

HENRY GEORGE SCHOOL MAGAZINE

APR 1958



HENRY GEORGE SCHOOL OF SOCIAL SCIENCE

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HENRY GEORGE SCHOOL MAGAZINE

(Edited by a panel of Tutors)

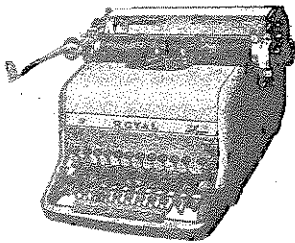
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Volume 7, Number 4

April, 1958

Editorial



The purpose of the School Magazine is to provide articles, news and comments dealing with political, social and economic matters as an extension of the study classes of the School; to expound the first principles of economic science and social justice and show their validity, relevance and significance when related to current economic problems; to sustain interest among ex-students and to inspire participation in the School's work.

The Government has followed up its recent publication, "The Pound and Our Future" by the issue of a second leaflet, "Questions on Inflation", but whilst we were able to praise the former, we can find little merit in the latter.

Apart from one brief sentence :

"One of the factors here is the supply of money, which the present Government is checking by making borrowing from the banks harder to arrange, and dearer." -

there is nowhere in the leaflet any admission on the part of the Government that they and they alone are to blame for inflation. It is again a case of everybody's "having a part to play in the battle against inflation" - everybody, that is, except the Government. One page of the leaflet (which we review on another page) is devoted to a parody of "Who Killed Cock Robin" entitled "Who will kill Inflation!" (Incidentally, we are sure we have seen this parody before, and if our memory is not at fault, it was used in a similar campaign some 8 or 9 years ago - can any of our older readers remember?)

In other words, we are now, under the new Chancellor, back to the old story about what causes inflation. One wonders whether Mr. Thorneycroft would have allowed the present leaflet to be issued? One wonders further whether there may not have been something more in his resignation than the mere £50 millions originally bandied about. Suppose, for example, that he and his aides had been determined

to publicise their knowledge of the real cause of inflation. One can imagine the fears amongst the rest of the Cabinet, their terror of the exposure of the simple truth after years of misleading platitudes, and the panic amongst the Treasurer's "economic experts" at the thought of the collapse of their carefully built-up facade of "Its everybody's fault but ours". At all costs, the truth must continue to be concealed - so, Thorneycroft resigns. Far-fetched? Perhaps - but again, perhaps not.

We are assured that if this leaflet is "a success" others will follow on the same subject. We can only assume that success in this sense means success as far as sales of the leaflet are concerned. If it means winning the battle against inflation, then of course no more leaflets would be necessary.

Just what sort of people do they think we are! - (G.L.B.)

HOW IT'S DONE: Although most people are prepared to admit that inflation must inevitably follow the printing of paper money and the introduction of it into circulation by the Government, few are prepared to accept that this in fact is what has been taking place.

Their difficulty springs from two causes. First, they cannot believe that anything so fraudulent could occur in this country without the downfall of democratic government; and secondly, the mechanism by which it is done is not apparent to them. Not unreasonably they argue, "The Treasury can't distribute them from their windows or leave them about on buses. Someone must be given the privilege of spending them for the first time. Who?"

What follows is an attempt to describe the procedure which results in more and more treasury notes getting into circulation - leaving aside the action of "orthodox" counterfeiters.

The Government like all other business organisations has a bank account. This is kept at the Bank of England (Banking Department). The Bank of England is also the Banker for other organisations, notably the 'Big Five' Banks.

From time to time the Government authorises the spending of money from its account by the Forces, the nationalised industries and the many other bodies who are answerable to Parliament and the Treasury. By allowing these departments to spend more from their kitty than is being paid into it in taxes, the Government causes the Bank of England to run short of cash. The Banking Department is thus unable to meet the legitimate demands of its other customers. Clearly, the Bank of England can't be allowed to default and, like any other banker, it calls upon the overdrawn customer (The Government) to answer for its extravagancies.

What does the Government do? The Government does exactly what you and I would do in order to clear an overdraft in a hurry, it authorises

its banker to sell some of its securities. Now for us, this might mean selling the title deeds to our house or our life insurance policy - all of which have a clearly defined value. And once sold, that would be the end of our securities! The Government, however, offers for sale a special type of security which has almost unlimited possibilities - namely its power to tax the community!

This security takes the form of Treasury Bills which are offered for sale by the Banking Department. Sometimes these Bills are bought by the Banks in which case no harm is done, for they function like an I.O.U. and are eventually redeemed. More often than not, however, no purchasers can be found (this must happen in the long run if the Government continually lives beyond its means), and then the Treasury Bills are sold to the Issue Department of the Bank of England, who buy them from the Government with newly printed notes supplied by the Mint. This money goes into the Government's account in the Banking Department and, with overdrafts settled and honour satisfied, the panic is over. Over, that is, until the Government's continued over-spending forces the sale of more Government 'securities'.

In 1844 an Act of Parliament was passed which ruled that the Bank of England must issue a weekly return showing the state of its finances. This Act has never been repealed, and somewhat ironically the Bank of England continues issuing its weekly returns, announcing to the world that more Government's 'securities' have been accepted by the Issue Department in exchange for newly printed notes. To date the value of these 'securities' held by the Bank of England is well over two thousand million pounds. (In 1914 it was only eleven million!) - (R.A.W.).

* * * * *

"THE UNEASY ECONOMICS OF THE CREDIT SQUEEZE"

by J. Francis Eggleston, A.I.B. 1/- (obtainable through the School)

The Author considers that the Credit Squeeze, as applied to commercial banks, is completely unjustified and indeed harmful to the economy, for "only a Central Bank issuing notes, a Mint, a Treasury or a counterfeiter can CREATE money: commercial banks merely lend depositors' or shareholders' money and are incapable of creating or destroying a single unit of account in their normal business.

The Author questions the MacMillan Report of 1931 which categorically states that "A bank creates in its books credit which is the equivalent of a deposit", and denies the validity of the findings of that Report.

It has to be borne in mind that Switzerland has a credit structure of about 16 times the currency and NO inflation, that France has a credit structure of merely 1½ times the currency, yet the former country has probably the strongest currency in the world and the French franc is notoriously weak.

* * * * *

Consumer - Resistance

written and illustrated

by

L.J.H.

"As I understand it," said the heathen, "Our conception of common land-ownership is outmoded, archaic and primitive."

"That is so."

"You want us to sell our land for white men's gold, so that our children will have to pay rent before they can use it."

"Exactly."

"Then everything they produce will be taxed by the Government."

"Naturally."

"This will lead them to invent new machines to make their work lighter to earn more with which to pay their taxes as well as rents."

"That's the idea."

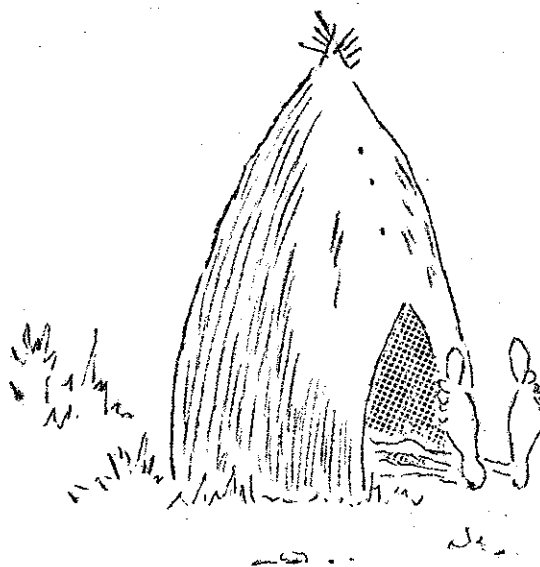
"And after that they will all try hard to get very rich so they can buy back some of the land."

"Yes, Yes."

"Those who do will get richer, while the others will get poorer."

"M-yes."

"Land ownership will have become big business, with half the land held out of use to keep the price of the other half very high."



"Very likely."

"This will deprive many people of work altogether. But they will be given doles and public assistance."

"Naturally."

"And free teeth and spectacles."

"Yes."

"And since every economy depends on production, the not-so-poor workers will be made to subsidize the poor, to keep them going, too."

"Yes."

"They will have juke-boxes, and X-certificate films, and will raise their children on horror comics, iced lollies and television."

"Yes."

"As one of the original landowners myself, I will be above all such pettiness. I wouldn't have to work, but would reap where I had not sown."

"Yes."

"Some people would say that's a roundabout way of getting back where we started - since I don't have to work now. But in reality you ask me to believe that the sin of idleness is worse than the sin of robbery. At the moment, if I am idle I hurt no-one but myself. You would have me idle at others' expense."

"Brother. If you happen to have a space where I could build a hut, I'd like to settle down here and forget the whole business!"



* * * * *

The Broader View

The following (condensed) essay is by
C.W. Nairne of Croydon, a recent student
of the Henry George School

"Political Economy is not moral or ethical science, nor yet is it political science. It is the science of the maintenance and nutriment of the body politic.

"Although it will be found incidentally to throw a most powerful light upon and to give a most powerful support to, the teaching of moral or ethical science, its proper business is neither to explain the difference between right and wrong nor to persuade to one in preference for the other."

Henry George, "Science of Political Economy"
Book 1, Chapter 9.

The Sciences are of little use to mankind if mankind does not know how to use the results of scientific enquiry and experiment. The Sciences cannot show us how to live correct and fruitful lives, but, by observing the natural order and discovering its laws they show what is possible by the correct application of these observations and discoveries.

The Sciences, because they each deal primarily with one section of the Universal order, have of necessity restricted subject matter, as can be seen in the divisions, Zoology, Anthropology, Archaeology, Psychology, Economics and so on. But there must be a correlation of all these, for without it they are of little use. Once this used to be the sphere of Metaphysics, but now we find it in Philosophy. By working with Nature we may achieve all these harmonies which are now dismissed scornfully as idealism. The ideal is not such a flight of fancy. Man's ideals are the projection of natural deduction and observation into the future, but the idealist suffers a severe

handicap, in that he tends to have a narrow view and to be restricted by uncorrelated ideas. He sees one or two working laws, and builds a whole new world upon them. This Universe is a whole, even in its transience, and it must be viewed as such.

There is, I believe, a danger for the student excited by his discovery of a new economic outlook. Whilst there is everything to be said in favour of Henry George's economic proposals, let us not be misled into thinking that in their adoption lies the only way in which the lot of mankind can be bettered. If we disregard other ideas then we make even George's work narrow, by narrowing our own scope.

After the student has understood George's economics, he would do well to turn his attention to his philosophy, which will show him just how wide George's principles are, and where they are correlative with other subject matter. He would understand that the Universe around him is explained only by the correlation of its parts.

I now know that George was more than an unorthodox economist, that he was of necessity a metaphysician and a philosopher. If one reads George's philosophy with his major proposal, then one can see that he perceived much more than a pure Economy. Because his ideas were moral he continually postulates the ethical approach to economic theory and practice.

We may get what appears to be sufficient knowledge about our immediate environment, only to see that it is insufficient. And much of what we can know is of little use if it remains uncorrelated. Understanding of the wider environment we term the Universe cannot possibly be found in one subject, or even in the inference of its subject matter.

"There are degrees in idealism. We first learn to play with it academically, as the magnet was once a toy. Then we see in the heyday of youth and poetry that it may be true, that is, true in gleams and fragments. Then its countenance waxes stern and grand, and we see that it must be true. It now shows itself ethical and practical."

"Circles", R.W. Emerson's Essays

IF THERE IS AN 'X' IN THIS BOX,

THEN YOUR SUBSCRIPTION FOR THE

MAGAZINE IS DUE (3s. SIX ISSUES,
5s.6d. TWELVE ISSUES)



Two Little Whipping Boys

by B. W. B.

In recent years the British public have become accustomed - almost to the point of saturation - to receiving honey-tongued homilies from official and unofficial quarters inviting them to "join the battle against inflation". With monotonous regularity we have been exhorted to work harder, spend less, save more, scramble the omelettes, pull out the plugs, sow the oats of freedom, and give one more heave to get us round the corner - or was it round the bend? The public could be forgiven for wishing that the pundits concerned would relax for a bit - with or without the port and pheasant.

The latest salvo in this verbal cannonade has been the recent issue of a new and second Treasury leaflet entitled "Questions about Inflation."

Insofar as this sticks to the obvious facts of inflation - that it is accompanied by rising prices, wages, profits and dividends at home, and loss of confidence in sterling abroad, the pamphlet is generally beyond criticism. But in presenting the cause of this phenomenon it contains just one simple but unconvincing message - that whoever is responsible for inflation it is not the Government! A huge pail of verbal whitewash is plastered across the face of Nos. 10 and 11 Downing Street.

But if the Government is exonerated, who does the pamphlet nominate as the culprit in this insidious crime of debauching the currency? Who are the whipping boys for the Government's failure to maintain the value of our money?

First and foremost: Labour. "Inflation", in effect says the pamphlet, "is caused by wages rising faster than productivity". Of all current fallacies about inflation this is probably the commonest. It implies that the present proportion of wealth going to Labour is sacrosanct, and that those who attempt to increase it may be branded as Communist agitators, saboteurs and the like. In short, don't ask for a bigger share of the cake, chums, you'll blow up the bakery! The obvious fact that, if Labour obtains for itself a bigger share of the cake, there must remain a smaller portion for the other cake-sharers -

irrespective of whether the cake is growing, shrinking or remaining static - is completely ignored. One would have thought it would be quite clear by now that, far from increasing its share of the cake, all Labour is able to do these days is to maintain its existing share in the face of a steady depreciation in the value of the medium by which it receives it.

The second scapegoat? None other than the bankers. "The Government", says the pamphlet, "is checking the supply of money by making borrowing from the banks harder and dearer."

Although the credit squeeze has been with us now for nearly four years it is only in recent months that the Government have openly admitted that the money supply may have something to do with the cause of inflation. But the pamphlet makes no reference to the Government's own money-making activities. It is the purveyors of "bank money" rather than the suppliers of notes and coin that are seen as the niggers in the woodpile.

That banks and bank money have their essential place in our monetary set-up is undeniable, but to blame the banks for "too much money..." is like blaming the bacon machine for slicing too much bacon.

To change the simile, the monetary set-up of this country is rather like a giant ice-cream cone. The cone itself is the currency and coin issued by the Bank of England on the authority of the Treasury. The "froth" of ice-cream on the top is the "bank-money" (i.e. credit) advanced by the Big Five. Just as the size of an ice-cream cone determines how much tutti-frutti you get on it, so it is the amount of notes and coin held by the banks that determines how much "bank money" they can issue. The former must always bear a minimum ratio to the other. By virtue of its control of the note-issue the Government wields effective control over the whole of the money supply, and no verbal contortions can exonerate them if the supply gets out of hand.

The pamphlet ends with a few lines of verse in the style of "Who Killed Cock Robin", suitably modified under the title, "Who'll Kill Inflation". A more insidious piece of misleading propaganda would be hard to imagine. On the next page is the actual verse with, alongside it, an "honest man's version" which we recommend to our readers in its place:-



WHO'LL KILL INFLATION.

Treasury Version

"I", says John Bull,
"I speak for the nation -
We'll work with a will
And we'll thus kill inflation."

Who'll strike the first blow?
"I", says the Director,
"I'll keep prices low
And dividends down -
I'll strike the first blow."

Who'll see it die?
"I", says the Housewife,
"For if I don't buy
Things I don't really need,
Then I'll soon see it die."

Who'll ring the bell?
"I", says the Worker,
"I'll make more to sell
And not ask for a rise
Till I have rung the bell!"

Who'll dig its Grave?
"We", say the people,
We'll work and we'll save.
By getting together
We'll all dig its grave."

Our Version

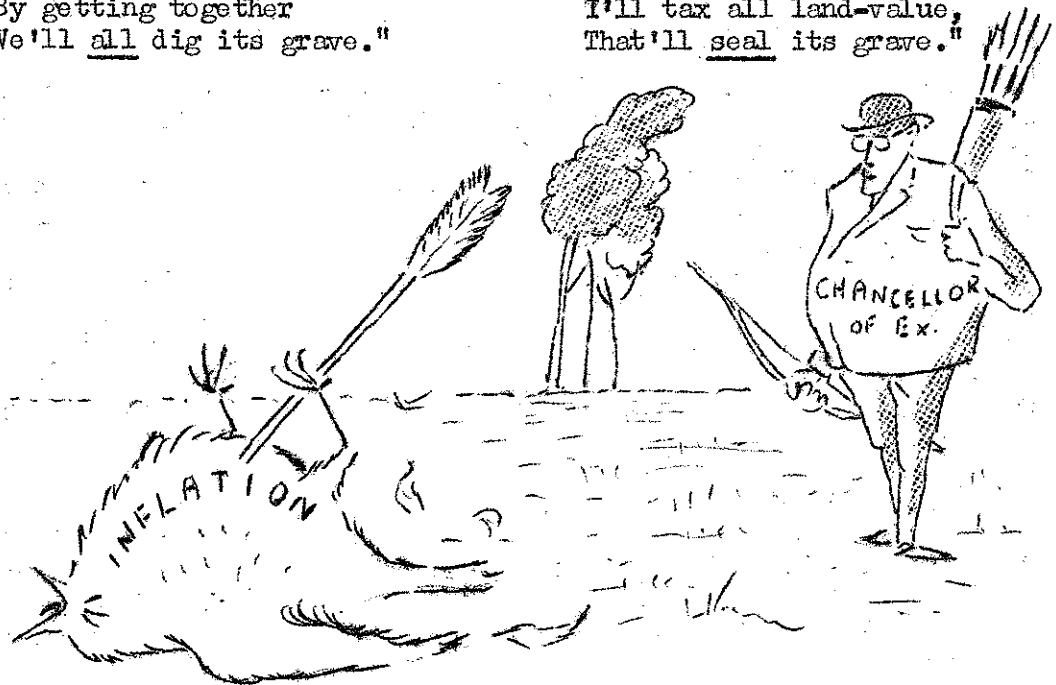
"I", said the Chancellor
"I'll serve the whole nation,
I'll pander to no one
And I'll kill inflation."

Who'll strike the first blow?
"I", said the Chancellor,
"Above line and below,
I'll balance my Budget
That'll be the first blow."

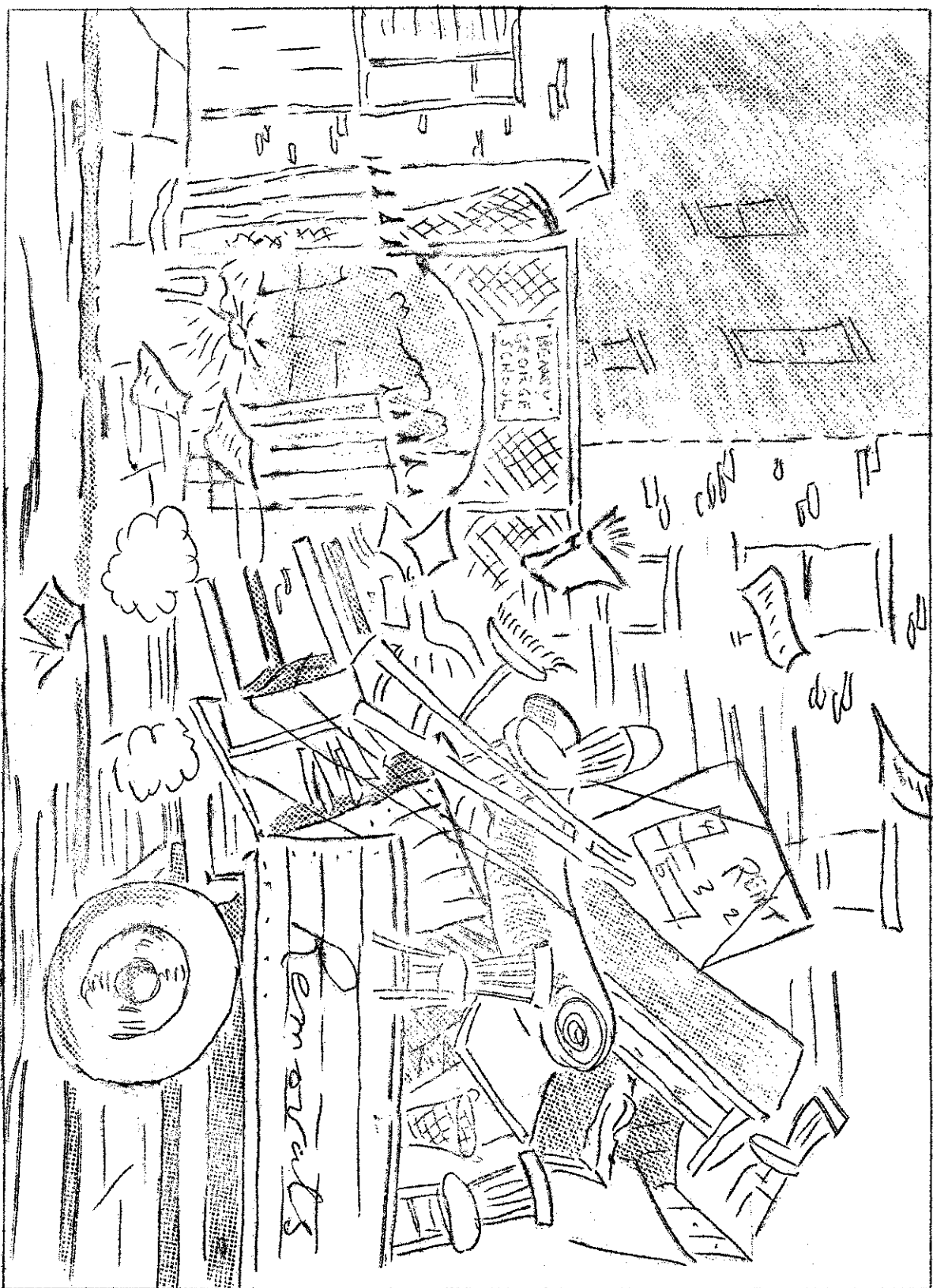
Who'll see it die?
"I", said the Chancellor,
"Though a borrower am I,
I'll first find a lender
Then I'll see it die."

Who'll ring the Bell?
"I", said the Chancellor,
"Lord Hailsham as well,
We'll keep a sound currency
We'll both ring the bell."

Who'll dig its Grave?
"I", said the Chancellor,
"Though owners may rave,
I'll tax all land-value,
That'll seal its grave."



MOVING APRIL 12th TO 177 VAUXHALL BRIDGE ROAD, VICTORIA, S.W.1.



Contemporary Comments

SO WHY NOT TAX LAND VALUES?

You must confess it's done very neatly. You pay 1s. 11½d. over the counter for 10 cigarettes and hey presto, the Customs man filches 1s. 7d. of it, and he wasn't even in the shop. You earn £2 by overtime on Saturday and if you are on the standard rate of income tax, that's whittled down to 26s., and if you spend that on half a bottle of gin and some cigarettes, the Customs and Excise snaffle about 20s. Money earnings 40s. Net real earnings 6s.

But that's why the man next door had his appendix out free, has a boy at Oxford on a State scholarship and has a bigger car than yours. And don't console yourself that he paid a bigger purchase tax on the car because it's on the firm.

Looked at in the large, and Heaven forbid one should do that, it's all slightly comic and more than slightly crazy. From the cradle to the grave! Talcum powder at one end, and you know which end I mean, is dusted on with a tax, and the brass handles carry a tax into the crematorium. That's apart from what they make on the drinks at the christening and the wake. - Sunday Times, 2nd February 1958

CHALLENGE

Now that we, as a nation, appear to be faced with a shortage of work, I feel that this position could be remedied by the trade union leaders. With their reserves of capital each trade union could start to manufacture in competition with the present owners of industry, thereby immediately bringing to fruition their demands that their members should work less hours for more money. - Letter in the Manchester Guardian, 17th March 1958.

FORTUNE FOR RIGHT OF WAY

Harry S. Truman, former President, reportedly was paid between half and one million dollars for the portion of the Truman family farm that he recently sold to make way for a real estate development. Mr. Truman's farm lay in the path of Kansas City's expansion. The development will be named Truman Village. - U.S. News & World Report, 7th February 1958

"POLITICAL" ECONOMISTS

"It is not necessary - and will only occur in infrequent cases - that sponsors of economically spurious ideas and doctrines should deliberately, out of malevolence and self-seeking, make use of seemingly plausible explanations of economic relationships to lend support to economic measures based on these explanations in order to secure special advantages for

themselves. In general, people who want to give unlimited amounts of credit without jeopardising the stability of currency, who want to create new employment without interfering with employment somewhere else, who place restrictions on imports but would like to stimulate exports, who want at all costs to balance trade on a bilateral basis and only to buy from those who buy from them, and all the thousand and one madneses of that kind, genuinely believe that all these aims can be achieved simultaneously and that there is an unobjectionable way of reaching them. These people are not malevolent, but simply ignorant - though, so far as end effects are concerned, it is, of course, the same thing." - Oskar Morgenstern, "The Limits of Economics"

WESTVILLE. Lovely Corner Acre Site facing north and east. Gentle slope. Elevated position with lovely city and marine views. Over 400 ft. frontage. Only few hundred yards from National Road. On Durban side. Only £2,950. Easy terms or less 5% for cash. Worth double if not right now then it must be very soon judging from prices of land in Durban property.

- Advertisement in "Natal Daily News", 18th Feb.

ECONOMISTS TOO? "The automatic abstractionist, labouring from the centre of a conceited and lunatic nothingness, seeks to conjure a series of aesthetic facts out of thin air," writes Mervyn Levy in a manifesto-like introduction to an exhibition at the South London Art Gallery. "The artist," he goes on, "must recognise his responsibility to the subject." - Manchester Guardian, 4 March.

End
of Term

First Impressions

April
1958

Only the adamant persistence of my good friend, who was already attending the course, persuaded me to enrol. He was impressed by the basically sound, thoroughly logical and unusually interesting approach to the subject and was convinced it would capture my attention. However, my first attitude to the class was an unfair one of cynicism and aloofness which sprang from previous experience of studying economics, but my hostility quickly gave way to admiration of the tremendous enthusiasm, considerable knowledge and adept skill displayed by my instructor during the evening; from being an aloof, almost condescending, spectator I became an eager participant enjoying every minute. Here was an approach to economics which none of my previous lectures had ever mentioned; Henry George's philosophy so captured my imagination that for a time I completely forgot the important part critical examination should play in study and naively accepted his arguments without question.

As the weeks passed and my interest and enthusiasm were held, I was more able to consider objectively the force of "Progress & Poverty"

as an argument and as my instructor will no doubt testify, gave voice to my objections as the occasion arose, but this is the first time I have thought seriously about the School's method of running classes.

I believe now, as my friend believed weeks ago, the system is essentially sound (provided that tutors display enthusiasm as great as mine did and, an obvious requisite for any teacher, a firm grasp of the subject matter) so my criticism must, therefore, be confined to points of detail other than principle.

Fluency of presentation holds a danger; the danger that a tutor carried away by his beliefs - for that is indeed what they are and why they carry so much weight - will enter upon a lecture instead of leading a discussion. Part of the trouble lies in the reluctance of students to join in but it should be remembered that the School's approach to economics is completely unconventional and, therefore, strange even to those with previous experience. An extension of the course to twelve weeks would permit a more gradual approach, a greater opportunity to adapt oneself to new theories and more time for dealing with questions. I realise the implications of this suggestion but feel that the better understanding on the part of those participating would compensate for the extra effort required of the School's gallant volunteers.

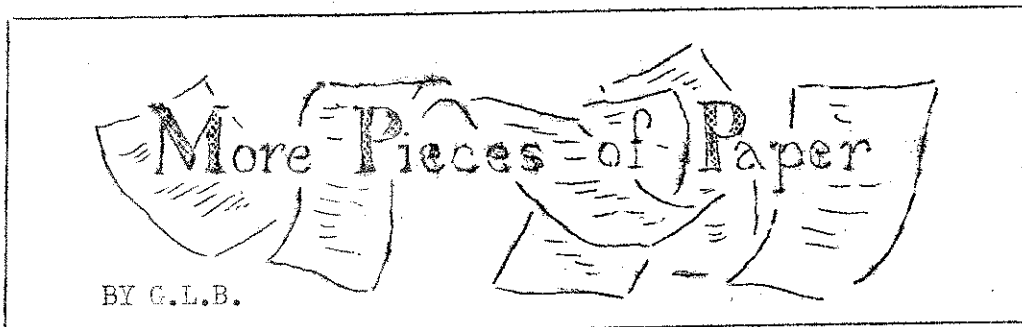
Henry George is worth reading for his literary ability alone; no other economist of my experience has ever attained such a high standard of expression but it is fitting that in wishing the School well in its endeavours I should quote from a man who preceded George by several thousand years but who unconsciously sought the same ends. I am referring to Isaiah.

"And they shall build houses and inhabit them;
and they shall plant vineyards and eat the fruit
of them. They shall not build and another inhabit;
they shall not plant and another eat."

What better summary of his aims could you find?

- M. Madden, April 1958.

AN EYE FOR AN EYE? "A debt, then is justly paid, and only justly paid, when it is compensated in money, of whatever kind, which gives back to the creditor as great a command over the necessities, comforts, and luxuries of life as the money, or other value, which created the obligation gave to the borrower: provided always that the creditor get the benefit of all the public improvements and useful inventions that may have come into existence during the interval subsisting between the period of contracting the debt and that of extinguishing it." - John Gray in 1842.



An enlightening example of the lengths to which men will go to maintain their so-called 'rights' to certain portions of the earth's surface was given in a recent monthly bulletin issued by the Department of Internal Affairs for the State of Pennsylvania, U.S.A., which announced the appointment of 'specialised technical staff' to the Bureau of Land Records. The additional staff include a professional surveyor as Director, an Archivist and an Assistant Deputy Attorney General. What are these records that need such skilled expensive attention?

Pre-eminent in importance to landowners, Courts, lawyers and local officials of the present generation, is the fact that the records, upon which depend the original titles to all lands in Pennsylvania, are on file in the Bureau of Land Records and at no other place. Among them are documents pertaining to the royal grant to William Penn; treaties, deeds and agreements by which Penn acquired title from Indians or others to the 45,000 square miles which constitute Pennsylvania and the varied records by which tracts in all parts of Penn's woods were sold by the proprietors to land buyers. All present day titles to holdings of real estates within the 67 counties are derived from these records.

Because of storage for years without humidity control under conditions which prevented safeguarding from dust and vermin, many of these irreplaceable records have deteriorated to the point where they crumble at the touch. Skilful restoration is needed to restore and preserve the documents and keep them available as the ultimate proof of Land Titles.

What a tragic commentary that such highly skilled and highly trained men should be called upon to preserve for all time trivial pieces of paper without which one is almost led to believe anarchy would reign in Pennsylvania. "The ultimate proof of Land Titles" is not to be found in 200 years' old pieces of paper, but in the timeless natural and moral law that the earth is the birthright of all mankind, and in the fact that the denial to the majority of mankind of access to their only possible source of sustenance by the system of private ownership results in the evils of poverty, strife and bloodshed,

as history so amply illustrates.

We look forward to the day when the Pennsylvania Bureau of Land Records becomes part of the Pennsylvania Department for Land Value Taxation and when its "irreplaceable" records are smiled upon indulgently as the mere example of man's superstition, to rank with the Egyptian Pyramids and the Spanish Inquisition.

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NOTES AND NEWS
(SPRING TERM CLASSES)

VICTORIA

177 Vauxhall Bridge Road,
London S.W. 1.
7 - 9 p.m.

TUESDAYS

Begins 15th April

Current Economic Theories

Tutor : A.L. Roberts

THURSDAYS

Begins 17th April

Current Economic Theories

Tutor : V.G. Saldji

WELLING

Public Library,
Bellegrove Road.
8 - 10 p.m.

WEDNESDAYS

Begins 2nd April

Current Economic Theories

Tutors : Michael Monk
Roger Jones

CARDIFF

Bowchier Hall,
Newport Road.
8 - 10 p.m.

THURSDAYS

Begins 10th April

Basic Course

Tutors : E. Buck
F.R. Giggs

ILFORD

Gantshill Library
8 - 10 p.m.

THURSDAYS

Begins 17th April

Basic Course

Tutors : K. Baynes
John Bennett

DUNDEE

Greens Playhouse
7.15 p.m.

FRIDAYS

Begins 11th April

International Trade

Tutor : J.L. Geddes

NOTE: From 12th APRIL our new address will be : 177 Vauxhall Bridge Road, London S.W.1. (a few minutes walk from Victoria Station)

BUSES: 2, 2a, 36, 36a, 57, 69, 169, 181, 185, 186 pass the door
(and 24 and 134 Pimlico Buses pass the back door!)

IMPORTANT MEETING: A talk on "Valuation of Land and Buildings"
(with special reference to valuation for rating)
will be given at 4 Gt. Smith St., on Wednesday, 9th April (7 p.m.)
The speaker will be Mr. R.E. Lake, A.R.V.A.