

# SAGE'S PAGES

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Labor may be likened to a man who as he carries home his earnings is waylaid by a series of robbers. One demands this much, and another that much, but last of all stands one who demands all that is left, save just enough to enable the victim to maintain life and come forth next day to work. So long as this last robber remains, what will it benefit such a man to drive off any or all of the other robbers?

—Henry George

November-December 1953

## PRESIDENT'S MESSAGE

With this issue of SAGE'S PAGES, I am writing my final message to you, as President of our organization. Unfortunately, the pressure of work & attending law school does not leave me the necessary time to give to this office. However, the year that I have spent with SAGE has been a wonderful year of growth for our organization. Much credit is due to my fellow SAGERS; to them I cannot begin to express my thanks.

I have found in SAGE people from all walks of life who have joined together in dedication to the advancement of the philosophy of Henry George. During the year there have been moments of frustration because of things that should have been done but were not, and moments of complete exhilaration from the success of our various projects. SAGE'S PAGES, our official organ, has grown into a noteworthy little news magazine of national scope. Henry George Day in N.Y.C. was declared under the original impetus of SAGE. The Radio Committee raised funds & sponsored radio announcements for P&P classes. Otto K. Dorn has become Honorary President. Space limitations prohibit mention of all the other successful activities. Indeed this has been a productive year.

I look forward to continuing my work with the Alumni Association under the 1954 leadership. May the years ahead bring to all of us the good things in life we wish for everyone. May we all find in our own lifetimes a little of the "Kingdom of God" which Henry George so deeply desired.

*David H. Hester*

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## EDITORIAL COMMENT

To many people the theory of Georgism seems perfectly sound, but for some reason it doesn't harmonize with present-day economic conditions. Rent increases at the expense of wages & interest? George seemed to have proven it theoretically, but in reality rent today is only a small part of the national income.

Modern Georgists seem to have overlooked this paradox. Our fault as Georgists may be that we have failed to interpret P&P in the light of changing economic conditions. How can we ignore recent economic changes and hope to successfully propagate Georgism? It is not necessary to alter Henry George's sound logic, but it is necessary to link immutable theory with modern reality.

The articles in this issue attempt to do just that.

The Editor.

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NOTE - Views expressed in SAGE'S PAGES are those of the authors & editors, and not necessarily those of S.A.C.E.

## ANALYZING TODAY'S ECONOMY

Poverty with progress? Rent increases at the expense of wages & interest? It doesn't seem to be so; let's examine these statements more closely.

For this purpose let us set up a new concept: natural rent (N.R.), which is the rent for land determined solely by the natural laws, and which is not at all influenced by man-made monopolies.

Thus, under a perfectly free economy, such as would exist under the Single Tax, with no govt. taxation or private monopolies, the contract rent for land (C.R.), or the rent actually paid for the use of land, would be equal to the natural rent, since there would be no monopoly influences. Expressed mathematically:

$$C.R. = N.R.$$

Of course, under the Single Tax, the contract rent would be government collected.

But, as George points out, the picture changes when in a free no-monopoly economy we introduce one monopoly factor: privately collected land-rent. Under these conditions a landowner collects more than the natural rent; he collects an additional charge called speculative rent (S.R.), made possible because of an artificially created scarcity in land. Expressed mathematically:

$$C.R. = N.R. + S.R.$$

Under these conditions the contract rent becomes greater than the natural rent. This was approximately the economic state of affairs in 1879.

Now let us look at today's monopoly economy. We have government taxation amounting to at least 30% of the national income; we have union monopolies, patent monopolies, cartels, price-fixing agreements, rent controls, financial monopolies, oligopolies, partially unregulated utilities, etc. How do all these interferences with the free economy affect contract rent?

Henry George had an answer to this. Referring to the analogy appearing on the front cover, the more the intermediary robbers (monopolists & tax collectors) take,

the less there is for the ultimate robber, the land-owner; in other words, the less contract rent there is. Thus, for today's economy, this new mathematical equation is needed to determine contract rent (M.I. is monopoly income other than speculative rent):

$$C.R. = N.R. + S.R. - M.I.$$

Unfortunately, none of these theoretical factors are measurable, except possibly contract rent. Now while I do not wish to minimize the size of speculative rent in today's economy, I do wish to emphasize the greater importance of monopoly income. And glancing at the list of the other types of monopolies which are interfering with the operation of the free economy, one wonders whether collectively they are not equal in size to govt. taxation.

There is a very obvious conclusion to be drawn from all this: if monopoly income is larger than even speculative rent, which seems to be a very reasonable assumption, then in today's economy contract rent is very much less than natural rent; in other words, it is very much less than the rent in a perfectly free economy.

The more socialist a country becomes (and we are gradually taxing ourselves into socialism) the less contract rent there is. Look at Russia: everything is socialized by the govt. and so the contract rent is practically zero. Why should a man pay rent for land when he can't own the produce thereof? But the natural rent must be considerable.

In this analysis I have not found it necessary to prove the analogy printed on the front cover; I have assumed that I am writing to fellow Georgists who are agreed on basic principles.

This then should be clear: govt. taxation & monopolies of all sorts derive their income from the natural & speculative rent fund; a rise in taxation, or any rise in monopoly income, must inevitably be followed by an eventual decrease in contract rent!

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## TWENTIETH CENTURY GEORGISM

In the first article in this issue it was shown that as monopoly income (including taxation) increases, the contract rent which is actually received by the land-owners must decrease. The following conclusions can then be reached:

1) Since monopoly income would tend to disappear under the Single Tax, contract rent, and thus land value taxation revenue, would increase tremendously. This is true even if there were no increase in production (and of course there would be such an increase). In other words, the proportion of rent to production would greatly increase. So here is another reason why land value taxation would be much greater than present contract rent.

2) Since the biggest monopolist is the government tax collector, and since govt. taxation is at least being put to some social use, whereas previously the economic rent was enriching only a few landlords, the poverty-with-progress tendency has been somewhat allayed.

3) Nevertheless, there is a point beyond which taxation leads to lessened incentive, which leads to less wealth production and more poverty (not to mention more govt. and more socialism, which could very well mean the end to democracy and individualism).

4) Important: we cannot expect to eradicate the "social charity monopolies" such as taxation & unionism and let people starve & suffer, unless we first remove the basic cause of poverty - privately collected rent.

5) Since monopoly income seems to be subject to as much speculation as contract rent (the source of both being the natural & speculative rent fund), our economy today is no closer to forestalling depressions than was the economy in George's time. And in these days of temporary booming prosperity, we have not even solved the problems of unemployment, slums, ultra-large cities, etc.

6) Because of the tremendous monopoly deprivations on the natural rent fund, if we had land value taxation tomorrow, such taxation would not collect all the natural rent.

7) Land value taxation in a free economy is the only answer to poverty and socialism.

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## COMMITTEE REPORTS

TREASURER'S REPORT - Financial condition: quite satisfactory. The fact that we spent more funds this year for SAGE activities than ever before is some proof of a very active year. To Peter Ignatowsky: our sincerest thanks for 3 years of hard work as Treasurer!

SOCIAL COMMITTEE - The Halloween Dance was the usual resounding social success. There was a large & enthusiastic turnout. Financially, this dance turned in the biggest net profit ever.....Elaine Wener, Eleanor Whitfield & Ethel Wayne are planning a Games Night for next year....Other social events are being blueprinted.

DISTRIBUTION COMMITTEE - As a result of the last card distribution, SAGE accounted for 1/6th of the total School enrollment, which is quite a good record indeed. We were allotted 20,000 cards, an unusually high amount. Our thanks to Irv Faust, Nellie Wester, et al. This committee's work has grown into an immensely important activity: it demands your active support! The next campaign starts in December. Join with the rest of us. Report at the School Office for a Distribution Party. Support the School in a specific and important way. Put your ideals to work; and enjoy doing it!

FILM COMMITTEE - Tom Gilmartin has been quietly & efficiently handling the alternate Friday nite film series. We can report nothing but the usual progress here.

EDUCATION COMMITTEE - Roma & Niva Bianco and Mrs. M. L. Rees have been maintaining contact with other organizations, newspapers, individuals, etc., by letter and in person.

**RANDOM REMARKS** For the past 3 years the Women's Auxiliary of the Henry George Movement has been actively engaged in promoting land value taxation. Now, new members who can be active in the group are desperately needed. Help out! For information, write Miss Gladys Denton, 41-11 Elbertson St., Apt. 560, Elmhurst, L.I., N.Y....."In the long run we are all dead" (Keynes) sounds very much like "Peace in our time" (Chamberlain). It's destined to be as successful.....The pathway to Hell is paved with good intentions. The pathway to Socialism is paved with Keynesianism.....No, Mr. Keynes, you can't get something for nothing. You can't print wealth, you can't outlaw poverty. Calculus is no substitute for common sense; the long run is shorter than you think.

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## SAGE MEETINGS

OCTOBER 11th MEETING - The ebullient Dorothy Sara enchanted the audience with a talk on graphology. She surely can draw large crowds, and for good reason.

NOVEMBER 15th MEETING - Mr. Vance Van Dine of the N.Y. Stock Exchange showed a technicolor movie and gave a talk on "The Stock Exchange And It's Relation To The National Economy". The following SAGERS were nominated for executive office in 1954: A. David Jackson as President, Roma Bianco as Vice President, Ethel Wayne as Treasurer, Vivien Rodney as Recording Secretary, and Edward T. Hall as Corresponding Secretary. A good slate - 1954 looks like a SAGE year!

DECEMBER 13th MEETING - Mr. Robt. Mayor, past President of the Hungarian Economic Association, will address the meeting on "Modern Trends in Georgism", and will deal particularly with the effects of unions on our economy. He will refer to ideas expressed elsewhere in this issue. Also, 1954 elections will be held. Let's see you at the last SAGE meeting for this year!

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## SAGE COMMENTS

If you had trouble reading the last issue of SAGE'S PAGES, you're not the only one: page 4 accidentally got printed where page 12 should have been. Sorry. Says Art Fleming: "Sure, SAGE'S PAGES is alright, but who wants to play Scrabble with it?".....SAGE will join the Adult Education Association in 1954 in an effort to obtain HG classes in various schools throughout the NYC area.....Mario L. Bove, SAGER from Pittsburgh, sends \$10 for 100 copies of SAGE'S PAGES; he will distribute them to educators & businessmen in Pa.

Seymour Rauch ties the wedding knot with fellow SAGER Gladys Koerner. Congratulations!.....Read what Dorothy Sara does in behalf of SAGE: Sept. 16th, delivers talk to Boston SAGE group (the audience numbered 75 and newspaper publicity was received); Sept. 21st, delivers talk at Montreal HG School before 120 (result - radio interview, newspaper publicity, some immediate enrollments, and the possibility of a new SAGE branch being opened in Montreal). What are YOU doing to help SAGE?.....Joe Rosenfield, Jr., a recent P&P graduate, has been elected to the honorary position of Mayor of Times Square.

## A PLEA FOR REALISM

That we should order our affairs after the natural law, no Georgist will doubt; but that we must, is obviously incorrect.

If we should pattern our man-made laws after the natural law, equality of opportunity and a gradually improving society will be the result. But by allowing the basic injustice of private rent collection to exist, poverty has sprung up, thus making necessary the social monopolies of taxation & unionism. These social monopolies have altered the natural distribution of rent, wages & interest (by distributing a portion of rent among wages & interest), and in the short run - say, the last 75 years - we have lessened poverty.

Why must Georgists insist that we are worse off under our present semi-socialist system of taxation & unionism than under the 'landowner' economy of George's time? Isn't it better for the producer to be robbed by the govt. and union than by the landowner? At least he gets some charity back in return.

However, socialism is like morphine: small doses of one lessens pain, and small doses of the other can lessen poverty. But small doses of both lead inevitably to larger doses because the original cause of the pain or poverty has not been cured.

As socialism increases, individual freedom & initiative must necessarily decrease. Why? First, because the product is being taken from the producer. Then too, socialism involves the use of force; govt. welfare becomes more important than individual rights. Power becomes centralized. In other words, if the transition to communism isn't revolutionary (and it isn't likely to be in the U.S.), then it will be evolutionary.

Georgism answers poverty with freedom, not with force. It is distinctly preferable, economically as well as ethically, to socialism.

Modern Georgists must realize that although rent is increased by land speculation, it is decreased much more by govt. taxes & other monopoly income. If we don't emphasize this, our economics will never agree with modern economic reality; we will leave ourselves open to charges of being unrealistic, obsolete, out-of-date, and unscientific.

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## EDITORIALS

1) Henry George maintained that the legitimate producers of wealth were robbed first by monopolists other than the landowner, and then ultimately by the landowner (see front-cover quotation).

Some present-day Georgists disagree; they maintain that the first contract a producer must make is with the landowner, hence the landowner always gets to the producer first. While it is true that the first contract may be with the landowner, still the amount that a producer pays as land-rent is determined by what he can expect as a return on his investment.

Now this return is influenced by the cost of the various goods & services the producer must obtain in order to successfully make & sell his product. If taxes, union labor, partially unregulated utilities and other monopolies increase the cost of these goods & services, then there is less for the producer to pay to the land monopolist. Thus we see that the landowner is actually the ultimate robber, not the first robber.

To state that the landowner takes the first cut of production and leaves little or nothing to the other monopolists, is to deny the obvious facts of reality. Obviously, the landowner's rent share is small compared to the huge deprivations of the tax collector, unionist, et al.

2) In the article on page 3, "Analyzing Today's Economy", the point is made that govt. taxation comes out of the income of landowners (i.e., from natural plus speculative rent). The French Physiocrats, our philosophical forbears, expressed this very same principle by saying that "all taxation eventually falls on the land".

3) Inflation, because it enables producers to more easily obtain credit with which to pay for the deprivations of the monopolists, can lengthen a prosperity boom. Yes, we have evolved many short run ways of averting the poverty-with-progress tendency inherent in a private-rent economy, but we can only temporarily put off the inevitable day of reckoning. Keynesianism is the economics of the short run, Georgism is the economics of the long run. sc

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COVER \* The quotation is from "Protection or Free Trade" & has special significance to modern Georgists.

## **THE FOREGOING ARTICLES -**

### **NONSENSE OR COMMON SENSE ?**

Ed. Note: Messrs. Rauch & Cord discuss the pros and cons of the theories stated earlier in this issue.

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#### **Nonsense! - Seymour Rauch**

The problem of Georgist thinkers to find a satisfactory description of the modern world can most probably be solved by assimilating part of the ideas of the prevailing economic thought, whether "classical" or "marginal utility" in origin. Only in this way can we hope to acquire a flow of ideas sufficient to cope with the argumentative emergencies that all Georgists encounter.

Some elementary thoughts uniting description and our analysis of economic causation will show the speciousness of Mr. Cord's reasoning.

The present "institutionalized" pattern of union activity is to impose a common wage rate on all units in a particular industry regardless of the productivity conditions of individual units. This means that decisions to produce are dependent not on differential labor costs but on the prevailing price level, the cost of capital and the differential nature of that industry's marginal production sites.

Increases in wages to workers are immediately transposed where demand is "inelastic" into price increases, cf. steel, milk, etc. This depresses purchasing power in commodities having "elastic demand", i.e., in commodities whose sale varies with price. It also raises the value of producing sites in the "inelastic" industries. When producer is owner he collects all the increased value so induced. When producer is not owner, he collects the increased value until his lease expires, when he yields it to the landlord in the form of a higher contract rent. The net effect of union monopoly which raises wages without increasing productivity is to depress the real wages of other workers.

In those situations not resulting in price rises, entrepreneurs will seek some way of maintaining profit levels. The only possible way is the reduction of labor costs, via discharging employees and increasing the output of the remaining workers or by substituting capital for workers. In either case total wages are reduced after granting increases to members of the union. The gains

made by the remaining workers is once again at the expense of other workers' wages.

A second question needing exposition is the secular trend of rent. In countries like the U.S., having an open margin, the trend must be downward. If this were not so, living standards would continually fall despite the increase in total per capita production, from one peak to the next.

The short-term trend of rent however is upward, precipitating depressions which serve to bring the rent line down low enough to raise relatively "the margin of efficiency" of capital, permitting recovery despite the handicaps of population growth and the waste of capital. However, it is ridiculous to argue that misery-inducing depressions are normal to all private enterprise systems, as is done by many highly regarded economists.

This sketchy treatment illustrates the kind of reasoning to be derived from introducing modern descriptive economics into Georgism. Only by full treatment along these lines can we hope to acquire a modern slant which will accelerate our progress and prevent the dissemination of more muddles thinking such as contained in this issue. Such confused remarks can only act to alienate people from our cause. A project to the end of modernizing our treatment of particulars should be immediately instituted.

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### **Common Sense! - Steven Cord**

Mr. Rauch feels that Georgist theory can be expressed in the complicated gobbledygook of modern economic terminology; I agree with him & think it should be done, for there are many brilliant minds who use calculus instead of common sense & would appreciate this approach.

Now, to analyze some of Mr. Rauch's statements:

1) He states that in those industries where a general price rise has resulted from a union wage increase, the land-sites of these industries are much increased in value. Not so; presumably the owners of these land-sites, monopolists themselves, are already charging as high a price as the market will bear. The price rise will just cover the cost of the union wage increase.

2) A price rise must generally follow a union wage increase. In those few cases where this cannot be done, the capital-owner must absorb the cost. His interest

return is now lower than average, & he might as well get into another more profitable industry. And nothing so destroys a union as when its members lose their jobs. Hence they try to raise wages only when they are reasonably sure that prices can be raised.

3) Mr. Rauch has not even attempted to disprove the Georgist contention that wages are always at or near the subsistence level in an economy where there are no monopolies other than the land monopoly. If this is so, then a monopoly union wage increase cannot depress the real wages of other workers, as he maintains, except slightly & briefly, because their wages are already at or near the subsistence level. Only the rentowners can afford to pay this union-caused price increase.

4) I do not dispute Mr. Rauch's analysis of the long & short run trends in land-rent, except in detail. Detail One: the U.S. does not have an open margin. Where can we get free land in this country which can provide anything more than a subsistence income? Detail Two: since when is population growth a handicap? Even the Keynesians admit that this growth is just what we need to provide a growing market for our production.

Mr. Rauch has chosen to concentrate his attack on my union position, which is only one of the many monopolies I mentioned. He has not attacked the mainstream of my presentation, just one of its rivulets. And as for Mr. R's "descriptive economics", please give me "causative economics". I want to know the underlying cause of economic conditions; I can observe these conditions myself.

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