

## THE CASE OF THE VANISHING GREENBACKS

### THE SOLUTION

Forty-eight hours later, I was bleary-eyed from lack of sleep. I had made no discernible progress. As far as I could tell, both Stevens and Blaisdell were completely on the up-and-up. Either I was losing my touch, or one (or both) of them were wasting their talents, doctoring books for penny-ante amounts. Then I remembered the envelope that Pete had sealed. Maybe he'd actually seen something that I hadn't.

I went over to the main house only to find Pete hunkered down happily watching a baseball game. I waited for a commercial break and then managed to get his attention.

"I'm ready to take a look in the envelope, Pete."

"Have you figured out who the guilty party is?"

"Frankly, no. To be honest, it's got me stumped." I moved to the mantel and unsealed the envelope. The writing was on the other side of the piece of paper. I turned it over. The name Pete had written on it was "Garrett Ryan and the city council"!

I nearly dropped the piece of paper. Whatever I had been expecting, it certainly wasn't this. "What in heaven's name makes you think Ryan and the city council embezzled the money, Pete?"

"I didn't say I thought they did. I just think they're responsible for the missing funds."

I shook my head. "I don't get it. How can they be responsible for the missing funds if they didn't embezzle them?"

"They're probably just guilty of innumeracy. It's pretty common."

"I give up. What's innumeracy?"

"Innumeracy is the arithmetical equivalent of illiteracy. In this instance, it consists of failing to realize how percentages behave." A pitching change was taking place, so Pete turned back to me. "An increase in 20% of the tax base will not compensate for a reduction of 20% in each individual's taxes. Percentages involve multiplication and division, not addition and subtraction. A gain of \$20 will compensate for a loss of \$20, but that's because you're dealing with adding and subtracting. It's not the same with percentages because the base on which you figure the percentages varies from calculation to calculation."

"You may be right, Pete, but how can we tell?"

Pete grabbed a calculator. "Didn't you say that each faction was out \$198,000?"

I checked my figures. "Yeah, that's the amount."

Pete punched a few numbers into the calculator. "Call Ryan and see if there were 99,000 taxpayers in the last census. If there were, I'll show you where the money went."

I got on the phone to Ryan the next morning. He confirmed that the tax base in the previous census was indeed 99,000. I told Pete that it looked like he had been right, but I wanted to see the numbers to prove it.



(Percentage calculation continued on p. 146)

Pete got out a piece of paper. "I think you can see where the money went if you simply do a little multiplication. The taxes collected in the previous census were \$100 for each of 99,000 individuals, or \$9,900,000. An increase of 20% in the population results in 118,800 individuals. If each pays \$80 (that's the 20% reduction from \$100), the total taxes collected will be \$9,504,000,

or \$396,000 less than was collected after the previous census. Half of \$396,000 is \$198,000.”

I was convinced. “There are going to be some awfully red faces down in Linda Vista. I’d like to see the press conference when they finally announce it.” I went back to the guesthouse, called Allen, and filled him in. He was delighted and said that the check would be in the mail. As I’ve said before, when Allen says it, he means it. Another advantage of having Allen make the arrangements is that I didn’t have to worry about collecting the fee, which is something I’ve never been very good at.

I wondered exactly how they were going to break the news to the citizens of Linda Vista that they had to pony up another \$396,000, but as it was only about \$3.34 per taxpayer, I didn’t think they’d have too much trouble. Thanks to a combination of Ryan’s frugality and population increase, the tax assessment would still be lower than it was after the previous census, and how many government agencies do you know that actually reduce taxes? I quickly calculated that if they assessed everyone \$3.42, they could cover not only the shortage but Allen’s fee as well. I considered suggesting it to Ryan, but then I thought that Ryan probably wasn’t real interested in hearing from someone who had made him look like a bungler.

My conscience was bothering me, and I don’t like that. I thought about it and finally came up with a compromise I found acceptable. I went back to the main house.

Pete was watching another baseball game. The Dodgers fouled up an attempted squeeze into an inning-ending double play. Pete groaned. “It could be a long season,” he sighed.

“It’s early in the year.” I handed him a piece of paper. “Maybe this will console you.”

“What’s this?” He was examining my check for \$1,750. “Your rent’s paid up.”

“It’s not for the rent, Pete. It’s your share of my fee.”

“Fee? What fee?”

“That embezzling case in Orange County. It was worth \$3,500 to me to come up with the correct answer. I feel you’re entitled to half of it. You crunched the numbers, but I had the contacts and did the legwork.”

Pete looked at the check. “It seems like a lot of money for very little work. Tell you what. I’ll take \$250, and credit the rest towards your rent.”

A landlord with a conscience! Maybe I should notify the *Guinness World Records*. “Seems more than fair to me.”

Pete tucked the check in the pocket of his shirt. “Tell me, Freddy, is it always this easy, doing investigations?”

I summoned up a wry laugh. “You’ve got to be kidding. So far, I’ve asked you two questions that just turned out to be right down your alley. I’ve sometimes spent months on a case and come up dry. That can make the bottom line look pretty sick. What’s it like in your line of work?”

“I don’t really have a line of work. I have this house and some money in the bank. I can rent out the guesthouse and make enough to live on. People know I’m pretty good at certain problems, and sometimes they hire me. If it looks like it might be interesting, I’ll work on it.” He paused. “Of course, if they offer me a ridiculous amount of money, I’ll work on it even if it’s not interesting. Hey, we’re in a recession.”

“I’ll keep that in mind.” I turned to leave the room. Pete’s voice stopped me.

“Haven’t you forgotten something?”

I turned around. “I give up. What?”

“We had a bet. You owe me five bucks.”

I fished a five out of my wallet and handed it over. He nodded with satisfaction as he stuffed it in the same pocket as the check, and then turned his attention back to the game.

If you enjoyed this chapter you might enjoy the entire book. It can be found at <http://www.press.princeton.edu/titles/10559.html>