise of the fifth freedom within the U. S. through alliances of foreign and U. S. carriers.

In analyzing such arrangements from a public policy (PP) perspective, you can go all way from suggesting (1.) how the effects of travel and tourism can be better taken into account in our policies and those of other countries to (2.) suggesting proposals for institutional design.

In respect to the former, I think such recent policy pronouncements as the DOT's November, 1994 policy statement on international aviation policy and the GRAY report I mention focus too much on the competitive position of U. S. industry, effects on American labor, or U. S. aviation manufacturers.

This is just one of many policies profoundly affecting tourism that does not properly account for the effects on the American or world national product.

If you take the survey of counties with respect to TT, you want to capture the implicit effects of National policies and the international regime. If you look back as does Nayar over the postwar period in respect of the international aviation system (IAS), you will see the twin effects of a UN organization (ICAO) made up of 182 countries and IATA (a semi-public association of about 200 airlines) that for many years exerted a profound influence on the direction of world trade through tourism. Neither organization any longer has much influence over commercial development (the third through fifth freedoms) and we now seem to be evolving towards half a score of mega airlines in about a similar number of countries controlling this trade through code sharing arrangements.

Public Policy and Institutional Design.

I would like to speculate (as I will in my fourth and fifth essay) on the nature of institutional design and the evolution of a world order that suggests what kind of role such organizations, or substitute ones could play, and how this fits into the political controversy of Khali vs. Dole. In this section, I will also take up the chief recommendation of the White House Conference on TT that more attention be given to the funding of transportation infrastructure (Aviation Daily 11/2/95).

The International Regime (The IAS and Tourism).

One can also move from the "vision" outlined above into a vision of the international regime for the future. Just as I can envision public/private arrangements for allocating "ticket taxes" collected in the U. S. as well as congestion fees and user charges which also reflects "scarcity rents and which may begin to substitute more and more for flat excises like ticket taxes and passenger facility charges (limited often to improvements at a specific airport site), I can see the evolution of arrangements that will play as important, if a more constructive role, than the old ICAO and IATA of postwar times (until about 1975).

The ten or so mega carriers will continue to build markets in the developing world (where countries begin to see the significant tourism earnings sharply outweighing losses to their state airlines). However, in opening up new routes, why should not these be subject to competitive auctions in much the way that we now are allocating spectrum in the United States. The rents from these auctions would then be shared among countries or budgeted through the kinds of international arrangements that parallel the kind envisioned here and in the essay on "Aviation Governance" in Volume II.

What I have in mind here is very similar to the arrangements proposed in Brough, Clarke and Tideman (1995) for the allocation of "airport slots" in the United States. Rather than current arrangements which allow airlines, using the offices of their powerful governments, to obtain routes and get the monopoly rents for free, we would auction these rights, again using incentive compatible (IC) auction procedures.

With routes in place and the fact that airlines have already made investments in schedules, we could begin with what amounts to a zero revenue auction where the airlines get back as much as they pay in, except the resource would be allocated more efficiently through competitive award. Gradually then, the compensating payments would be phased out and the auction proceeds would be divided among nations, perhaps according to the division of origin and destination (O & D) traffic. This would essentially substitute for international ticket taxes and a wide and disparate set of charges imposed on travel and tourism by governments throughout the world.

One would also envision using the kind of budgeting procedures described above for international air traffic control, allowing nation's also the flexibility to devote resources to options that are less technology based, and more friendly to the international traveler, tourist and visitor.

These institutions would also be peace building ones. We would go beyond the ugly rhetoric in Khali v.s. Dole where "America First" feels at more at home and comfortable in the "New World Order".

As I explain in the essays, particularly the third, this may be wishful "political romanticism". Around 1974-75, I helped launch "deregulation" of the airlines and had a long set of carpool rides with my neighbor, the local manager of British Airways about where all this would lead. This is where I first got into the idea of the relation of the IAS to the PEITT (a political economy largely owned and administered by PANAM, TWA and British Airways). A score of years later, the world is a very different place, but one where "might makes right" in the world of commercial conflict and capturing the global rents from trade (including the world's largest industry). I have a uphill road in convincing others that we now need U. S. and international institutions that can replace the current IAS, mainly in collecting and administering some of these rents.

The international regime is of course a complex animal, and I hope after your efforts to fashion all this into my long anticipated "proposal to Buckingham". One important aspect of this, building on my 1991 paper, is the whole area of airport rates and charges and a comparison with British experience (what I call the "Heathrow problem". I am revising my 1991 paper, much of it in the form of the fifth essay, while also encouraging a Yale senior (and former intern), Mr. P, writing his senior thesis in this area. It will I hope be an interesting treatment of how airlines have suppressed efficient forms of airport pricing -- "rent control" if you will through what I call the "Massport Problem" and the "Albany Problem". I am trying to show how these problems could be sorted out in ways that also enlist the support of other "City Halls" -- big city mayors who want to capture airport rents. Then we have the "Heathrow problem" where the British inflate the value of their land and get it reflected in their airport prices, including international traffic, and our airlines complain because they can't artificially suppress prices at Heathrow. In any case, the entire work is an exercise in the relation of "rent theory and demand revealing (GPP)" to show how we can improve air travel in the U. S. and the world at large. I plan to lead from these problems, including the Heathrow problem into "the proposal" for a Winnacott paper (which I believe could have strong complimentarities with your dissertation.

My concluding essay, variously called "From Romance to Reality",

"On Contemporary Economic Problems", or "The Practice of Everyday Life" will look into this old world of airport pricing as well as the new world envisioned here more carefully, starting with the domestic regime. I am hopeful that I can also lead you in this direction, thus bringing to some fruition the interesting and lively debate we have had, starting in late 1994. Aloha.

Aloha is, of course, Hello and Good Bye. I suppose I want my Southern Economics Association paper (albeit a technical paper) to be a "swan song" of sorts about the resolution of issues in transportation and the environment before I came to Washington and soon found myself not doing very much to avert what Peter Peterson terms "The Great Slide" but devoted myself largely to the regulation of transportation and the environment. On the latter issue, I tell people that I had a "lobotomy" and these essays have been a sort of catharsis or remembrance of things past. Global air travel institutions are more about the future. I am now in the process of helping to build a future (hopefully) for myself and society. Then my 200 page set of memoirs will not be entitled "It Came to Little" (William McKinley Scott's memoirs which he wrote in 1970-71, shortly before he died, 115 pages of which are still secunded by the CIA) or another "Memoirs of a Superfluous Man". (Nock, 1943). It will have come to a little more.

As the Spring of 1996 approaches, my oldest daughter was about to graduate from college and wanted to get a job on a cruise ship to help pay for a trip to Europe. I was trying to help identify job opportunities, even though I was concerned about these "voyages to nowhere" plus a little angry about having to spend my time on "security for passenger vessels" because the Coast Guard and the DOT did not have the balls to keep their security people under better control. My daughter, of course, would maybe have a little safer working environment if the rule were effective on time (or effective at all). I also wanted her to appreciate that she was getting an entry level, if very temporary job, in the "world's largest industry." I E-mailed her a copy of Mr. C's proposal paper and the comments embodied above. My daughter reported to her mother that she did not understand a word of all this. I added this response to my 150 plus pages of memoirs, kybertruths and psycomyths, seeking better understanding and suggestions on improving my communications skills. It might make better reading on a summer Cruise Ship, embarking on a "Voyage to Erehwon".

My Voyage to Erehwon.

As the Spring of 1996 begins, I plan my own voyage to Erhewon. Physically, it would be via an international flight via British Airways, probably in the late Summer or Fall of 1998. (I assume that as I hopefully make these flights over the North Atlantic in the coming years, I am not subjecting myself to the individual risks that grow out of my fights against the international security establishment. It would be ironic if I got blown up over the North Atlantic and my relatives did not get notified for a long period of time. (For six years, I fought against the implementation of a passenger manifest requirement, including the collection of next of kin information on international flights to and from the United States. Based on information provided by British Airways, DOT learned that it would cost more than a million dollars per notification, after you were dead. Not a very good deal. And not everyone knows that you call the State Department's Office of Counterterrorism if you are worried about your kin in the face of terrorist incidents, as I learned in the case of my daughter in Japan this past summer. Fortunately, she was on the flight from Tokyo to Hakkaido that immediately followed the one highjacked by the terrorist. In any case, on my voyages to nowhere, I am fighting and maybe losing on my battle to avert the implementation of the passenger manifest requirement. If I was subject to a lot of negative emotions, I's call myself (parroting a colleague's quip: A Victim of the Families of the Victims of Pan Am). In our compassionate society, the families feel an entitlement as part of their bereavement, a phenonomen that I sort of obliquely railed against in the "What Does This Prove" section of my first essay. Now I am seeking to prove myself and go write a Winnacott paper across the North Atlantic (at the University of Buckingham). 1998 is a target date, so my "just graduated" daughter could study art in England and on the Continent. I could take visits in the English countryside, and enjoy the Chunnel trip to France and Paris.

The scholarly quest grows out of my long frustration with the aviation regime, which I have recounted at frequent junctures in the course of these essays. The essay "Aviation Governance" in Volume II of this collection is largely about the incentive compatible governance of the aviation regime. It grows out of a paper presented at the 1991 Meetings of the Public Choice Society, entitled "The Supply of Public Goods and Bads at Free Airports" (the bizarre title was motivated by the drawing of the little man with the sign, which was doctored by one of my colleagues). The prospectus that I intend to prepare, centering on the Massport Problem, the Albany Problem and the Heathrow Problem will, I hope, be greatly informed by Mr. P's Senior Thesis, which I have invested a lot of time in helping him get the material for. The fact that his father is a prominent political scientist will, along with the help of Mr C (another political scientist who I am encouraging to address the international regime) lead towards a formulation that begins to respond to Professor Rubin's concerns (i. e. under what circumstances do the inventive compatible approaches become appealing to real political actors in the foreseeable future). After all, I was not able, despite some effort, to make a study of this appealing to my own chief career official, despite my earlier successes in getting a report on applying these mechanisms within the government to the Congress and the federal agencies.

Once I better understand the political dynamics, I am into the behavioral ones. My recent internet searches have led me to uncover all kind of interesting materials in the application of incentive-compatibility to management of computers and the interaction of computers (i.e. artificial intelligence). In the hyper-rationality of artificial intelligence, some argue that use of the "Clarke tax" is quite natural, while those administering real world systems in groups would feel less comfortable with such procedures. They would prefer "communicative action, and dialogic democracy (absent power, and hierarchy) almost exclusively. I sent these ruminations to Br. B, a former close colleague in the behavioral sciences to get her feedback.

I am reviving an exciting year I spent at the Smithsonian during 1977-78 thinking, talking and writing about this in the company of political scientists, behavioral scientists and sociologists, historians, and the international intellectual elite. Suffice to say, I did not do so well in this arena, despite friendly treatment. As indicated by the reviews of my subsequent book, I convinced neither economists or political scientists, at least in my suggestions for applications and reforms in the normative realm. The idea is still treated as an intellectual curiousity, although some believe that the reason is that "too many applecarts are overturned if the treatment were to be otherwise". In spite of these problems, I did, however, develop some enthusiasm and motivation, much of which I hope has been imparted in these essays.

Perhaps also that the time has not get come and the enthusiasm should come from elsewhere. During the last several years, I watched a young man (Mr. N) come into the institution and exert an enormous influence over the design, selling and implementation of the spectrum auction. Ten years earlier, I held the same portfolio and had the same intense interest (with encouragement from others) and could not get anywhere. They subsequently tried incentive-compatible "Vickrey auctions" in New Zealand and there were some "design faults" which were widely publicized. I should feel lucky. In 1980, the FAA seriously studied slot auctions and we may be in a temporary holding pattern until the Congress someday strikes at this through its deficit reduction procedures. If we have created incentive compatible spectrum auctions, cannot the incentive-compatible allocation of airport slots (landing rights) not be far behind? If so, then why not incentive-compatible budgeting of transportation related investments and even incentive compatible regulation of air travel. I take up these various questions the essay to follow, which introduces a collection of essays on demand revealing processes.

Volume II ON DEMAND REVEALING GOVERNANCE (Under Construction)

Forward

VI. Demand Revealing Reconsidered

VII. A General Progress Program: Demand Revealing and Fiscal Federalism

The seven essays in Volume II of this collection are, in my view, the most accessible articles that explain the underpinnings of the incentive-compatible approach to fiscal and regulatory federalism that I advocate in Volume I. The articles are intended for the general reader as well as professional social scientists and those interested in public policy. However, they take the reader into some depth regarding the comparative strengths of demand revealing as compared with other institutional arrangements. Several of the essays have been radically redrafted, if you will, to reflect what I have learned in the preparation of Volume One of the Essays. I hope to do what I had intended to do in my 1980 book -- to make the idea applicable to the practice of everyday life, first by stimulating interest in the behavioral sciences and the public policy realm.

The essays in Volume II pick up on the theme in Volume I that we can divorce public enterprise from undue majoritarian influences in the public realm. To illustrate, I deal mainly with the area of transportation grant programs and specifically the allocation of resources to aviation (air traffic control and airports) as well as the pricing of air traffic and airport services. Taken together with some 430 primary airports, almost all of them public, the airport/air traffic control system is one of the largest, perhaps the second largest public enterprise in the world, next to the U. S. military. In this essay I seek to bring some 20 years of experience with public regulation and public enterprise economics to bear on the governance of this system in the face of tremendous legal and institutional constraints so that it can be managed for the maximum benefit to the public. Though the approach I outline is certainly an optimistic one, I believe it to be practical in the "foreseeable future" I entitle the this essays dealing with transportation resource allocation in Part I: "From Romance to Reality: The Practice of Everyday Life".

These essays become, at bottom, my best shot at trying to overcome the skepticism expressed by Professor Rubin about the practical relevance of incentive compatible mechanism. Somewhere between the computer operating systems and aviation budgeting, I have found the window of potential opportunity. The world is always unsettled a bit as we change and transform our institutions, particularly our accounting methodologies. I can attest to this being a three fourths certified CPA, having failed only "the law" in the 1965 Virginia CPA examination. I want to lead the 21st Century Public Accountant right into this new world, averting for them more than a score years of Faustian bargains in their wake, whereupon almost on "Cat's Paws" they travel and communicate into the next century and in the next stages of modernity in the "practice of everyday life".

Postscript on other conceptions of social justice (i. e. Nozick) and the relevance of attempts to foresee the future (i. e. Nozick's "I can't tell you ....")

Postscript (Tax Day, 1995). On this day, my mentor had suggested and I had agreed to go to Springfield, Va. (not Illinois) and lead a "self help" group. This will be good therapy for me, even though the "meeting" concludes after my usual bedtime. I am asked to lead the Fifth Step -- "admitted to God, to ourselves and another human being, the exact nature of our wrongs."

Never lacking an occasion for "black humor", I had told my mentor that perhaps it should be the ninth step -- "Make direct amends to such people (all persons we had harmed) except when to do so would injure them or others". I could joke that as an accountant I am really there to help the 15 or so souls in search of a new life to make amends to the IRS (you know, amending your return with a 1040X, after all the banks and brokers have screwed you up with their corrections and late 1099 statements). How to do all this with the minimum pain, anguish and resentments about the U. S. tax system. (I don't dare talk about my visions of the "NO TAX" system).

This is a good introduction into the next step in these essays (a Fifth and yet unwritten essay) which begins Part II, where I delve into some fundamental philosophical issues about the meaning of money -- basically the Faustian quest and my own parallel with Faust and his 24 year old pact with Mephistopheles, paralleling my 24 years of Federal service. The essay starts with Dr. Leete, Coverdale and Savek (late in the next century talking about the meaning of money, the way of science, art and the economy, and the meaning of life. For the reader: some of the issues I will deal with are dealt with in a good little book by Jacob Needle man "Money and the Meaning of Life" (1991) as well as Binswanger's "Magic and Money" (1985 in German). My own thoughts delve into the "public economy" as I try to educate myself (via Leete' and Shevek's dialogue with myself) into a thought and emotional process that would be instructive for Needle man (a theologian) and his students, Bill and Allysa (the former a moneyman and the latter a 21st Century Public Accountant).

I suppose "From Romance to Reality" will be the last of all this work to be written, although drafts and sketches as it lie constantly at the surface in the form of what might be akin to Hawthorne's "Trial Drafts of An Unfinished Romance", somehow veering between this collection of four essays and the more "professionally" oriented essays in Part II. The essays in Part II also drive the spirit of my 21st century "Political Economy of Mobility". I think that these (certainly the next essay at least, will be really quite uneconomic in style -- and turn out to be a set of essays and stories about contemporary economic problems that are even more in the science fiction and linguistics genre. I recently found in fact a book by De Certeau, "The Practice of Everyday Life" which crept into the subtitle of my introduction to Volume II and which is essentially about mobility policy as it has been most currently conceived for me -- by a Jesuit trained, French Linguistics Professor, who spent his last years teaching French Literature at the University of California (San Deigo). (The irony here, a la Groves, will be briefly described in the third essay). Shades of my father, who led me along the "Road From Richmond" and helped me better see "the probable causes of future events" in a more moral, religious, ethically, and hopefully liguistically appealing way.

The next essay "From Romance to Reality: The Practice of Everyday Life" goes on to develop an "experimental" framework of practical application, quite different from the frameworks of rational social action in which I am accustomed to operating. It is very much related to "Communicative Action" and what social theorists call "the linguistic turn" in social policy.

I sign off on April 14, 1996 at 9:00 p. m. (Clarke goes off dutifully to pay his taxes and have a good night's sleep).

"Sleek headed bureaucrats sleep nights", hopefully an image I could communicate to the Candidate.

Singing back on the morning of Tax Day: I bundle the essays together and send them off to my behavioral science colleague who may still lie, "Sleepless in Seattle". She is going to help me resolve a tension that has surfaced in the management of "management information systems" about "incentive compatible structural budgets" (Pick and Whinston, 1989) and the remittances of those who wish to retain a pure behavioral approach to human interaction in the large, modern organization (Singer, . The debate is found everywhere, especially on the unpublished papers lifted off the Internet (see, for example, Oppenheimer and Young, 1994 who believe that the budgeting systems will make imperfect human beings worse rather than better. How does all this fit into Shevek's world of Simultaneity -- his(her) theory or epistemology of human cooperation. In bundling together and sending to Seattle some earlier published papers reflecting this tension, I have asked today's L. Shevek to help me explain and resolve this tension.

I then resolve to make a phone call to one of the author's of The Quiet Revolution in Welfare Economics. Maybe we could have another Spring session on the park bench in front of the W. B. (the "puzzle palace"). Last year's conversations produced a host of leads (especially on the "information superhighway" but he did not respond to last year's late summer bundle of essays (the Forward and Chapter 1 of PSA). I am now really getting into his theory of the endogenous preference shaping of institutions. I need help in defining the link between the Chomskyesque "linguistic turn" in the social sciences and the incentive compatible "practice of everyday life". (Albert and Hahnel, 1990 and subsequent books express actually the opposite conclusions or hypotheses expressed by Oppenheimer and Young), What is to be done?

I now pick up on Mr. C's hypotheses on the course of neo-modernism (or globalization) where he sees incentive compatible theory as an advancement on rational choice theory represented, for example, by Elster and that there will evolve a link between this and the linguistic turn and communicative action emphases in social theory.

However, C also expresses frustration that he too sometimes cannot get or readily receive a hearing. His prospective thesis adviser canceled an appointment during Spring Break, and he was advised that he needed a little more "social" or "political" theory. I advised him of my own "dissertation madness". Sometimes the professors will put you off until you have respectfully adapted to their own epistomologies. And professors are no different from the human race, as I try to describe in the following essay about "method" in the social sciences and public policy.

What Should Be Done?

An excerpt (conclusions and future directions) from my paper on aviation governance.

This final essay in Part One has provided an introduction to a method for achieving the more optimum provision of public goods and compensation for relevant externalities, following work by Clarke (1971, 1980), Tideman and Tullock (1976), and Tideman (1990). Suppliers of public goods, or those generating positive/negative externalities, in conjunction with Wicksellian auctioneers (or competitive tax assessors), may specify the amount and distribution of appropriate taxes/subsidies and annual land rents to be paid for an activity with external effects at a given site. Weighted or demand revealing voting and appropriate incentives for efficient Wicksellian auctioneering can approximate ideal socially efficient results (taking account of decisionmaking, transactions and information costs in a Williamsonian framework).

The author is in the process of extending the ongoing work in mechanism design so as to establish an alternative method of incentive-compatible regulation by contract that will (1) generate the efficient allocation of airport prices and investment (2) reveal the appropriate level and distribution of compensation for adverse effects (i.e. noise) and (3) ensure optimum resource allocation in respect to the National air traffic control system "network" in a manner that best serves present and potential users of the system. Author's note: By the end of 1995, with the help of Brough and Tideman, we had refined an approach which appears in BCT (1995) which lays out an approach to controlling congestion and noise externalities. With somewhat more work, it would seem that political actors could be motivated to begin to use such systems in order to avert the dystopias presented everyday at Narita airport.

"Freeing airports" from the complex web of intergovernmental finance and regulatory controls of the past sixty years through incentive-compatible contractual design provides an exciting setting for mechanism designers seeking to advance similar applications to other public goods and services.

Where does all this leave me on Memorial Day, 1996 as I complete the first draft of these five essays -- this portion reserved for this very rainy day. What Should Be Done? I finally decided on three tasks:

1. Prepare a short note for Tideman that I could include in my apology for Dr. O and G about the projects on "fiscal federalism and public finance" in Russia. I learned from my struggles in the field (Morrocco, haiti and more particularly Liberia) what it feels like to make one's views known and receive a diatribe from the Mission Director (of Liberia) that was twice as long as my "trip report" summarizing my six-week visit. (The "desk officer who accompanied me had leaked her my trip report). It would have been disingenuous to have gone to Russia -- simply filling the bill as "a Chicago economist" (ideally who can speak Russian -- if not just a Chicago economist. Instead I had worked on these essays, and had just sent Dr. T another small contribution along with the following diatribe from two French, World Bank economists redesigning "the Socialist City" along market-oriented lines. They attacked the November, 1990 letter, authored by Vickrey and Tideman and signed by 28 other prominent economists as follows:

"Space in this chapter is too limited to discuss adequately the open letter dated November 7, 1990 addressed to Mikhail Gorbachev, initiated by Nicolaus Tideman and William Vickrey, and signed by 28 very prominent U. S. economists. The letter warned Mr. Gorbachev that "there is a danger that you may follow us in allowing most of the rent of land to be collected privately" and that "[...] It is important that the rent of land be retained as a source of government revenue [...] Some economist(s) might be tempted to suggest that the rent can be collected publically by selling land outright at auction. There are a number of reasons why this is not a good idea". Among all the advice sent to the Soviet Union and later to Russia, there may have been few letters so well-intentioned, but so poorly cast and ill-timed as this letter. It totally disregards the historical antecedents, administrative reality, political behavior, institutional base, and land use structure encountered by Soviet cities. The recommendations also dismiss entire areas of Western economic analysis and evidence regarding public choice economics, principal-agent problems, Ronald Coase's work on property rights, and the impact of imperfect information on transaction costs in land and real estate markets.

Put simply, how could land rent on a specific site be even roughly estimated today when the land pricing and site valuation needed to reflect resource cost and opportunity cost are totally lacking in Russia? One may legitimately wonder whether, prior to signing, any of the signatories had spent even one day examining **in situ** the reality of the urban land system and of political and economic reform in the Soviet Union. Amidst fierce ideological and political debates, the deleterious message that was heard in Moscow was that the U. S. economists were strongly recommending against the privatization of land, and by direct implication land markets. In fairness, an annex to this letter recommends a third way for land use and rent recovery. Unfortunately, most people would agree that when switching from left-side to right-side driving, the most accident-prone place to drive is in the middle of the road. Three years later, far from having been lost in the rush of massive political changes, the letter is still being used as an argument by opponents of land privatization and market reforms. This is a cause of considerable distress for Russian urban specialists and economists. Emerging from seventy years of ideological experiments, they wish that the signatory U. S. economists had tested their theoretical concepts on their own country first, before proffering their advice on others."

I had sent this to Tideman along with a contribution to sponsor a conference on May 21 in the Duma. It is interesting that despite the protestations of Bertaud and Renaud, Tideman had made 16 visits to Russia prior to and after the publication of the open letter. The letter heavily influenced my decision not to head a team to improve "fiscal federalism" in Russia and even to defer sending a vitae to Dr. O, from whom I intend to solicit some views on "middle of the road" driving. I had also been trained in A. I. D. not to go to countries and get involved in the ideological disputes of the American representatives, much less the populace. In any case, I have been practicing "the charity begins at home"' themes described in this essay, suspending judgement in a Turgovian way about potential experiments with land value taxation in Russia. The suspension of judgement, in no way affects my enthusiasm for the principles (for example enunciated in these essays and BCT, 1995) for some marriage of LVT and demand revealing in the long run evolution of aviation governance institutions. However, prudence may hinder me from pushing it too far, too fast. I was partially burned in pushing a proposal for advancing these ideas in a somewhat aggressive way several years ago and was turned down by an important official who wrote in the margins of the contract proposal "I don't want to do this".

After about five years, and almost 250 pages of essays, I was finding that other bridges also did not exist or had been transformed in nature. Tell the story of the economics student with his Master's leaving the University of Wisconsin and coming to Washington and taking the "land policy" desk (I didn't even venture a question on his "land policy" views). The story of an economics department that represented the "old instituionalism" that had been taken over by mathematical economists that were not getting tenured at Stanford. Maybe my bridge for a sabbatical around 1998 to Buckingham still existed, but what if that burned because my attempts to go beyond public choice in a "pragmatically liberal way" were looked upon by this school (trying to establish itself as a center of the "new institutionalism" looked upon my work as abandoning entire areas of Western economic analysis and evidence (see above quote from the institutional World Bank economists). Maybe I should simply take a short term sabbatical in the policy arm of the DOT and try to learn more about the "practice" of international aviation policy".

Before thinking about this and making sure that we had someone with some enthusiasm to take my place (like the new recruit in the "land policy" area). I ventured a recruiting P. D. to a couple of prospects, and then thought about the long hot summer of an election year, interspersed with vacations to Hawaii and the Northern Kingdom of Vermont (recognizing that at most I could choose one). Also, I had major obligation to fight one last battle (in addition to bringing some sanity to the aftermath of the Valuejet crash involving "rates and charges" and "revenue diversion" affecting U. S. airports.

Some Concluding Reality Bytes.

You see, in reality, my wish dreams about "Freeing the airports" (circa 1990-92) had become part of a imagined dsytopia (like Narita) that I felt proudly I had averted in not building a Third Chicago airport in Lake Michigan 25-30 years ago. Throughout the 250 pages, I had not mentioned being the unwilling (or unwitting) victim of a "policy statement" on airport rates and charges that was put together by the DOT during 1995-96. Now, after rounds of comment, the policy statement was to be put in final form. The best I could do was to interest a departing intern in the subject matter, and respond positively to his inquiry into the possibility of writing his senior seminar paper in the area of "ethics, politics and economics". The essay appears as "The Pricing of Airport Takeoff and Landing Slots" (April, 1995). I shall now take this in my pragmatic liberal/classical liberal theory style which I have been trying to put in neo-modern clothes and try to "make a purse out of a sow's ear". The sow's ear is the current form of the policy statement. You see, the DOT/FAA program managers, despite many internal protestations, took 1994 legislative guidance which were the result of a "preemptive strike" by the airlines against the airports. This was a means of imposing "rent control" by also getting DOT to formalize "historical cost accounting" (HCA) rate setting methodologies in order to ensure that airport rates (for landing fees, in particular) were "reasonable". I had railed against this for two years, mostly not fighting a hard enough fight. But I was preoccupied often by the composition of these essays and handling all DOT regulatory oversight by myself. But hope and memory come together, particularly if you receive an excellent piece of work at a "herethestically" opportune time. Mr P. exposes the whole evolving regime as an unwarrented subsidy from airports to their airline users. The statement exposes itself as formalizing case law in the major case that has been brought against the airports (LAX I and II), the result of LAX attempting to triple its landing fees around 1994. Also, the statement throws in our dispute against the English in Heathrow where we rail against the "unreasonable" costs imposed on two major carriers as resulting from the determination of rates and charges based on a market-revaluation of assets by the British airport authority (See discussion in the previous essay).

The best argument that I have been able to Marshall and press against the "rent control" regime is the inhibitions to efficient pricing, particularly of "peak-load" pricing of the Massport variety. Mr P. treats this linkage in real depth.

So I seek via four craftily worded questions to leave the door open for the pricing of take offs and landings to be determined by "opportunity cost"/demand based principles as opposed to the application of HCA methodology. I can at least come up with some hypotheticals on the importance of this in a pragmatic way, although I will never be able to stop the polcy statement unless some Devine Will intervenes. I try to find the "silver bullet" in the relation between HCA-constrained pricing structures (to which the latest 1992 version of Massport's proposal), discussed in P's essay, had been tried and one that might go father in terms of filling the "gap" between demand based prices and those constrained by measured incidences of historical cost.

In my dreams and early waking hours an interesting solution takes place. It is the product of a bureaucratic struggle in the fashioning of the final policy statement and the ideology which drives this work, translated into the kind of "reflexive modernity" I have been talking about.

The basic idea is contained in the brief subsection on political entrepreneurship: concretizing utopia on pages 55-57 of the first essay. This is also shown in the following Figure __ which represents at least a $3 billion shortfall between short-run slot rental values and allowable fees and charges, using current arrangements. One could also, at least initially, make the charge structure such that the charges (net of rebates to the carriers) very close to what the major carriers are already paying. This approach is elaborated in BCT, 1995 and is reflected in the bottom of Figure ___. This is the essence of the "compensated incentive compatible" approach to slot pricing which has the direct analogue to the "limited fund mechanism" for grant allocations illustrated in Figure 1 of the first essay. It also is another illustration of an approach to "environmental regulation" discussed in the control of "global warming" in the third essay.

Now it is difficult sometimes for the airport manager to see any direct benefit of such an approach when the charges are given back. Ms. B, who co-authored the 2nd Massport (draft) proposal (See transportation Research Board paper of 1992) felt very uncomfortable with such an approach, speculating that the efficiency gains are not very clear -- say relative to something like what the Massport staff were then proposing. "And certainly, they did not see the need to adopt the slot allocation approach applied at the 4 slot controlled airports.

In any case, Mr P's paper argues strongly the public policy case for experimenting along the lines that Massport proposed. What inhibited its adoption the second time around. Well, there was a change in the Board as Massport and the staff found other jobs. Sounded like what had happended to me in the State of Illinois in 1972, except they were living this kind of experience some 20 years later. And Ms. B was not to know what actually happened to the "policy statement" on peak-period pricing, except that it was "buried" in Section ___ of the current policy statement on "rates and charges".

What if the "policy statement" was to be somewhat more flexible with respect to a "rebuttable presumtion" against the use of a HCA-constrained methodology? What I was to prepare myself to actively seek (in the spirit of utopian realism) was such a rebuttable presumption. Then an airport, working perhaps in the kind of system I envisioned evolving over the next five years, would be able to propose something like Massport II or even something better. As I have indicated in the more utopian first essay, I also envision the link between more efficient pricing strategies and the kind of regional budgeting and regulation (including airport charges) set forth in the first essay.

Think about Massport III (a new plan put together by the institutional designers travelling along the Northeast corridor, say in 1998. Can the DOT absolve itself of making final decisions in a rate dispute (through "expedited" proceedings) which the "rates and charges" legislation has thrust upon them. Hopefully, yes. For such potential disputes, why could not Massport's proposition be passed down to the regional administrations (the aviation subcommittee) briefly described in the first essay. Once our Wicksellian auctioneer (Angel) assisted by the financial controllers working for the subcommittee have made their final allocation decisions, we have virtual unanimity from all the regions. Then we have the decision left to the Northeast Region or even to the interplay of influential communities within or surrounding the State of Massachusetts. It so happens that the Massport proposal (II) would have limited a lot of small regional commuter flights from a lot of vacation spots and may have made trips a bit more expensive. But dealing with this dimension of the problem would have been largely left up to decisionmakers within the region. With such an arrangement and with the larger carriers largely held harmless by the impact of Massport II, one would even expect some support from the larger carriers (as suggested by Mr. P in his paper). My key suggestion is some way of better linking the raising of congestion fees, avoiding the pitfalls of revenue diversion, a 5th principle in the policy statement which is not yet finished, while allocating these revenues to air travel and related purposes in the most efficient way possible. Basically, this could be done, I believe, by linking them to the kind of incentive-comatible budgeting approach I have described in the last essay.

In this spirit, I conclude my brief comments on Mr. P's paper. I'll leave the real concession to a report on the final policy statement. I've alluded earlier to the inspiration from Schumpeter that one would like the "Open Doors". Often this is turned into the simpler desire to just "help keep the doors open". As for the more disturbing dysphoria, I haven't touched on charging tens of thousands for large jet flights but ending up (as in the case of Narita) having carriers pay $10,000 with no place to land (because the 2nd runway can't be built). Yesterday's Post somehow translates this (the spectacle of the farmers living on the runway) as something that resulted from the Constitution we imposed on the Japanese. Yesterday it was Japan, today it's Liberia.

In my treatment of congestion fees, I have eschewed complex decisionmaking (not only regarding issues like noise and land use) but also the safety and security of passengers. Such issues are dealt with at some length in the tenth and eleventh essays (Part II) where I also build on some work in "information resource management" relating to preserving "critical infrastructure" (I. e. the interoperability of communications networks as well as issues relating to who pays for aviation security). This gets into players that have more to legitimately say about the budgeting of resources from the "trust funds" (I. e. the military and the FAA).

The essay has led me into my own reality bytes about the future. Judge Bryer has somehow opened a door due to influence with his book on regulation and contacts with the powers that be to let bureaucrats go on sabbaticals to other agencies, even the Congress and the Court(s) to learn more about how other institutions behave. I have gotten over an initial "pessimistic" conclusion that erupted out of the public choice literature and my own speeches (See Wealth Redistribution in the Large and Small -- essay 3) about collusion among the three branches of government. I don't see anyway out of the current preoccupation with Sandel's "procedural liberalism", except perhaps in the better fashioning of formal decision rules that can enhance its strengths and diminish its weaknesses. Perhaps I'll take the opportunity that can be afforded and visit a Congressional committee that may take some interest in some form of these ideas. More likely, (given my long-held tenancy to "cocoon" in the Executive), I'll visit the DOT. I found one of my first friends here in Washington (helped me avert the "Watergate depression" and find a job) not too long ago thinking about some creative ways to sell or auction permits for interstate trucking -- I countered to the head of Budget about also competively awarding domestic airline routes. My real objective is better to understand the workings of the international aviation regime. There I could, for example, put together my 1998 proposal for Buckingham.

I'll finish this essay with a brief reference to my original proposal to the Smithsonian where I hope to find another short niche after the year 2000 building upon my 1977 proposal on "Applications of the Demand Revealing Process". The head of the Smithsonian's Woodrow Wilson Center (now the Librarian of Congress) didn't like my proposal and actually with the help of a former professor tried to torpedo it. The "peer group" review process, however, prevailed. As one of the few "domestics" at the International Center, I was not able to accomplish what I had intended. However, after almost 20 years, I now see a way of putting it all together, partly by trying to "do it" (like Ms. Steinham (who was roundly criticized for her absences from the Center).

Excerpts from Applications of the Demand Revealing Process (insert here).

This is my current research prospectus, growing out of Applications of the Demand Revealing Process, strarting with a section on Utility and Representative Government" (1976). -- being drafted.

In June, 1996, I was struck by notes from a prominent agency manager at one of the important "independent regulatory agencies" which had commented at length on the original presentation of the incentive-based approach. In fact the Commission staff had been divided, the Executive Director presenting one set of views and the head of the IRM Program, another set of views.

Years later, the IRM manager, chairing a Working Group or Committee on coordination problems in the anticipated new decentralized regime, presented a set of problems that I believed simultaneously presented an opportunity for a fresh look at the incentive-based approach. (The section briefly describes the problem and how the incentive-based budgeting approach could help solve it). Under construction. I wrote the Chairman a short note, intending to enclose a draft of this (the Southern paper), with the hopes that "the memories" would stimulate interests in current application. (I filed the note in the computer, seeking the appropriate time).

I then thought back over the dialogues about self and self and society which has consumed so much of the content of these essays.

I picked up a yet unpublished rebuttal of sorts (drafted by a Mr. Singer, (S. J). that suggested that instead of "top down" structural budgets imposed through "Clarke-Groves" mechanisms, a human relations approach could be taken through an approach that vested more power with oranizational management information officers. (A former Jesuit had "collaborated" with me on the 1983 piece, his part being the "pricing of information services". However, he "executed" the follow-on work after my departure -- I certainly have no knowledge that the idea may have been "aborted" from within -- because the interests of the "network" of managers of which the chief of the unit (and his deputy) probably liking neither me nor he had instructed that it be disposed of and thus the Jesuit was to write a public statement in the 1984 Congressional report pointing out the deficiencies the agencies had found with the system). Some 12 years later, I was far away from these"information policy wars" although I was embroiled in a significant skirmish with the about to be appointed "chief information officer" in the agency I oversee (in addition to "the independent agency" of the aforementioned Chairman). To make any significant progress, I would need an intermediary different from "the Jesuit" and the battle, where I would use "change agents" and Angels on my side would range beyond the world of "artificial intelligence" and computer operating systems. In thinking about the need for a "spiritual intermediary of a different kind' I was thinking that it whatever guise the next reply takes, it would be like a replay of the battle between the Control Board (led by Dr. Brimmer) vs. the Mayor with his "transformational budget". In this context, I sent the volume off to my colleague in Seattle, while I remained "Sleepless in Washington", looking for guidance on "transformational leadership".

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As regards "transformational leadership", he real objective is, admittedly, to find some niche in "intellectual leadership" (Burns, 1978). This means, stimulating others to seek "intended changes" (Rost, 1993). Since I have shared the private essays (two and three) with very few, I will conclude this essay with a brief summary of the "intended changes" I seek by applying a philosophy of hope and memory. It took me about 1 and ½ years with the private essays to take the material in the private essays and try to "script myself" and integrate it in a meaningful way to the body of these essays. It started out as two essays about hope and memory in which I tried to redirect my energies and my life from what might be called The Easy Way to God's Way.

This is a difficult redirection for one of "Voltaire's Bastard's", the intensely naturalistic (almost athiestic) man that is revealed in these essays. After about 1 and ½ years, I have reached a temporary solution of sorts in finding a world that is vaguely called "transformational leadership". There is a vast world of literature and social thought that embodies this world, which is more about "art" than science. I found it as a modern expressions of my temporary solution to the Faustian dilemma -- how to be happy in cleaning up swamps. This Faustian image, however, is very incomplete. To see why, try to read and internalize recent expressions of Goethe's philosophy as reflected both in his poetry and plays. Cite ____, "Dare to Be Happy". I am in the process of trying to summarize this philosophy in my reinterpretation of naturalism and humanism in the second and third essays, relating it also to the ideological "belief system" that I left out of my first essay -- "ecofeminism" (See my concluding "Fathers" day notes).

As for leadership, I hope that as an outgrowth of these essays

(particularly essays two and three) can be given better definitional content in a manner that will be useful to others. My essays are themselves heavily experiential, but are also generalizable. At the level of moral philosophy, I am greatly influence by Irving Babbitt's Democracy and Leadership (1924), to which I will after 70 years try to give a somewhat more modern interpretation. I also try to contribute to a modern naturalistic, humanistic and even "religious" conception of what modern trnasformational leadership could be all about. I do this in accordance with my "Shoeless" philosophy of opening doors, not providing Ageless wisdom, of opening up an intriguing set of questions in moral philosophy rather than trying to sell you a moral/economic philosophy followed by a set of exclamation points.

In this effort, I also single out one book in the transformational leadership literature, entitled Leading Change by James O'Toole. About 22 years ago, I received a call in my West Wing office where I was surrounded by FBI agents guarding the Watergate files. At the time, O'Toole was reporting to me his progress growing out of his work for Secretary Richardson's Task Force on Work in America. Due to some connection I don't remember, he seemed to be interested in the work I had done on educational finance and I had just engineered a note from Secretary Shultz to then-Secretary Weinberger about "the Generalized Education and Training Investment Program" in which I believed at the time I was going to connect education with the world of work and the pursuit of happiness. I was greatly excited by this work, which was then being carried forward by my former Deputy Director (then at the Adlai Stevenson Institute in Chicago) and the possible connections to Dr. O'Toole's work with the Task force. As I began later to plan my exodus from the "burning"" White House (the post-Watergate road to jail for some and a very uncertain path to salvation from both them and their "innocent" brethren), I was intent on working another five years or so on educational finance and the world of work.

After about 5 months, I had to make a fundamental choice -- a wonderful research job at the National Institute of Education or to go to the Office of Management and Budget to help improve that institution's capabilities in serving the President in implementing economic policy". My "vaulting ambition" had led me to take the latter course, where survival rather than salvation led me into the never-neverland of "structural" economic policy.

I had no lack of hubris because I was shortly to appear in a "box" in the then annual roundup of one of Washington's smartest people (___, 1975 -- Washington magazine) -- a short clip authored by Selma Muskkin, my adopted grandmother of sorts, who also included me with the later Director D. and Dr. G. These were the public finance gurus, in Selma's view.

Selma joined me for about one year thereafter and continually warned me about my descent into a virtual hell of regulatory reform. My Faustian way was always to quietly listen and try to assimilate but to then proceed right to hell. I was filled with virtuous righteousness about the hell of government regulation and armed to the teeth about the solutions to the problem which was to center on deregulation and privatization of the domestic and world's economies. Selma warned that I might regret this (to pursue this assignment too avidly), as did a female economist friend who had helped me try to make an informed choice about OMB vs. NIE.

To feminist economists, which is part of my audience today, I might best explain all of this on choices that grow out of the domination wish, as best explained by ___ in The Blade and the Chalice. I wanted to win -- I saw an opportunity to redefine modern American political economy by infusing it with a New Right turn aimed at deregulation of the U. S. economy. I'd solve a lot of problems by deregulating and controlling the growth of environmental and social regulation and along with Selma (both of us participating somewhat unwillingly) ginned up the numbers needed to justify the exercise. Having taken the turn and then energized by the sudden success of demand revealing theory (a sensation in the late 1970's), I thought I could take on the modern environmental movement. I then entered into a literal "Star Wars" phase of existence, literally behaving as I imagined Darth Vader to be, exemplifying in my public and private life all the character defects of the "unformed human being" of Lukas' story.

This is probably a generic story of what took place in the lives of many other people between the revolutions of 1968 and 1989. Until I recently read about the "epistemology" of it all (given me in short doses by Dr. C), I understood very little of it. I knew that it all had a potentially bad end (I feared writing something about a decade from now like W. McKinley Scott's It Came to Little which has been largely exorcized by our securitat (the CIA)).

The "Securitat" might also try to exorcize some small portions of the private essays. Closer to reality, the essays will be exorcized by my co-workers, friends and colleagues who want their lives left out of it, or by my former wives and "natural daughters". It is written for the latter (part of the X generation which has the chance to sort through all of this wreckage of the past and embrace a more satisfactory moral philosophy for the 21st century and the coming Millennium).

It is my hope that this expression of moral philosophy will influence modern political economy and guide choices about the use of the Chalice rather than the Blade. Journalists at the end of the next century will single out modern Henry Georges and Lin Sheveks rather than the Genghis Kahn's. Cite Washington Post's Man of the Millenium.

As for a real conclusion to my story which I started around Christmas, 1987 with Esquisse, Bellamy and George laid out in front of me. Well, it is a neverending story about "The Sort of Life Which Came to Little" that gradually takes on much more meaning. For me, it has been the gradual improvement in my "vision statements" which I started on in the dark days shortly before Christmas, 1987. It involved trying again in the early 1990's with the "Incentives in America" piece that has been the subject mostly of this updated, concluding essay. These essays will, I hope, help me to reach out, and become a real part of the "democratic imagination". I will start to make an earnest try later this year with my reformulation of "Reforming the Grant-in-aid Pork Barrel" which has been retitled "A General Progress Program For Public Works" It is not likely to be all that popular among academic economists, but maybe it will get a hearing from Greens and libetarians, maybe people like the forlorn three senators which appear on the front cover of one of this month's Weekly Standards. (Or maybe, it will just be attacked by those who simply want to protect the "Ideology of Comfort", which I oftimes simply associate with the protection of privilege and rent seeking.

Whether I'm taliking about "Going beyond Left and Right" or just "Beyond the New Right", I may get attacked by the observer who I quote form the letters section of the Standard: He talks about a maxim I had not heard before: "Whenever you hear people advertising themselves as being beyond Left and Right, know they are of the Left. To make it worse, they actually think they have invented something" In true Irving Babbitt style, he entitles his two paragrph comment on "Foolish Senators, Tough Choices" by calling it "Self Important, Suffering Senators". After more than a year of writing essays that are part of "a fearless and searching moral inventory of ourselves (my mentor joking that I was the first to write a book about my fourth step), I could receive the same treatment -- a man's "valulting ambition" and terrible sense of self-importance surrounding the thought that he really thinks he has invented something. One of the beauties of American life, however, is the means by which all this is vetted, intellectually and politically, as would be leaders, and leaders of leaders, compete in the salons of Washington. I hope to invent something really useful for the next four or five years and relate it to problems of "aviation governance" -- say in the form of improved methods of financing the airways. I am preparing myself for the give and take without any great sense that I'm the "lost soul" described earlier in these essays. As Mr. Zaslaw says of listening to an NPR interview with the poor Senator -- one of my college's heroes -- with whom I remember playing a "pick-up" basketball game when he was a Freshman: "As the interviewer listened breathlessly, Bradley droned on, lamenting a political process in which the great unwashed won't sit still for all his "policy solutions". Even when this man was King of New York, with the quickest jump shot in the NBA, he was never so thuddingly self-important.". Yesterday, buying my groceries, I picked up Gandhi's autobiography (1925) for $1. Gandhi explained what I found myself to be doing in the eigthteen months I had been working on these essays. (See excerpts below from his "Story of My Experiments with Truth"). Maybe a lot of Americans find little to inspire them in these autobiogrphies of "the Loneliness of the Long Sufferring Senator" (subtitle in the Weekly Standard). I find them helpful because I interpret them (for myself) in the spirit of Gandhi. As I noted earlier, quoting Ackerman (in the American Romance"), I risk writing an inferior form of autobiogrphy as a symbol of the theorist's "power lust". It is also terribly comfortable to theorize without spelling out "the details" of the experiments with "the truth" and how they fit together. As Gandhi put it introducing his autobiogrphy, speaking of his thoughts about replying to a friendly critic, who has observed that no one writes autobiogrphy in the East, and it is done only in the West.

"The argument had some effect on me. But it is not my purpose to attempt a real autobiogrphy. I simply want to tell of my numerous experiments with truth, and as my life consists of nothing but these experiments, it is true that the story will take the shape of an autobiography. But I shall not mind, if every page of it speaks only of my experiments. I believe, or at least flatter myself with the belief that a connected account of all these experiments will not be without benefit to the reader... but I should certainly like to narrate my experiments in the spirtual field which are known only to myself, and from which I have derived such power as I possess for working in the political field. If the experiments are really spirtual, then there can be no room for self-praise. They can only add to my humility. The more I reflect and look back on the past, the more vividly do I feel my limitations." I found myself buying dinner for a former mate not long ago, visiting from Seattle. I described Babbitt's 1924 book, which was reflecting many of the same messages I was to later read in Gandhi, 1925. The "spiritual or philosophic conservatism" I am trying to breed in myself, and is talked about by philosophers of the old left and right (whether Anthony Giddens or John Gray in the "beyond" books is not simply a cover for outworn philosophies that dominate our conventional politics. Its about real change in our philosophies towards governance. Sometimes we may be suspicious about the real conversions of our leaders. I am convinced that the Mayor didn't "go out" before his recent "spirtual retreat" but if he did, as my mentor thinks, So What". I wrapped it all together (a Post clipping about the Mayor, transformational leadership, and "self help programs) for my friend in Seattle.

We are all now these days carrying out our experiments with truth. As Gandhi said (introduction): "If anything that I write in these pages should strike the reader as being touched with pride, then he must take it that there is something wrong with my quest, and that my glimpses are no more than mirage... I hope and pray that no one will regard the advice interspersed in the following chapters as authoritative. The experiments narrated should be regarded as illustrative, in the light off which every one may carry on his own experiments according to his own limitations and capacity. I trust that to this limited extent the illustrations will be really helpful; because I am not going to either conceal or understate any ugly things that must be told. I hope to acquaint the reader fully with all my faults and errors. My purpose is to describe experiments in the science of Satyagraha (Ghandi's quest for truth, with the word traslated as "truth" and "firmness" which started in South Africa), not to say how good I am. In judging myself, I shall try to be as harsh as truth, as I want others to be".

One can apply this to ourselves and our leaders, whether the Mayor or the President. We need to start with ourselves, which I did about a year ago with the 4th step of AA, "we must make a fearless and seraching moral inventory of ourselves". In the months ahead, as I sift through these essays (and rewrite/revise the ones to follow) and get feedback from others, I hope to define something truly worth the attention of large numbers of people. I would hope that over the course of thirty years, or around the time Dr. Leete, my protagonist in these essays is born, I will have shaped my PSA, PEM and PMH in a way that really fits into Gandhi's vision. Although a romantic vision, it lays the basis for practical change in institutions that will actually be accomplished by "real political actors in the foreseeable future" and is something that the Coverdales and Shevek will look at in the next century and build upon. They will study the "Pricing of Elasticity" and it will fit comfortably into Shevek's theory of Simultaniety (search for truth and human cooperation), even though they may "Walk Away From Omelas" (the material worlds I have created in my "economies of signs and space" and "reflexive modernity").

For me, the process has been a gradual one of reincorporating values into my libetarian mind set. Over the years, I have been part of an enormous conflict between what I call Green (eco-feminism) and New Right, libertarian ideology. See appendix 1 on Greens and Libertarians: The Yin and Yang of Our Political Future" where the author, Mr. Sullivan talks about the magic of honest compromise. My desire to be part of a "movement" that would help to effect such a compromise is part of my "shaping utopia" philosophy in a reflexively modern, utopian real manner. It embodies a strong element of classic political economy and eco-feminist values (ecological wisdom, grass roots democracy, social justice, non-violence, decentralization, community-based economics, post-patriarchial values, respect for diversity, personal and global responsbility). As the author suggests, much of the honest compromise can be effected through a through and honest application of Adam Smith's statement that:

Ground rents (land values) are a species of revenue which the owner, in many cases, enjoys without any care or attention of his own. Ground rents are, therfore, perhaps a species of revenue which can best bear to have a peculiar tax imposed upon them."

Borrowing other statemnts off the Internet on June 1, 1996 (from the Web (~earthshr) where Fred Harrison, the editor of Britain's Land Policy Council speak's to New Labor's Tony Blair:

"For two centuries, economists have grudingly acknowledged the elements of the ideal system. Joseph Stiglitz, Professor of Economics at Stanford University and President Clinton's chief economic advisor, reviewed that system in an article, in which he concluded:

"Not only was Henry George correct that a tax on land is nondistortionary, but in an equalitarian society in which we could choose our population optimally, the tax on land raises just enough revenue to finance the (optimally chosen) level of government expenditures"

Around 1977, this volume (where Stiglitz gave a name to his formulation, the "Henry George Theorem", a future President of the American Economics association (and one of the co-initiators of the 1990 letter to Gorbachev discussed above stated in a provocative article about the "ideal city"

"Use of land rents or, at least, of a major fraction of them, for public purposes is therfore not merely an ethical imperitive, derived from categorization of these rents as an unearned income derived from private appropriation of publically created values, but is, even more importantly, a fundamental requirment for economic efficiency."

Observing that one might quarrel weather economic efficiency is "even more important than ethical imperatives (a fault or criticism I have tried to come to grips with in my later years), Harrison goes on to observe that some our renowned economists who quarrel about everything else seem united on this question. In the Affluent Society, which I grew to admire in my left-leaning youth, Galbraith observes (according to Harrison); "... if a tax were imposed equal to the annual use value of real property ex its improvements, so that it would have no net earnings and hence no capital value of its own - progress would be orderly and its fruits would be equally shared" and Milton Friedman has said: ".. in my opinion the least bad tax is the property tax on the unimproved value of land, the Henry George arguement of many, many years ago".

I quizzed Professor Tu. on this a number of years ago. I remember him saying: "Of course everyone agrees that land value taxes are the best taxes, but no one knows how to get from here to there". Mixing these two "truths" has been the main theme of this enterprise in addition to showing how the link between "rent and demand revealing" and governmental budgeting and regulatory reforms (the General Progress Program) can help get us from here to there. At this stage in my life, this basically forms my contribution to "progressive" thought and action, my mixture of pragmatic liberalism and classical liberal theory (public choice) where I sought to go beyond "public choice and "left and right" in what I hope will prove to be a practical and ethically appealing way.

In the institution where I sit, I had to sit like an administrative law judge (May 31, 1996) through two hours of discussion on the airport "rates and charges" policy statement, of which Mr. P's senior essay and all my writings are so critical. I believed my arguments were spirited and convincing, though I'm doubtful if I will prevail if I raise them again for "Political level" consideration. Oh well, I could simply accept what is and look to fight another day.

The image I presented in an earlier essay where I lost out on auctions and got slots, and then only 4 airports instead of eight comes to mind. I walk away it the videotaped skit nuttering: "Maybe we should have privitized" instead". The next day I completed this first draft of these essays and looked at the "choices" ahead. Am I being a "wussy"?. I don't know. I was finally charged with being too sensitive to the little historical judgements that will begin to appear in law reviews and journals about "airport regulation". I believed real principles were at stake and that I must do something. I am supposed just to do "the next best right thing", being unsure about what that exactly is. "I'll simply go out and walk around during this wonderful day" and "I will think about it tomorrow".

Meanwhile I look at all these little experiments with truth and hope that they communicate a sense of "connectedness". I look forward to the appearance of Professor T's (my codiscoverer's) Reconstruction, the brief discussion of which (about eighteen months ago) started me along this path. A reconstruction of "how we shape our tales" is very much needed and I look forward to his experiments with truth and hope he will look forward to mine.

I conclude this mainly because I have run out of space, not time. I had run out of 250 pages of space (not even allotting 10 pages for the adding in of what now are selected appendices in the text). If I am to write a couple of pages of "Farewell" (Like in Gandhi's "Story of My Experiments with Truth" except this is my "experiments with truth-telling mechanisms", it is that I have been introducing religion and politics into the truth, as I perceive it, about these mechanisms. Religion remains a difficult matter, although, for Gandhi, religion in its broadest sense was "self-awareness". At many junctures, Gandhi talked about the linkage between religion and politics. (Conclusion and Introduction to Part II to be written on Father's Day, 1996).

Conclusions and Farewell

It was Father's Day -- June 16, 1996. I was going to meet my daughters for dinner but wanted to say that I had finished a first draft of my book (the five essays here) and wanted them to read it and make suggestions. There were issues like the "belief systems" that had been left out of the first draft -- like ecofeminism, which is now much more important to them than it had been to me. But I'm growing into it, as instanced by my notes on "My Own Spiritual Conservatism" to be introduced into the second essay -- treating the philosophies of the Stoics, Spinoza and Goethe and the relation to the "deep ecology" movement of the last 30 years. I had been particularly infuenced by a philosophical "deep ecology" book by Martin Zimmerman, entitled "Contesting the Earth" (1994) that I picked up on my Wisconsin Ave. bookstore wanderings.

I had played and toyed with "deep ecology" ever since the revolution of 1968 when the Unabomber and I had started on our separate paths. The front page of the Post and a couple of inner full pages was consumed by the "mother's tale" of the psychology of the Unabomber. As I moved forward on my "modernist, rational trajectory for about 20 years (until around 1988), I had the common, American view that the events of 1968 would lead to nothing but ill. To my mind there was a direct causal link between the philosophy of a Touraine (the deep ecologist who preached violence at the time) and the activities of the Unabomber a decade later. (Nevermind that the Touraine of today or even the Attali, who represented more my strain of social, utopian thought had become much more circumspect and chastened, responsible men. For an excellent treatment of this subject, see Brown, "Socialism of A Different Kind: Reshaping the Left in France".

I would, of course try to pit "deep ecologists" against "reform environmentalism, as instanced by "hazardous waste management" in the "Agency". Recount the exploits of Dr. W in the late 1970's which to I continue to give "two cheers". He did and continues to blast them with "chaos theory" and having enticed them into Letting a contract on themselves", I continue to live in hiding from the Assistant Secretary of Oceans and the Environment (whose "hazardous waste" regulatory program years before -- the Vader years -- I had her let her let "the contract" on). All this is in the way of preparing myself for putting Dr. W, who had "executed" the contract, on my short "distribution list". At the same time, I evolved into a person who gradually saw the relationship between "revolutionary ecology" and the philosophy of Goethe and Spinoza that I grew up with.

I renewed my committment to institution building via "compensated incentive compatible" methods for the Management of Global Externalities" that I had extolled in Dr. T's behalf several years ago. The only other contract I remember having tried to let (after my Deputy blasted me for letting Dr. W get near the "water programs") was to have Dr T engage in "compensated incentive compatible" arrangements for aviation goverance. As noted earlier, the successor Deputy concluded: "I don't want to do this." So admittedly my penchant for trying to "do it" has been somewhat frustrated. If I were to push hard on a renewal of interagency Telecom budgeting in light of the new responsibilites for "decentralized management", would I be permitted to "do it" and have any chance of suceeding. I don't know. Maybe I should just try.

"Doing and thinking and thinking and doing" as "the sum of all wisdom". I summarized it in the conclusion to my Woodrow Wilson Center essay of 1978 at page 32 (see the lead essay in Part Two). I was suggesting as the work of Erich Fromm (on Marx's philosophical manuscripts") had taught me that Karl Marx was following Goethe's path before 1848 and then departed on his own Road. I have come to see a path in this work, although I am fearful of "rational choice" and other criticism. This is what people in my overachievers anonymous" (OA) program call "self centered fear".

I am fearful of critics (who like myself) could attack these ideas by saying that he (Clarke) now proposes to cover the acknowledged imperfections in demand revealing processes with "Earth Sharing" and "Transformational Leadership". Gag! One is fearful of the goody-goody images -- peaceniks of yesterday and ecofeminists of today -- and actually walking into a "New Age" bookstore near lower Wisconsin Ave (the "Yes" Bookstore), much less a "Center" for "Visionary Leadership" or Spirtual Politics" on Upper Wisconsin Ave. Maybe I should put on Gandian dress (robes) and traverse "upper" to "lower" Wisconsin Ave. during the Day retiring to "P" St. to mediate during the evenings. Maybe, in fact, this is what I may want to do. I would write books on the "Politics of Meaning: Restoring Hope and Possibility in an Age of Cynicism (M. Lerner, Addison Wesley, 355 pp. $24) where in lieu of having the Congress, courts, corporations and city councils include "ethical impact statements" in proposals, I would have them levy and oversee "Clarke taxes" (renamed General Progress Payments) instead.

Is this "meaning" or simply my own "rational choice" alternative to Sandel's and Lerner's "procedural liberalism". More important, do I want to risk further denigration of my "reputation" by having a non-economist reviewer complaining about the $24 and 355 pages which could easily be condensed into 30 pages or so (see Post review by Mr. Royal in June 16 Book Section) as I suffered the criticism by Mr. Cox in the 1981 Journal of Economic Literature (now on CD-ROM with the kindly efforts of the JEL Editor, responding to the inquiry of mine that my book had been lost in JEL references when people were searching for articles on "incentive compatibility and demand revealing".

In this spirit I was sending this off to Seattle, one of my "natural daughters" of long ago having suffered through the confusions that consumed me while "inventing" demand revealing and being perplexed (as much as Charles DeGaulle, my perceived, conservative, modernist hero of the time who, in my older age< I'm told I resemble) by the "revolution of 1968", followed by years in which the challenges to modernity (anti and postmodernism) seemed insurmountable. But this is too much like my Jamesian "Lost Soul" image. The image is more like my "Shoeless" or "Clueless" image of DeGaulle.

What Should Be Done? Should I seek to shed the "lost soul" image and put on completely "neo-modern" clothes. I could abandon my job and seek to sell my wares to agency "budget officials" and "chief information officers" while awaiting a "call" from the Candidate a few years hence to put together "a transfomational budget" for the country at large. But this is too much like the "ways" of W. E. Deming, and I could fast see myself becoming like he acted towards "leaders" in American institutions (arrogance and contempt -- see O'Toole) as opposed to the humility he displayed to the Japanese, who readily and enthusiastically accepted his ideas.

Or maybe I should do what Deming could have done -- sit in the Budget Bureau in the same job as my next door office neighbor, dreaming about application of his ideas and writing papers and books well into his retirement. Often I watch what others do, as I enjoy the "fruits" of my "spirtual recovery" -- "the promises" of the program they call it. After 2 and 1/2 years, I look at my own self-transformation which i started at about the same time as the Mayor of my City where I will live. The Mayor and I have both become enamored of "transformational leadership" and even "transformational budgets". He counters, in his very active life, the fearful Fiancial Control Board with these budgets as I work at a staff job in the U. S. government thinking about the broad outlines of "transformational budgets" for the next Millennium -- at least to the mid-Millenial "Washington, D. C. budget of December 23, 2439 -- the celebration of my 500th birthday. In my wildest dreams, my little dozen essays, which gradually unveil how demand revealing governance institutions lead towards the transformation of both leader and the governed through minimization of all the relevant costs of running the process (Clarke, 1971) will have helped transform the world. Perhaps in 4 or 5 years as one of the "transformational, new millennial books, I'll write my third chapter on the "Practice of Social Art (L'An 2440). It would excite rather than perplex literary critics, and I would remain well seated on "my horse" portrayed in the Boccinio painting to which I referred earlier.

Being risk adverse and fearful of my vaulting ambition, I sit more like the younger Gandhi (as he did in his South African jail cell) writing his first story about his experiments with the truth. (South Africa, 1906). As I plunge once again into the details of the "experiments with the truth" (past-present-future), I need to show one clear and present success. A rather famous economist (Dr. D) with an Indian name from by college/University e-mailed me an inquiry some months ago, inquiring about where this demand revealing and incentive-compatible processes had actually been tried. Other than to refer to Dr. Tideman's experiment with a college fraternity (having aborted a proposal funded by the National Science Foundation to try running a condominium with it). (As I move my wife back into a condo with a management fee some 16 years after fearfully leaving the one that almost confiscated all our limited wealth (see Clarke, 1980, page 40, footnote 78), I had to mention my "telecommunications budgeting" proposal and acknowledge "nowhere yet". But in my eternal, and possibly almost insufferable optimism, my "Ashram" is just around the corner and I am "Now Here", ready to lay "concrete" paths to my (your) utopias. Now again to the "Details" (Clarke, 1980, page 32 here reprinted as the lead Essay in Volume Two of these essays).

For the moment, I regale readers, who have read all the older essays in the collection, who may be impatiently awaiting my rewrites of newer ones with my November, 1996 paper for the Southern Economics Association which takes all the ideas for shaping "transformational budgets" contained in these essays and combines them in one, pithy, document. This is for pure "rational choice" types, like the former me, who would thumb through the "Celestine Prophecy", quickly looking for the "summary" of all the insights. This had at least worked, in respect of Mr. C, who had earlier decried this tendency (to look only for the "summary" of the insights) who E-mailed me that he had read the "Southern" draft and had found it enlightening. He was really into "Democracy, Decentralization, and Demand Revealing". I shared his excitement, as also revealed in the "introduction" to Part II where I saw myself beginning an exciting new part of my "experiments with the truth-telling mechanisms, writing him about an important new breakthrough in respect of "rational choice" in the form of a Constitution for A New Country. (See "Introduction to Volume II: On Demand Revealing Processes").

And now to finally conclude Part One (The Story of My Experiments With the Truth Telling Mechanisms) with a quote from Gandhi's autobiographic farewell (1925):

"In bidding farewell to the reader, for the time being at any rate, I ask him (her) to join with me in prayer to the God of Truth that He may grant me the boon of Ashima in mind, word and deed." (my parenthesis)

I was often curious about what really happened to Asima. A story about what has happened appears in "Betraying a Futurist: The Misappropriation of Gandhi's Ramarajara." Mr. S. P Udaykumar points out how Gandhi's "idealist futurism" has come to be pilfred and betrayed by bramanical Hindu right-wing future theives in present-day India. (Futures, December, 1996, page 971).