

Box 59

# Understanding Economic 12-Part Series

13261

Henry George School of Social Science

*Chartered by the University of the State of New York*

5 East 44th Street, New York 10017  
697-9880

Dear Student:

Thank you for your interest in our new 12-part series, Understanding Economics.

In bringing our classroom to your livingroom, we have done away with chalkboards and hardback chairs in favor of photos, charts and other graphics designed to illustrate the major concepts in our study.

This study guide will further amplify the important components of Understanding Economics. It will enable viewers to review previous material, to test their grasp of new terminology and to explore alternate reading sources.

Along with the study guide, we have enclosed several booklets which refer to the lessons in the series. Additional materials are available from our New York headquarters.

Feel-free to call or drop us a line for more information.

We hope you enjoy Understanding Economics and we look forward to hearing from you again.

Sincerely,

*Stan Rubenstein*

Stan Rubenstein

*George Collins*  
George Collins  
Directors

## Understanding Economics

### Program 1- Wealth

#### Introduction: (1)

Since the end of World War II, science has made significant strides in medicine, space and physics. Although we are conquering other worlds, planet earth still remains our number one problem. Many people in our world live on the verge of starvation. Even though there is no shortage of materials and technological advancements continue, we have difficulty using those powers to hold back the plagues of unemployment, poverty and inflation. This series of 12 programs entitled "Understanding Economics" will deal with these deadly sins. The first program, "Wealth", will take us a step closer towards our understanding economics.

Let's turn to our panel of five- 3 students from the University of Indiana and the two discussion leaders- George Collins and Stan Rubenstein, and hear what they have to say.

#### Panel Discussion: (8)

- A. Why are some nations so wealthy and others so poor?
- B. That's because they have more resources!
- C. No, more capital!
- A. Isn't it because they are better educated?

D.L. What do you mean when you say a country is wealthy— what is wealth?

- A. The people are the wealth of the country; they make things happen.
- C. Yes, and the more educated they are the better it is for the country.
- B. But if they don't have the resources, iron and oil and coal and things like that they will never be wealthy.
- D.L. Is there any difference between what is wealth to an individual and wealth to a country?
- C. That depends on what it is. Sometimes there is a difference and sometimes there isn't.
- A. If it's land there isn't any difference. Whoever owns it has wealth and it's wealth to the country too.
- B. It's wealth if you can get an income from it.

#### Lecture- George and Stan- (15)

George- One of the main difficulties in understanding economics is in the meaning of the terms we use—definitions! When we say someone is in good health it is understood to mean the absence of pain, normal blood pressure and pulse beat, etc.

But in economics it's not always so clear. A nation may be considered wealthy, prosperous, the gross national product or GNP, as it is commonly

called, may be high, yet many people are poor and out of work.

Stan- That is a serious problem, for unless we know clearly what we mean when we use words like wealth, capital, land, etc. the entire subject of economics will forever remain a mystery to us. Let's get specific. On this table are some items. Here are a pair of shoes, a textbook, taperecorder, a notebook. Are these wealth?

Focus camera on items on table: Shoes, textbook, tape recorder, notebook

George- It is clear that each of those items was made by human labor. Things are not found on trees or in the earth in these forms. But they all come from nature. This began life as a tree; a steer left these behind. Here aluminum, petroleum, carbon, copper and silicon are brought magically together by human effort. People had to work on nature, perform labor, to produce these these things.

Focus camera on: Instru picks up each item

Stan- There we see two classes of things- all the materials of nature and the forms and shapes into which they are made by the application of human labor. You can touch them, handle them. They are more than ideas and they are not people. In order to keep things separately identified we call them wealth. We avoid confusion by forming clear distinctions. Good health, while vitally important, is not wealth because it is not one of those material things.

George- But why do we go through the tire-some effort of making these things- wealth? Because people desire them. And since we desire a greater variety of things than we can make individually, we readily give up, exchange, what we have made for those items that other people have made.

Stan- That establishes value—Exchange value. Look at these items again. Each one is wanted. It serves a purpose for us and therefore satisfies a desire. The amount

Focus camera on table with items.

that people are willing to give up for what they get establishes the exchange value they have placed on each. Take the textbook. If that book was out of date and no one would give anything for it, it would no longer be wealth.

Camera on: textbook

George- Now then, there are several points that must be stressed. In the final analysis, everything we use is taken from nature. We remove, separate, combine, or sometimes use it then and there with no change at all. But human effort is always involved in the process.

Slides - examples of separating, combining & removing wealth

Stan- Let's look at what we have uncovered. Wealth can be identified by these characteristics- materials, produced by labor, satisfies desires and have exchange value. But what about stocks and bonds and money? Are they wealth? They may represent wealth but they are not the real thing. Think about it. When stock prices go up is there more wealth in the country? Put a match to it and is there less wealth? No! The confusion is between personal claims on wealth and total wealth in the nation. In the study of economics we deal with the aggregate wealth of the nation.

Chart: material, produced, satisfies, value.

Slide - stock exchange, stock traders on floor.

Slides (fast) cars, house typewriter, doll, jewelry soda, etc

George- Now that we have a better idea of what wealth is let's examine how we make it. As you saw before human effort is applied to natural resources. Tools may be added to the process. In economic shorthand they are the factors of production and are identified as land, labor, and capital.

Slides - Farm, farmer, plow.

Chart - Factors of production: Land, Labor, Capital.

Stan- Another way of saying that everything comes from nature is to say that they come from the non-man made factor- land. Normally speaking, land would refer to the soil, the earth. But in economic terms it means much more. It includes iron ore, coal and oil in the ground. Farmland and forests, the air, the water, everything we need for our sustenance.

Slides (fast) resource lands.

Goerge- Now in order to get these ingredients out of the land we use mental and physical force--human labor. In the garden of eden it may have been as simple as picking an apple off a tree, or picking up gold nuggets during the gold rush days in California. Or it may be the more involved labor necessary to operate a machine in a factory today.

Cartoon - picking apples off a tree

Slide - workers in factory.

Stan- Of course if we used only our own bodies, our arms and hands, it would take endless hours to make the smallest amount of wealth. Yet that is what was done for most of civilized man's history. Starting with the caveman's club we have worked all the way up to operating the sophisticated computers. The third factor, capital, multiplies our effectiveness saving us much labor.

Slide - Caveman's club operator at computer

George- A little more about capital. Remember what we said about wealth--that it is those things taken from land and shaped in various forms by labor? Well, all capital is some of that wealth now being used for production. You see, we can use up all the wealth we produce- eat it, wear it, enjoy it in every way, or, we can save some of it for use as capital and obtain much greater abundance of wealth.

Chart - production-consumption-capital-products, etc.

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#### Panel Discussion:

A. You say that wealth is produced from land. So don't I have a lot of wealth if I own land?

D.L. Only if you or someone else takes it out of the ground. Someone may give you wealth that's already produced in exchange for your land but the nation will have no additional wealth until iron, oil, fish or whatever is taken out of the land.

B. If what you say is true then capital and education and all those things are not wealth they just make <sup>it</sup> easier to get wealth out of the land.

Moderator:

Hopefully our first session has given you a wealth of information—or am I using the term incorrectly? Economically speaking, yes. It is important for us to know what we mean when we use such terms. Not only will this series give you an explanation of how our economy works but it will sharpen your economic skills and help you to understand why it fails periodically. Please join us next week when "Understanding Economics" will discuss "Land".

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FOR PROGRAM 1 INSERT

DL. Even money, which is such a busy actor on our economic stage, is not the main character in the play. To extend the metaphor, money is like a bit player who takes the part of many different characters and appears in every scene - the butler, the messenger, the beggar, the preacher - while the leading characters work through the plot and express the theme of the play. The play could get along without those small characters but then, the leading players would have to talk about the elements that they represent instead of playing those elements for the audience. That makes for a much less dynamic play. And so it is with money and economic exchange.

Because of the multitude of ways there are to invest and save and borrow and lend money in today's marketplace, economists are having a difficult time deciding what money is and how much of it there is or should be. Gold at one time was considered the only real money, along with some other metals for small change.

The "paper money" we carried around was a promissory note payable in gold or silver. But because of the expansion of production and exchange for one thing and the trust we place in the stability of government for another, we gradually moved away from the limitation of that arrangement and now the paper is the thing. No one doubts that they will get a dollar's worth of goods whenever they present the paper in exchange so it is readily accepted as final payment for any that is delivered.

For Program 1 Insert (Cont'd)

And that is clearly the ultimate purpose of money.

The most important requirement in the endeavor to understand economics is classifying the components within it based upon the functions they perform. Whatever is generally accepted as final payment in trade at any time and place, is money in that time and place. There may be surrogates. Checks drawn against money in bank accounts or little plastic identification cards that say you are a good risk will enable a transaction to go through without having the cash in hand. But it must finally be settled by deposits of money or some instrument upon which money may be printed. To serve its function well, money must be divisible, stable and portable making it a good medium of exchange, measure of value and store of value.

## Understanding Economics

### Land - Program II

#### Introduction: (1)

Good evening. I'm Professor Steve Cord from the University of Indiana. I'm sure many of you have walked through one of our major cities - New York, Chicago, or Pittsburgh. It's usually crowded during the work day. And yet, when you travel between these cities - by car or plane - you are aware of the endless acres of unoccupied land. Are we too crowded or do we have enough land for our population? Is there much to spare? And how about other countries? After getting an over-view of our land, on this program we may want to ask who does it belong to? This twelve part series is entitled "Understanding Economics" and it will deal with the reasons for our inability to conquer the deadly sins of economics. Hopefully, a dawning light will be shed on this dismal science. "Land", the second in the series, examines how important that factor is to our economy.

Let's turn to our panel of five - three students from the University of Indiana and the two discussion leaders - George Collins, Director of the Henry George School in Philadelphia and Stan Rubenstein, Director of the Henry George School in New York.

#### Panel:

- A. Is land still very important in economics today?
- B. Years ago it was but now capital is the important thing.
- C. Lots of land is needed for agriculture but farmers are producing a lot more per acre than they used to so even there it's not as important.

George - In addition to the amount of land required, perhaps you should also think about the value of the land - say in the heart of a city.

- B. There is a lot of land in our country, if it's too expensive in the city, you can always go where it costs less.

- A. But somebody owns it and they may not want to sell,

- C. You can always get land to buy.

Stan - How about overpopulation? Isn't that affecting the land. And what about other countries, aren't they fast running out of land?

A. They can't make any more land can they, so they must reduce their population.

C. It looks like we are overpopulated but we are not running out of land yet.

B. We shouldn't use up all our land though, some should be saved for future generations.

D.L. - Is there anything about land that's unique - different from labor and capital?

A. People can move from place to place and take their capital with them but the land is where it is. If it has oil or coal, that's where you have to go to get it.

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### Lecture

George - Before discussing how important land is, a good working definition is in order. We ought to settle on the meaning of the term - what is and what is not land. That sounds easy. But textbooks abound with confusion as to definitions.

Stan - You're so right. Lets begin with what it is - based on what it does. It is the source which contains everything that we use for our survival and enjoyment. Everything except we ourselves and the things we make. That includes the liquids, the solids and the gases. Soil, minerals, brooks, oceans, wild game, the sun, wind, gravity - every imaginable thing that we may use which we did not make.

George - That is a far more universal definition of land than we are used to hearing. But doesn't it make sense to put things that serve the same function in the same group - even if they differ in other ways? Land as just defined, plus labor plus capital equals wealth. There are some shady areas however. For example, how about animals that are raised for food or forests that are replanted?

Stan - Consistency is as important in economics as it is in every other science. In fact, that is where most people, - and most economists too - so often go astray. They confuse the issues by failing to maintain the distinctions.

Chart - Land is the entire universe excluding mand his produ

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Animals in the wild, birds freely flying south for the winter, a virgin forest are all part of nature untouched by man and are clearly land. But in the case of cattle and other domesticated animals, planted forests and streams stocked, they are capital(wealth). They were put into the condition and location that they are by labor. Sound strange? Maybe, but its consistent. More strange is that economists should consider land wealth.

George - As Shakespeare said, "Therein lies the rub." Slide - aut  
Land is not wealth but, and this is a big but, shirt.

all wealth comes from land. Think about it. Every man-made product must come from land. Everything we eat, everything we build. Our treasures and our trash. Automobile made of iron, aluminum, steel, chromium, petroleum derivatives, plastics, synthetic rubber, glass, fabric, tungsten. Shirt - cotton, polyester (petroleum derivatives). Land is crucial to human life. Deny him land and you deny man the opportunity to live to work to earn his living. It may seem obvious but all too often we ignore the obvious. Slide - fen  
in land.

Stan - So if land is monopolized, if vast resources are kept out of use when there is need for them, unemployment and poverty are inevitable. We have large suburbs where just about every family owns its own home and across the country as a whole a large percentage do. But this represents an insignificant proportion of land ownership in the United States. Three per cent (3%) of the population own or control 95% of the privately held land in our nation. Which of course - they use as it best suits their purpose. Try to imagine the effect this must have on the economy, employment, wages. Chart - 5  
leading lan  
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George - Lets take a case in point. Appalachia is one of the most economically depressed regions in the country. It extends over many states, types of terrain and soil content. Coal is abundant in the region. Much of it is extracted but far more remains untouched. And the people are desperately poor. Several presidents since John F. Kennedy have attempted to improve their condition the War on Poverty and other programs have made little change. Why? Because, not the Presidents nor the economists who advise them and who should Chart - lan  
ownership in  
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know, have recognized land monopoly as the major cause of those conditions. Large concentrations of ownership have shut the people out from the land and the result is involuntary poverty.

Stan - That is but one example in the U.S. In other parts of the world, the results of land monopoly are much worse. In Central America, Asia, Africa, poverty means starvation - often death.

Chart - land ownership in other countries

George - It is true that some holdings, whether a large corporation or a small landowner, are maintained by owners who are in the businesses that require that resource - agriculture, coal, oil, timber, etc. But many others are pure speculators waiting to sell when the price is ripe. And even those whose businesses require the land hold far more than they hope to use in the foreseeable future. Obviously the larger the concentration, the greater the restriction on the economy. And if the land is in a choice suburban or urban setting, it places extreme upward pressure on prices for the rest of the community.

Slide - vacant urban sites

Stan - But, you may well ask, isn't speculation helping to conserve our dwindling energy resources? We have hardly enough to go around. If we used it all up right away wouldn't more people be in poverty sooner. Well, "The earth is a well provisioned ship" and there are infinite sources of energy. It is possible that we may run out of supply from a particular source, though somehow we seem to keep finding more.

George - Oil is a good case in point. Since WW2, there have been discoveries in Alaska, in the North Sea, the Overthrust Belt and several coastal areas. But assume we run out of oil. We could go to coal, nuclear, solar, geothermal and who knows what sources will be uncovered. We can say with certainty that at present there is no shortage of energy and the prospects give adequate assurance for abundant future supplies. And so it is with other natural resources.

Slide - North Sea oil

Slide - windmill thermal, solar f

Stan - Land is all around us. Man's relationship to planet earth and our endless universe will determine how well we conquer poverty.

Panel - Wrap-up:

A. What you are saying is that land and the way we treat it is the key to economic conditions everywhere.

B. And problems like poverty are not caused by too many people vying for too few resources?

71 C. If land is so necessary, there is nothing that will substitute for it.

D. Those are very sound observations.

Moderator: Clarifying relationships in economics, as with people, are very important for they tell us what to expect. Unless we properly identify the relationship between land and the other factors, our task in this study will be impossible. Please join us next week when "Understanding Economics" will take up "Rent and Population."

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Stan - So if land is monopolized, if vast resources are kept out of use when there is need for them, unemployment and poverty are inevitable. We have large suburbs where just about every family owns its own home and across the country as a whole a large percentage do. But this represents an insignificant proportion of land ownership in the United States. Three per cent (3%) of the population own or control 95% of the privately held land in our nation. Which of course - they use as it best suits their purpose. Try to imagine the effect this must have on the economy, employment, wages.

Chart - 5 leading land owners best the US govt

George - Let's take a case in point. Appalachia is one of the most economically depressed regions in the country. It extends over many states, types of terrain and soil content. Coal is abundant in the region. Much of it is extracted but far more remains untouched. And the people are desperately poor. Several presidents since John F. Kennedy have attempted to improve their condition the War on Poverty and other programs have made little change. Why? Because, not the Presidents nor the economists who advise them and who should

Chart - land ownership in Appalachia.

know, have recognized land monopoly as the major cause of those conditions. Large concentrations of ownership have shut the people out from the land and the result is involuntary poverty.

Stan -

That is but one example in the U.S. In other parts of the world, the results of land monopoly are much worse. In Central America, Asia, Africa, poverty means starvation - often death.

Chart - land ownership in other countries

George -

It is true that some holdings, whether a large corporation or a small landowner, are maintained by owners who are in the businesses that require that resource - agriculture, coal, oil, timber, etc. But many others are pure speculators waiting to sell when the price is ripe. And even those whose businesses require the land hold far more than they hope to use in the foreseeable future. Obviously the larger the concentration, the greater the restriction on the economy. And if the land is in a choice suburban or urban setting, it places extreme upward pressure on prices for the rest of the community.

Slide - vacant urban sites

Stan -

But, you may well ask, isn't speculation helping to conserve our dwindling energy resources? We have hardly enough to go around. If we used it all up right away wouldn't more people be in poverty sooner. Well, "The earth is a well provisioned ship" and there are infinite sources of energy. It is possible that we may run out of supply from a particular source, though somehow we seem to keep finding more.

George -

Oil is a good case in point. Since WW2, there have been discoveries in Alaska, in the North Sea, the Overthrust Belt and several coastal areas. But assume we run out of oil. We could go to coal, nuclear, solar, geothermal and who knows what sources will be uncovered. We can say with certainty that at present there is no shortage of energy and the prospects give adequate assurance for abundant future supplies. And so it is with other natural resources.

Slide - North Sea oil

Slide - windmill thermal, solar

Stan - Land is all around us. Man's relationship to planet earth and our endless universe will determine how well we conquer poverty.

Panel - Wrap-up:

- A. What you are saying is that land and the way we treat it is the key to economic conditions everywhere.
- B. And problems like poverty are not caused by too many people vying for too few resources?
- C. If land is so necessary, there is nothing that will substitute for it.

DL. Those are very sound observations.

Moderator: Clarifying relationships in economics, as with people, are very important for they tell us what to expect. Unless we properly identify the relationship between land and the other factors, our task in this study will be impossible. Please join us next week when "Understanding Economics" will take up "Rent and Population."

For a study guide to this and all future lessons, please write for a free copy to the Henry George School, 5 E. 44th Street, New York, N.Y., 10017.



Understanding Economics  
Rent and Population

Program III

Introduction (Camera on Steve Cord)

- (1) Good evening. I'm Professor Steve Cord from the University of Indiana at Pennsylvania. Driving down to the studio, I kept within 55 miles an hour, because that was the speed limit. That's the law - a human law. But traveling during the night rather than the daytime is the result of a physical or natural law. For, that night follows day, no matter what the year or geographic location is due to forces beyond our control. Galileo, Newton, Einstein all dealt with physical laws. Knowledge of them has helped create benefits, and yes disadvantages too. But we have made tremendous progress. Question, do our human actions follow natural laws in economics? And if there are natural laws are we paying sufficient attention to them? "Rent and Population", the third in the series "Understanding Economics", examines the existence of economic laws and whether there is a law relating to rent - valid for all times and places.
- (2)

Panel:

- A. Can economics still operate on natural law today?
- B. Probably not. We have lots of laws passed by the government to control things.
- C. You have to have the right laws to get right things produced and to protect consumers.
- DL. What happened before government controlled the economy? Were goods and services produced? Did consumers get what they paid for? Didn't natural law see to that?
- A. No. People worked in bad conditions and robber barons got rich.
- (5) C. Right, we had to outlaw trusts and make labor unions legal and set standards and prices and such. Natural law didn't help the people then.

(5) DL. Is natural law just a throw-back to 18th & 19th century thinking or is it an explanation of the way people react to constantly occurring, frequently changing realities?

A. We always look out for our own best interests so every time we decide to do something, we consider the consequences.

C. That's only natural. I don't know if it's a law though.

#### Lecture:

George - How one approaches any discipline is of vital importance. And medicine abandoned witchcraft and evil demons and accepted the way the human body functions as the approach to treating it, diseases could be conquered. But not until then. Now doctors manipulate the sick body with drugs, diet, exercises and surgery with predictable results. Economic conditions unfortunately, are not approached today with an understanding of the natural laws by which it functions as a guide. Manipulation therefore produces contrary results. Let us attempt to discover some of the natural laws in economics.

Slide - witchcraft  
witchdoctor.

Slide - modern  
operating table.

Stan - Explaining economic law is something like explaining magnetic force. You know it's there, you can measure it but you can't see it. What we can do is this-by observing human nature and by reasoning determine if certain human actions always produce similar results. But be careful. Economic laws, unlike physical laws, are not exact. They point to a direction or tendency - what most people would do. Let's try to explain it this way - in order to make anything - say an automobile, we need 3 ingredients.

#### Diseases

That is the making part - Production. But why do people make things - why do we produce wealth?

Chart - Land,  
Labor & Capital -  
Auto.

George - Call it self-interest, survival, greed, satisfaction - whatever you will, but we make things to get a benefit to ourselves, for our families. Each contributor, therefore, the owner of the land, the worker

Chart - rent,  
wages, interest.

and the provider of the capital, seeks a share of the product. A return for his part in making the automobile. If a share, a return cannot be expected or does not seem sufficient, the participants will be reluctant to contribute to the process. Determining how much each will get is therefore an equally important, if not the most important consideration. We spoke of land in the preceding program as centrally important to economic well being so lets look at that return first. The name that economists have given to it is rent. This is quite different from what you may pay for an apartment or to use a car. So try to put that out of your thoughts.

Stan -

Is there an economic law that determines how much goes to rent? If there is, then it should be valid in all societies at all times as are physical laws. Centuries ago an experiment was set up to see if a pound of feathers and a pound of gold (or was it lead) would fall at the same speed. The answer was yes! - In a vacuum, but not when there is air resistance. Of course, there usually is air resistance. And so it will be with the law of rent. Unidentified conditions may mask the operations of the rent law but its tendencies are clear and implacable. We'll set up a model that will work like a vacuum, showing us exactly how rent of land is determined.

George -

But first, here is a map with sections representing different soil quality. One area is hilly, another wooded and still another rocky, and so on up to the best which is level and fertile and naturally irrigated. Settlers have come to this land to make the best living they can and the land is free for the taking. With these choices before them, where do they go?

(Back to Map) Obviously to the most fertile. Why? Call it conserving energy, human nature or natural law - we try always to get the most for the least, or, more classically stated, "Man seeks to satisfy his desires with the least exertion." (amount of effort) So obvious and so crucial is that fact that it may be held as an axiom of

Slide - different  
types of land

economic behavior. It is for that reason that we use tools, find short cuts, make inventions, etc.

Slide - working hand tools, advanced equipment.

Stan -

Now to our model. Let's use numbers to identify the different grades of land - the best being 10 and so on. Potatoes are the crop so make that bushels per acre. These differences show themselves when the same amounts of labor and capital are used on all the grades of land. Let's also put our model in the form of a chart so that we'll see the relationship of the numbers more easily. All the settlers have taken up the best land and the entire 10 bushels are their wages. Remember the land was free for the taking. No one will pay for anything that can be obtained freely.

Map with section numbers.

George -

As new settlers arrive they go to the next best land on which they get 9 bushels, for all the 10 land is already owned. Everyone observes the difference. Although they are working equally hard, there is a difference of 1 bushel. If an owner of 10 land had a plot he was not using and a newcomer wishes to use it he would seek to charge as much as he could get, while the newcomer would seek to keep as much as he could. One bushel would be agreed on for that is the excess over the 9 the newcomer could get on free land. That one bushel difference on the 10 land is rent. It measures the advantage that land has over the free land.

Chart - 9 wages, 1 rent.

Stan -

Notice what has happened? The settlers who own 9 land make 9 in wages - the land is free and there is no rent. The settlers who own 10 land also get 9 in wages - it has dropped - plus 1 in rent. Now let's follow the story through. When 8 land is settled, 1 bushel can be charged for the use of 9 land and 2 bushels for 10 land. Wages become 8 everywhere. Now let's see what happens if we fill up the chart with people and all the land becomes occupied. Wages fall everywhere to the level of the least productive land being used and all the excess between that amount and the full productivity on all lands becomes rent.

Chart - 8 wages, 2 rent.

Chart - all filled up

George - You have just witnessed the demonstration of an economic law - the law of rent. Want a clear statement that you will remember? The rent of land is determined by the excess of its produce over what labor can secure on the least productive land - using the same amount of labor and capital. By the way we will talk about capital later.

(%)  
Stan - How does the law of rent apply today? Well, when the first settler came to these shores they settled around the harbors - Philadelphia, New York, Boston, etc. That land was the most desirable and productive. Close to the ships that brought them supplies. Near the rivers for easy transportation, etc. Did they pay anything for the land they took? Not while there was still unclaimed ground within their reach. But as time went on and population increased, land became scarce and valuable. And today? Today you pay an enormous amount valued in hundreds of dollars a square foot, for the same land that the settlers got free. The land that first grew potatoes now grows office buildings, factories, stock exchanges, hotels, convention centers, etc.

Panel I:

- A. At least 1 natural law in economics seems to be as powerful today as it has always been.
- B. I see how rent comes about and I know land is worth more in the city than in the country but I don't think wages have really gone down as you showed.
- DL. Remember at the outset we said that our model was like the pound of feathers and pound of gold experiment carried out in a vacuum.
- C. So what plays the role of the air resistance in the rent model?
- DL. We assumed spreading out and filling up all the land evenly. Has that generally happened in real life?
- A. No. People tend to stick together in some areas. We have many cities.

B. So the wages don't fall as fast?

C. But land is more expensive in the cities.  
That means the rent gets higher there, doesn't it?

DL. Right you are - on both points. But tell me - Is there a lot more wealth produced in those great buildings in those crowded cities where tens of thousands of people live and work?

A. Sure. And they use lots of machinery and new technology too.

DL. Is the machinery and technology used on the cheapest land-out in the country - the margin land, as well as in the cities?

B. Yes, some of it. Tractors and combines -  
I guess even computers in some operations.

(9) C. Then more wealth is produced everywhere.

DL. Exactly. Our model excluded those influences so that we would get an unobstructed view of the law of rent.

Moderator:

One point to keep in mind. The term rent in this context refers only to the return that goes to land from production.  
(10) Perhaps the phrase "economic rent" more accurately describes it and separates it from everyday usage. Please join us next week when "Understanding Economics" will examine how wages and interest get their share.

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That is the making part - Production.  
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Stan - How does the law of rent apply today? Well, when the first settler came to these shores they settled around the harbors - Philadelphia, New York, Boston, etc. That land was the most desirable and productive. Close to the ships that brought them supplies. Near the rivers for easy transportation, etc. Did they pay anything for the land they took? Not while there was still unclaimed ground within their reach. But as time went on and population increased, land became scarce and valuable. And today? Today you pay an enormous amount valued in hundreds of dollars a square foot, for the same land that the settlers got free. The land that first grew potatoes now grows office buildings, factories, stock exchanges, hotels, convention centers, etc.

(8)  
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## Understanding Economics

### Session 4- Wages and Interest

#### Introduction: Moderator: (1)

Good evening. I'm Professor Steve Cord from the University of Indiana at Pennsylvania. Four thousand steel workers strike a plant in Pittsburgh, a large plant. Workers want more money but the companies resist. Finally, a settlement is reached. The workers get an increase. The company incurs the increased cost and consumers pay higher steel prices. That's the normal scenario and it seems obvious that there is a conflict between labor and the capitalist. But is that really the case? And equally important, why did this and other strikes take place? Was the worker getting the rightful return for his labor? And was the return to the capitalist adequate? These issues will be explored in "Wages and Interest", the fourth in a series of twelve to help us in "Understanding Economics". To determine whether there are any laws- economic laws- that can determine what part each factor gets is our goal.

To discuss this issue are three students from the University of Indiana and the two discussion leaders- George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, Director of the Henry George School in New York.

#### Panel Discussion:

- A. Is there any way to lessen the conflict between labor and capital?
- B. Employers have to realize that just making a profit is shortsighted. They must consider their workers.
- C. Sometimes workers also go too far. Unions often make excessive demands even when companies are facing bankruptcy.
- D.L. At the heart of the dilemma are wages. Why do some workers earn more than others?
- A. A strong union gets better wages for its members.
- B. Some people are unskilled so naturally their wages are low.
- C. And some earn much more than they should. More than they deserve.

D.L. What about the return to owners of capital? Does it matter if they are conglomerates, small mom and pop stores, or mid size companies?

B. Conglomerates set their own prices anyway. They make a lot of profit.

C. Yes, but sometimes even they don't make any profits. Then

they borrow lots of money or the government bails them out. Like Chrysler and Lockheed.

- A. When you talk about mom and pop stores and real small businesses, most of those people work very hard.
- B. It's mostly their labor. They are not really capitalists.

### Lecture:

Rubenstein- If you recall, in our last session we spoke about economic laws- natural laws that if valid, apply everywhere and at all times. When we used our model to show how rent, the payment to land, was determined, it also showed us something about wages- the return to labor. Now remember, using our model is like testing the rate of descent of two bodies in a vacuum. From it we discover the general tendencies. In this case we have two factors, land and labor. One, land is held constant. The other, labor, increases. We assume all other things are equal. When we add the other variables, as we did in the last session, inventions, concentrations of people, etc., the dynamics in the real world become fully understandable to us.

Chart -- Rent chart  
10, 9, 8 etc.

George- Let's follow the model again, as population increases, occupying more and more land, going from land which yields in wages 10 bushels of potatoes down to 9,8,7,6, wages are falling. Let us say that 6 land is as far as the population has gone. It is the least productive land in use- the margin of production. All the lands beyond 6 will give you less potatoes per acre- 5,4,3 and 2 though you apply the same amount of effort. Remember, all other things are equal. Six bushels will be the wages on all better land because 6 bushels is the best that labor can get on land that is free. Everywhere else it has a price- the excess over 6- the rent. On 7 land it's 1 bushel, on 10 land it's 4 bushels, always leaving only 6 for wages.

Chart -- Rent chart  
falling margin and  
wages.

Chart -- Rent excess  
above margin.

Rubenstein- Of course wages can only go down so far. Below a certain point people will starve. Assume 4 bushels per acre is necessary for bare subsistence. Three, 2 and 1 land are sub-marginal- deserts, swamps, jungles, the arctic and antarctic. No production is carried on there. If population increased to that point people who could not find

Chart -- Margin at 4

a place of their own on 4 land would survive only if they received aid which could come only from rent; And the common level of wages on all land would be just enough to sustain life and replenish the population.

Slide - swamp, desert, jungle.

Chart - Rent chart - sub-margin

George- Should some new 10 land be discovered people would, on a whole, follow their natural tendencies to satisfy their desires with less exertion, make a better living, by rushing there from every other grade of land. Room would be opened up. No one would have to stay on 4 land. They would leave it the way people left ghost towns in the old west when a new gold mine was discovered. The margin would rise to 5 or 6 land and wages would rise.

Chart - new 10 land

Slide - ghost town, old West.

Chart - higher margin, higher wages.

Stan- I think we have another economic law ready to be stated. Wages are fixed by the margin of production, where no rent is paid, falling when it falls and rising when it rises. But is't something still missing? When we look around the world, even in poor countries where there is much starvation, we can see some people working for wages, sometimes far above the minimum and everywhere in between. Now that we have seen the tendency of wages to a minimum with advancing population, we'll throw some other real world dynamics into our model and see what comes out.

Chart - Law of Wages

Slide - city with lots of people.

George- When population increases, people do not spread out evenly over the land, everyone growing potatoes. They tend to cluster, as in the last lesson the early settlers were said to do around harbors, along waterways and natural trails. In those groupings everyone no longer does everything himself. Special skills and talents begin to show themselves and as the size of the communities increase, specialization and exchange become dominant features.

Chart or slides - early settlements.

Stan- Some tasks require special skill, others involve extensive training or long and costly education. Sometimes a job is dangerous and still others are inconvenient or unattractive. All those variables acting and reacting, with people seeking to get the

Slides - people in different occupations.

highest pay they can for their work, creates a rough equivalence among jobs of similar requirements and different wage levels between jobs requiring greater or lesser capabilities.

George- The tendency of wages toward the minimum is still there but not everyone is at the low end of the scale. In industrialized countries like the U.S., England and Japan where machines and high technology - all capital- are used extensively, the relationship between rent and wages is not easy to see. However, in non-industrialized countries it is very readily recognized and land reform is often recommended to solve the dilemma of low wages and starvation.

Stan- Had there not been an industrial revolution, a steady growth of inventions and new technology, the entire world could be on the edge of starvation today. All around us we can see examples of how man uses capital to improve his standard of living. But how much of a share of the wealth should capital get? Is there an economic law of "interest" as the return to capital is called?

George- Let's begin at the beginning with a definition of capital. Simply stated, capital is any item of wealth, not consumed, which is used to produce more wealth. Getting back to our examples- the machine is capital only when it is used in the production of more wealth for exchange. It is not capital when it is used for my personal enjoyment. That applies whether it's a needle or an aircraft. Goods on the grocery shelf are capital, in my refrigerator they are not.

Stan- Since capital results from labor molding shaping and changing some natural material, we may say that capital has labor power stored up in it. This stored up labor in the form of capital will only be used by workers in the production of wealth when it increases the results or reduces their costs. For example, using an expensive computer instead of a simple cash register or paper

Chart - definition of capital.

Slide - machinery in factory and in home.

Slide--groceries in store and in refrigerator



and pencil in a small grocery store would make little economic sense. Capital must either give labor a greater result at the same cost or the same result at a lower cost for it to be used.

Chart - Illustrate advantages of capital.

George- Using fertilizer, irrigation, combines and reapers, as population grew, would increase the production of potatoes on all grades of land in the model we were following before. Let us say the yield on all land is increased 3 fold. The former 4 land now yields 12 bushels of potatoes as wages. More than the 10 that the best land originally provided. Additional population could go to the formerly sub-marginal 3 and 2 land and obtain 9 and 6 bushels respectively. That is more than the minimum of 4 bushels that we previously assumed to be necessary for a bare subsistence.

Chart - Rent chart 10, 9, 8, etc.

Chart - rent chart 30, 27, 24, etc.

Chart - Margin at 12  
Chart - Martin at 6

Stan- Such are the benefits of using capital. It counteracts the fall of the margin by increasing labor's productive power and its wages. But we are still left with the question of what portion of that increase is to be returned to capital owners as interest. Clearly it can be no greater than 100 % of the increase, the total increase, that its use will bring. The former 4 land in our model now yields 12 bushels of potatoes because capital is used. The total increase is 8 bushels. If our farmer made his own fertilizer and reaper and combine, etc., he would keep all 12 bushels. But that's not likely. It is due to the expanded society, extended production, increased specialization and enlarged number of exchanges that capital becomes available to him in these efficient forms. So our farmer would have to get his capital from others who made them. But would he pay 100% of what he gained in order to use capital ending up only with what he could produce before?

Chart - Margin at 12-  
interest 8, wages 4.

Slides (fast) production, transporting, selling, etc

Chart - Rent chart 8  
interest, 4 wages.

George- Hardly. Nor would he have to. Wealth, and by inference capital, is interchangeable. Any form of it that is desired

Can be produced by anyone. Its quantity can be increased or decreased. Some forms of capital add more greatly to labors productive power than do others. And all forms of capital wear out with use - some slowly, some rapidly. Without going into the element of time and the postponement of satisfaction on the part of workers making capital, one fact becomes obvious. As they each seek to satisfy their desires with the least exertion, competing with one another to supply capital in its varying forms and adjusting to changes in the demand for it, the general rate of interest, must fall somewhere between 100% of the increase that its use will bring and 0% of the increase - the bare return of the capital to its maker. Its replacement. Above or below those limits capital would not be used by labor nor made by labor.

Chart - Interest 8 equals 100%

Stan- This interplay of forces is always at work. If the amount of capital that is available rises, the rate of interest falls. When the amount of capital declines, interest rises. Now, capital is used on all grades of land. And we have seen that rent absorbs all the wealth in excess over the amount that labor is able to produce on the margin of production. It makes no difference whether the produce comes from pure muscle power or is aided by stored up labor in in tools and technology. The function is between what can be produced on the free margin land and the amounts produced on all better land. Thus, the interest obtained on the margin is the interest obtained everywhere.

Chart - interest rising and falling.

Chart - Rent chart - 30, 27, 24, 21, etc Margin at 12.

Chart - Rent chart with margin at 12 - interest 6, wages 6.

George- The economic law relating to interest is similar to that of wages. Interest is determined at the margin of production. As rent rises, interest falls just as wages fall. There is a marvelous symmetry to the subject when approached from the standpoint of natural law, isn't there? Everything fits neatly to form a coherent, understandable whole. We see now that rent, wages and interest are all determined at the margin of production.

Chart - the law of Interest

Chart - Rent, wages interest determined at margin.

Panel:

- A. If there is a general return to capital, how is that some capitalists make such excessive profits?
- B. Doesn't excessive profits exist?
- DL. The general rate of return is a result of all the competing forces in the supply and demand of capital. So suppose someone comes up with something new, unique, that everybody wants to buy. Could his return be higher than normal. Yes, like the Cabbage Patch Dolls.
- DL. And how long are those profits likely to remain extra high, a month, a year, forever?
- A. Until people get tired of Cabbage Patch dolls and want something else. It's like ET or Barbie dolls when they first came out.
- B. But some big capitalists like oil companies and multinationals continue to make excessive profits.
- DL. Let's see where the excess could come from. Oil companies, for instance, may own storage tanks, stations, refineries, drilling rigs, and land from which the oil comes. Which of those will tend to become a lot more valuable as the years go by?
- C. The land will. So if they get rent for it, they will have excess profits.
- B. They will have excess profits even if they use it themselves for they won't have to pay rent to anybody.
- DL. So the excess profits they continue to get are more often rent from land than interest on capital.

Moderator:

Wages and interest are really two of a kind.

Returns to labor power exerted directly by the laborer or returns to labor power stored up in tools. Interest floats and settles like water to a certain level, providing there are no restrictions.

However, if you favor certain industries, give price supports to certain farmers, offer privileges to particular manufacturers, tax benefits to certain industries, then you have upset the balance. And so it is with wages. Some are mandated, minimum wages. Others are achieved by union pressure. They all tend to upset the balance established by the economic laws.

Next week our session will deal with "Speculation, Inflation and Recession."

For a free study guide to this and the other lessons of "Understanding Economics" please write to the Henry George School, 5 East 44th Street, New York, N.Y. 10017.

## "UNDERSTANDING ECONOMICS"

### PROGRAM 5

#### Speculation, Inflation and Recession

##### Introduction - Moderator

Good evening. I'm Prof. Steve Cord from Indiana University in Pennsylvania. Thanksgiving is truly a family holiday. All the members gather together and mother usually has an abundance of delicious food prepared. Everyone finds things they like and eat until they are overly satiated. The leftovers are put in cold storage - in the refrigerator - to be enjoyed in the days, sometimes a week to come, as it is needed.

Some land is similarly put in "cold storage" to be used later - unfortunately, much, much later. It is being held out of use in very many places although an awful lot of people have not had enough affordable land to live on and to work on. The practice is called land speculation and in Part 5 of this 12-part series entitled, "Understanding Economics," we will look at how speculation in land is related to unemployment, inflation and recession.

Let us turn to our panel of 5 - three students from the Indiana University of Pennsylvania and our two discussion leaders - George Collins, Director of the Henry George School in Philadelphia and Stan Rubenstein, Director of the Henry George School in New York.

##### Panel:

- A. Why does the government use unemployment to fight inflation?
- B. Unemployment benefits some people.
- C. Yes. Businesses can get cheaper labor when unemployment is high.

DL. Do businesses prosper when there is high unemployment?

I mean businesses in general - the economy, so to speak?

B. Well, no. Many companies have to lay off workers and some close down altogether. They go bankrupt.

A. That's when we are in recession. The whole economy is on the ropes.

C. Maybe the bankers and money men are the ones who do well in these times.

DL. Is inflation bad for anybody?

A. Sure. Prices go up and up but wages don't increase as fast so people are actually getting poorer.

B. But at least they have jobs.

DL. What do you think would happen if the inflation were just allowed to continue?

A. Prices would get so high that people wouldn't be able to afford to buy as much. We would fall into/<sup>a</sup> recession. Or even a depression.

C. Why do they insist on raising prices then?

Lecture:

George - Why do they insist on raising prices? The question is, who are the they that we are referring to? It's been said that not much new has been learned about plumbing since the days of the Romans over 2000 years ago. They knew the basics of physics and all the improvements in the field have been built on them. Nothing we have done has negated their essential features. And so it is with economics. All successes and

all economic dilemmas are rooted in the funda-

mental relationship among land, labor and capital. All our advances have been built upon that structure. We may temporarily

isolate one or another of these factors in our experiments by keeping the other two

constant - as in the phrase often used by economists, "all other things being equal" -

in order to more clearly see the tendency or direction in which a particular event or measure may lead us. But never can any factor be excluded from the system with any hope of discovering the cause of conditions which develop within it.

Stan - So then, not only must we consider capital

owners and corporations, workers and labor unions when we look for explanations of inflation, recession and unemployment, but so too must be landowners and natural resources. Perhaps because land is frequently

owned by capital owners and businesses, economists have fallen into the habit of treating the two distinctly different factors as one and the same. You know,

same owner, same thing. And most of us who listen to them for explanations and solutions to those problems are led down the

Chart - Factors of production - Land, Labor & Capital.

Slides - simple agriculture/complex factory.

Charts - Land & Capital, Labor & Capital, Land & Labor.

Cartoon - Capitalist - land and tools mixed together.

same blind alley. The relationship of the three factors can best be understood if we take the term "access" as the key. Every idea that comes into the mind of man requires the expenditure of effort, labor, on land to bring it into reality. The human energy factor is always available. But if land is not accessible, nothing will be produced.

Cartoon - man - light-bulb over head.

Cartoon - Man working on land/man - lightbulb in hand.

That's what happens when land is locked up by speculation. How is this analogous to Romans and plumbing. Think of a large reservoir filled with water. And attached to it are pipes running to every house in your city. To get a drink or take a shower all you have to do is open the faucet. If the valve at the main in front of your house is closed, you won't drink or shower no matter how much water is in the reservoir or the pipes.

Cartoon - as described

George - We'll use our old familiar model to illustrate how land speculation affects production levels and unemployment. Remember the rent chart which showed that everything produced on land above the margin of production goes to rent? That assumed land being readily put to use the moment it was needed by the advancing population. But history continues to confirm

Chart - rent chart - margin at 6.



what our perception of human nature has led us to conclude - that "man seeks to satisfy his desires with the least exertion." Realizing that land is necessary for everything that anyone wants to do, - starting simply with a place to be; for as the comedy routine states "everybody's gotta be someplace" individuals have taken possession by settlement or purchase of more land than they can or intend to use themselves in every society in which land is owned as private property.

In Europe the common people saw all wealth and power firmly in the hands of the landed aristocracy

Chart or slide -  
landed gentry.

When they came to the new world, North America in particular, where land was abundantly available, the natural impulse was to take as much

Slide or chart -  
settler on the  
land.

as they could get. And many did. In fact, so plentiful was it and so constantly were new

immigrants arriving seeking space where they landed and moving westward, that after a time,

it was possible to sell what one first acquired and buy more land elsewhere making a profit in the bargain. A bustling land market readily arose and fortunes were seen ready to be made from land speculation. But we're getting ahead of our demonstration.

Slide or drawing.  
buying and selling

Stan - Let's compare two models by giving them

some numerical precision, Model #1 and Model

#2. First we'll assume 4 parcels on each

Grade of land, the 10, 9 and 8, etc. We will

compare what happens to total production,

total wages and total rent with and without

land speculation as population increases. In

model #1, two settlers arrive and take 1

parcel each. Total production yields 20 units

of wealth from 10 land. All 20 is wages since

it's the only land in use and, naturally there

is no rent. The situation is exactly the same

on model #2. Two more settlers arrive and in

model #1, they take the remaining 10 land.

Total production jumps to 40. Wages jump to 40

and rent remains at zero for 10 is still the

only land in use. But in model #2, each of

the first two settlers took possession of the

unused land and our two new settlers have to

go to 9 land. Total production there is 18.

Total wages are 18 and rent is zero. What has

happened on the 10 land in model #2? Production

is still only 20. But wages have fallen to 18

and already a rental value of 2 appears. The

rent is the difference between the yield of 18

on the margin land and 20 on the better land.

Rent Chart - 10, 9, 8,  
7, 6 as described.

Chart - model #1

Chart - model #1

Chart - model #2

George - The process continues as 2 more settlers

Chart - model #1

arrive. In model #1, they now occupy the 9 land. Total production is 18. Total wages 18 and rent zero. Production on 10 land remains at 40 but total wages fall to 36, 4 x 9, and rent absorbs the difference of 4. Each parcel can now command a rent of 1. In model #2, we have quite a different story. The two settlers already on 9 land also hold onto the two vacant parcels so our newcomers have to take 8 land. Production there is 16. Wages are 16 and rent zero. Wages also fall to 16 on 9 land and a rent of 2 is obtainable there. The rent on 10 land becomes 4.

Chart - model #2

Stan - Already, with only 6 settlers, wages have fallen to 8 and rent has climbed to 6 in our speculation model while in the non-speculation model, wages are still at 9 and rent is only 4. But there is another important difference.

Chart - model #1

Look at total production in both models. In model #1, no speculation, it is 58. In model #2 with land speculation, it is only 54. If we carry the process out until 10 parcels are occupied in both models, the results show up more startlingly. In model #1, without speculation, the margin is at 8. Total production 92. Total wages 80 and total rent 12.

Chart - model #1

In the land speculation model, the margin

Chart - model #2

is at 6, total production is 80, wages 60 and rent 20. So there it is. Land speculation causes rent to rise at the expense of production, (that is to say jobs) and wages.

George - Naturally, speculators seek to hold the most desirable land of every class although the practice goes on at every level. In an urban center it's the prime location in the midst of a built up area. In the suburbs, it's anticipating the path of growth. In rural areas its naturally fertile soil. And with resource land it is that which is most accessible. Urban speculation forces people to live and work further away. Suburban speculation causes them to leapfrog over choice close in land to live in scattered concentration all over the countryside. The added costs for highways, water and sewer lines, electrification, public and individual transportation contribute to governmental deficits and further reduces the standard of living.

Slide - vacant lot

Slide - open field at highway interchange.

Slide - farmland

Slide - strip mine

Slide - crowded highway.

Slide - tract development in farm country.

Stan - Technology and population growth, you will recall from the previous lesson, increases productive activity of all kinds. When lots of people are working, purchasing and consuming and the demand for labor, capital and land

becomes intense, the one factor that cannot respond in a free market fashion is land. More people can go to work and work longer hours duplicating what they did before in each additional hour of work. Wealth can be converted to capital and more capital can be produced to satisfy the demand and stabilize the cost of capital goods. But land is inflexible. The supply is constant. When more is needed less productive sites must be brought in use and as our model revealed, the value or rent of all land consequently goes up.

Chart - rent up,  
margin down.

George - Now speculators do not just sit back and let this all go on without their active involvement. To speculate is to anticipate. To anticipate continued productive growth, which means greater and greater demand for their land. Looking into the future, the speculator asks prospective users to pay today what he thinks the land will be worth 5 or 10 years from now. And in the dizzy land market that develops, each new price signals a higher projection in the anticipated rise. The spiraling land price rapidly gets to the point at which it is absorbing the lion's share of the wealth produced. Not enough remains to replace capital or sustain labor - that is, wages and interest fall. Businesses stumble and struggle,

Chart - speculation

hours are cut, workers are laid off, credit is tightened, money is scarce, bankruptcies increase and gradually production grinds to a halt. The classic depression.

Stan - But, you should be saying right now, we have learned to overcome depressions. Even the recent supply-side slide didn't go as low or last as long as a depression. It was bad but only a recession. Well, that's a dubious point. Economists have coached the government in the use of numerous strategies designed to prevent depressions.

Since one of the obvious evidences of a depression is that people lack the money to buy goods, a seemingly direct remedy is to put more money into circulation. Government may set up programs

Cartoon - Lender  
to Govt to worker

that create jobs and borrow money from those who have a lot, of course, to pay wages which people will spend for the things they need. The borrowed money is not used to produce goods for other

Cartoon - worker  
spending.

people to buy, but for conservation programs, cleaning up the countryside, parks, artistic endeavors, social welfare service facilities such as postoffices, libraries and schools.

Slide or chart -  
WPA

It creates a disproportion between the amount of goods available and the amount of money in circulation. This begins the process of inflation.

Too much money chasing too few goods. Borrowing money to manufacture military armaments have the same effect.

George - And of course, that borrowed money has to be repaid either from increased taxes or more borrowing. Actually, both means are used. The public facilities that have been created - parks and libraries and schools, etc. tend to make the land in their vicinity more desirable and enable speculators to hold out for yet higher prices. Inflation is then fueled by more money being pumped into circulation and land prices moving up in anticipation of continued demand. The cycle again

Chart

approaches the peak of the land price spiral and production begins to falter. Unemployment and business failures threaten. But now everyone expects the government to save the economy from that fate. Mortgage loans must be subsidized so that people can buy houses, businesses require tax credits to encourage modernization, higher protective tariffs are sought to encourage domestic production and save jobs, large businesses must be saved from bankruptcy by government loans, money supply is increased to invigorate spending.

Stan - That scenario becomes routine and prices no longer fall in a recession. In inflationary

periods, all prices take off on a spectacular climb and in the giddy inflation syndrome of recent times, people scramble to buy now, today, going deeper and deeper into debt, because they know that prices will be higher tomorrow. Interest rates and inflation rates zoom to unheard of levels.

Wage increases fail to keep up with prices and the real estate market moves into high gear. When the decline comes it's steeper, deeper or longer than the ones before. Everyone clamors for more of the measures that have now become institutionalized and the cycle starts up again. Unemployment never falls to the previous low because the new more efficient technology needed to increase profitability makes more labor redundant and speculatively high land values limit the openings for alternative employment.

Panel

A. We hear more about stock prices than about land prices. Is that because land speculators are more powerful?

DL. Stocks are sold on the various stock exchanges. All the data is recorded and reported, measured and analysed. But where and how is land sold?

B. I guess you just sell it yourself if you are speculating.

C. Real estate brokers and lawyers arrange the sales.



- A. But there isn't any central place where its all recorded.
- C. They are recorded at the city or county hall of records but there are thousands of those all over the country.
- DL. With the use of computers could it be possible to collect that kind of data today?
- B. Certainly. It would be easy. Why don't they?
- C. Most economists don't separate land and capital the way you have done so it's unlikely.

Moderator:

Observations are sometimes more meaningful than a slew of figures. - more important than an abundance of data. In order to discover the relationships between things, find the connections, we must observe how they work and understand their function. Only then will figures and formulas aid us. The relationship among land, the opportunity to work and the nature of capital is apprehended through observation. With what you have learned, look around your city for vacant lots, in the country for empty acres. Picture the unemployment lines in your hometown. Then think of what has to happen for the vacant lots to sprout buildings and for crops to cover the empty acres.

Next week, our program deals with "Problems of Urban Growth." For a free study guide to this and all future lessons, please write to the Henry George School, 5 E. 44th Street, New York, N.Y., 10017.

Understanding Economics  
Problems of Growth

Session 6

Introduction: Good evening. I am Prof. Steve Cord of Indiana University in Pennsylvania. For the past several weeks, we have been examining some crucial issues concerning our economy. Despite the repeated cycles of inflation and recession demonstrated in the last session, the U.S. economy has exhibited phenomenal growth throughout the entire period of its history. There have however been some question in recent times whether or not such growth as it has had can continue and indeed whether it should continue. In Part 6 of the 12-part series "Understanding Economics" we resume our pursuit of economic truth with an examination of "The Problems of Growth." Let's turn to our panel of 5 - three students from Indiana University in Pennsylvania and two discussion leaders, George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, Director of the Henry George School in New York.

Panel:

- A. Why is everybody so worried about growth - growth in the economy, growth of communities, growth of population and on and on and on.
- B. If our economy doesn't grow, other countries will overtake us and we'll become one of the debtor nations.
- C. And overpopulation is a real threat to the economy. You have to keep the population down or the economy won't have a chance to grow.
- B. Yes. Look at India and most of the other poverty stricken countries.

They are all overpopulated.

DL. What are the changed which have a positive effect on growth and are they all good?

A. Technology definitely has a positive effect on growth.

Underdeveloped countries need more of it.

C. Too much can be bad though. In our country advanced technology is putting people out of work.

A. The problem there is education. People have to be retrained for the new types of jobs opening up.

DL. Does growth have an impact on environmental issues - the ecology?

C. Sure does. Air pollution, water pollution, toxic dump sites near people's homes. I'll say it has an impact.

Lecture:

George - It would hardly have seemed likely to a 17th century settler in this land that growth would be a problem much less a controversial question. He tilled the soil, engaged in limited trade, established settlements and welcomed new settlers. In fact, until relatively recent times, growth was almost an article of faith with us. But now, a significant segment of our population finds it threatening if not abhorrent. Of course,

Slide - Map of early settlement.

that reaction often depends on who is doing the growing, where it's taking place and the particular effect it is having on others.

Stan - When we use the term growth in an economic context we are referring to improvement in the material conditions of people's lives. It implies that there are more of the things being produced which satisfy your desires - houses, cars, books, fishing rods, microphones, skateboards, oranges (wealth) - and that they are more easily obtainable.

That is, a smaller percentage of your income is required to purchase them. Now what changes would lead to such a development? We saw all the clues in the previous lesson. You recall our model of the rent chart. It revealed to us the economic consequences of a very common human tendency. People like to be where others are.

Chart - rent  
chart concentrated  
population.

So when population increases they cluster in groups. First, cooperation increases their productive output. They help each other to do things that are difficult or impossible for one person to do. Thus 10 people working together produce far more than 10 times what

1 person can produce and 100 people more than 10 x 10, etc. Then, as their numbers grow, separation of functions, division of labor, specialization occurs. Each doing what he is best at, the total output grows dramatically and exchange enables everyone to share in the bounteous production of everything. The output obtained from the margin upwards is raised

Slide - different occupations.

all because there are more people. Population increase in and of itself, contrary to the common opinion and opposite appearance when poor countries are looked at, actually increases the productive power of labor. The larger population, however, uses more land. The margin fails to land of lower productivity, rent rises to absorb the excess on better lands and wages and interest falls. But total production goes up.

Slide - crowded shopping area.

George - That increase is purely on the basis of growth in numbers. But think of this, we humans also have an insatiable thirst for knowledge. We want and seek to learn everything about everything. We have limitless desires that perpetually

Chart - Wealth pie.

exceed our ability to fulfil them. Indeed, they are extended by every act of fulfillment.

To be crass about it, we always want more than we have - as a group, that is. Our quest for knowledge comes eagerly to the aid of our desire for things and easier ways of turning clay into bricks and bricks into building, heat into energy, energy into light and other millions of multiplicable processes are set in motion. Inventions, automation, technology, high tech, are what we call them. So knowledge and education, contributes no small measure to man's material condition. And the technological ma to which it gives form strengthens man's arms and speeds the workings of his brain so that deserts now bloom and pure medicines can be made in the weightlessness of space.

Slide or cartoon -  
various materials being  
worked on.

Slide - hydroponic  
farming - space lab.

Stan - The margin, the land that can now be brought into use - and remember the sound, working definition of land that we developed in an earlier session "the entire universe except man and the things he makes" - has been taken to the most minimally productive land. Still, the use

of extremely efficient capital allows labor to produce so much from it that wages rise instead of fall. There are gold mines in the west which were closed for years because it cost more to get the remaining gold out than could be obtained for it. Now with giant earth moving equipment operated by one man shoveling up tons of earth at a time, enough gold can be sifted to make those veins profitable again. Some oil wells are being pumped again using steam and detergents to force more petroleum out of them and floating platforms provide oil drilling stations in waters as inhospitable as the North Sea. So great is production on these less productive lands that the fall of the margin is counteracted, stabilizing wages or making them higher than they were before.

George - But what's on the dark side to all of this glowing advancement. Well, the obvious are industrial wastes (some toxic) pollution of streams and estuaries, airborne sulphur emissions which rain down acids in places far away from their origin, radioactive nuclear waste.

Slides - earthmoving equipment, oil derrick offshore oil rig.

We generally expect our government to work out solutions for the social good in response to those negative concomitants of technological change. And they do take money. But the economic negatives that are also occurring are far less visible and not at all acknowledged.

Earlier in the last lesson, we alluded to the fact that very many land monopolists and speculators are also capital owners and land is treated as just another form of capital.

Stan - In order for the technological marvels to add to production, more land, urban and suburban, rural and resource must be brought into use or used more intensively. The speculator, always anticipating greater demand for land, holds more of it out of use or, available today only at higher anticipated future value. The margin of production, therefore, falls more rapidly than it should as users pass up the best unused land and look for land they can afford. The rental value of all land rises prematurely.

The margin falls before any increase in production has taken place. Wages and interest



fall to the new lower margin and total      Chart - rent charts  
production is hampered. Whatever

increase does come about has already  
been siphoned by the land price increase.

George- Even casual observation will disclose

more than just a few vacant lots in busy down-  
towns surrounded by highly built-up structures.

Slide - vacant  
lots

They are being speculatively held. Suburban  
parcels are held idle long after development

Slide - suburban  
open land.

has had to leap beyond them to find land cheap

enough for production that should be taking

place in the city. The clean, green countryside  
is cleared and paved over in the urbanization of  
the country adding another specie of environ-

Slide - housing  
development &  
shopping centers  
in country.

mental degradation - this one totally unnecessary  
and without any remediating benefits.

Slide - soil erosion  
Slide - aerial  
view of crisscrossed  
highways.  
Slide - birds  
nesting.

Panel:

A. There are some vacant lots in every city but in the heart of  
downtown everything is used.

B. Some may not have buildings as big as others but I think that's  
true. Most of it is used in some way. It may just be a  
parking lot but its not empty.

- DL. Suppose you found the most suitable site on which to build your multistory office or apartment building, in the middle of a built up area. But its a parking lot and the owner is not interested in selling. What would you do?
- B. I could either offer more for the land, go somewhere else or wait until he is ready to sell.
- C. That's what you said speculation causes. It looks like all those things are happening all the time.
- A. So if land isn't used to its full potential its just like speculation.
- DL. That's right. Economists speak of the highest and best use of land. Speculators often have their land in some minimal use, earning enough to pay the taxes on it until they are ready to sell.
- A. If land speculation could be stopped, growth would not be so much of a problem.

Moderator: (Host)

It appears that another new insight has been achieved. Land speculation, while not the only cause of the problems associated with growth is unmasked as the perpetrator of the economic problems. But how do we ride the economy of it? By laws, confiscation, taxation? Next week we will take a stab at it in the program "The Tax to End all Taxes."

For a free study guide to this and all previous and future lessons, please write to the Henry George School, 5 E. 44th Street, New York, N.Y. 10017

## UNDERSTANDING ECONOMICS

### The Least Bad Tax (The Single Tax)

#### Session 7

Host: Good Evening. I'm Professor Steven Cord of Indiana University in Pennsylvania. In the weeks that we have been tracing the causes of the problems faced by our economy, we have been careful to avoid the mathematical and statistical esoterics engaged in by most economists. Not because they are not useful in their proper place, but to see how an economy works it was more important to lead you through a rational analysis of the cause and effect relationships which stem from basic human behavior and which underlie all economic activity. Land speculation has emerged as the villain in our piece. It is now time to consider alternative measures that will halt the tendency toward depressions, unemployment and poverty. "The Least Bad Tax" (The Single Tax) seventh in our series "Understanding Economics" highlights the role that taxes play in our economy and how one particular tax can eliminate economic distortions and act as an incentive to production. Let's turn to our panel of 5 - three students from Indiana University in Pennsylvania and two discussion leaders, George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

#### Panel:

- A. People complain a lot but how much of an influence do taxes really have on what we do? as individuals or on the economy?
- B. It depends on the kind of tax. If it's a sales tax, it's not so bad, just a small amount each time you buy something.
- C. Yes, but think of how much it adds up to in a year.
- B But at least you won't pay a lot if you don't buy a lot of things.

Now the property tax is really horrendous. You have to pay one huge sum and its going up all the time. They should abolish that and tax incomes instead.

- A. The income tax is not much better even though its taken out of your wages. There is a big difference between most people's full wages and their take-home pay.

DL. How about the taxes that businesses have to pay - gross receipts, inventories, profits, you name it - what effect do they have?

- A. Well, you know, they say the power to tax is the power to destroy. If they are too high, I guess they could damage business.

- C. They don't have to worry. They pass those taxes on to consumers in the prices they charge. If taxes go up for businesses, they just raise their prices.

- B. That's true. We, the consumers are the ones who finally pay all the taxes.

DL. Who should pay taxes, and what kind, and how much?

- A. They really have to try to be fair about it. Nobody should have to pay more than they can afford.

- B. That's why the income tax is better. It's on ability to pay.

- C. A lot of people don't pay what they should. There are too many loopholes that the rich can take advantage of. They've got to get rid of the loopholes.

Lecture:

Stan - As you know, taxes have played an important role in our history and in the history of the world. In ancient times when the Romans ruled Palestine, it was

common practice for the tax collectors  
to hire stooges who went out and did

Slide or Chart - Roman  
tax collectors

the actual collecting. No limit was  
placed on how much they could collect  
and they received a percentage of the  
total brought in. You can imagine how  
conscientiously they took to their jobs  
and how despairingly the people reacted  
to them and to paying taxes. In an early  
period of our history, we saw western  
Pennsylvania farmers resist the collection  
of taxes on whiskey and experienced the  
infamous Shay's rebellion. That ancient  
resentment and resistance to taxes seems  
to be still alive today although the  
methods of collection may have changed  
slightly.

Slide or chart - Whiskey  
rebellion.

George - True, people do not like paying taxes.

But we do need revenue to run the govern-  
ment - money to pay for the services which  
benefit everyone and which everyone may use.

The question therefore is what shall the  
government tax, what will the effect of those  
taxes be and will they be equitably applied?  
Perhaps the best starting point would be  
the thoughts on taxation of the old Scottish  
master, Adam Smith, universally acknowledged

as the father of economics and still the inspiration of some economists today. He enumerated four maxims or canons to which taxation should conform - the effect or impact as I suppose he would say if he were alive today, the cost, dependability and equity.

Chart: Canons of taxation

Stan - It is generally recognized that all taxes are ultimately paid by consumers in one way or another and in order to consume we must also produce. When taxes are imposed directly on consumers, say on their wages, it leaves them less to spend. Less wealth is therefore produced causing the cost of production and the price of products to rise. If the tax is placed on the producer, such as a 5% tax on each loaf of bread, this increased cost of production results in a higher price of bread to consumers. With less spendable income they buy less bread or less of something else and the price rises. A celebrated example of this effect is the 200 year old story of Egyptian Pasha Mohammed Ali's tax on date trees. The trees were cut down to avoid paying the tax. French peasants blocked up their windows upon a tax imposed on windows.

Cartoon - man empty pockets sticking out.

Cartoon: Loaf of bread with 5% butcher knife above.

Cartoon - smaller loaf of bread.

Cartoon - Egyptian tr chopping down date tr

So, in the best interest of consumers, the first canon is - Taxation should bear as lightly as possible on production.

Chart-Canon 1 -bear light as possible.

George - The purpose of raising revenue is to provide government with the money needed to pay for roads, schools, defense, police, fire, libraries, parks, courts - all the things that serve the society at all levels and make communities, plus the nation as a whole, a better one in which to live. The more costly it is to collect the taxes, and administer the services, the fewer and poorer will such services be. If it costs 90¢ to collect every dollar of taxes, the community is ill served. The second maxim or canon, we should be consistent, is that a good tax should be easily and cheaply collected.

Cartoon: Big City Hall,  
tiny school & library

Chart- Repeat 1 plus  
easy and cheap to collect

Stan - Taxes should be certain. It should be known how much is there to be collected.

We frequently return to the axiom "man seeks to satisfy his desires with the least exertion" even if it isn't always stated so formally. People will try to evade paying taxes and if it is difficult to determine in advance how much is to be contributed by each taxpayer, ingenious

-6-

methods are certain to be devised in the attempt. One need look no further than our income tax for examples. Smuggling and a thriving underground economy also escape taxation. Fraudulent practices, legal tricks and "creative accounting" give evidence of the moral erosion that a bad tax can engender. The third axiom is that taxes should be certain so as to eliminate evasion.

Chart: Canons 1, 2 & 3

George - Equity is a very important concept in economic relationships and may be hard to determine when judgment is between various types of taxes. The obvious necessity is to assure that no one is given an advantage over others by paying less for the same degree of public services. If each taxpayer enjoys the same police, fire and health protection, security from external threat, access to accumulated knowledge, avenues of travel, etc, should all pay the same amount in taxes? Or, would it be more equitable for those who have been more successful, have made better use of the

Slides: police, fireman, clinic, army, library, highways.

Generally available services, or are just plain lucky, to pay a larger share of the costs? Adam Smith did hold the latter view



favoring ability to pay as the way to achieve equity. But others have since pointed to a more equitable base for taxation stated in his own writings.

It is land values. Axiom number 4 - taxes should bear equally on all payers.

Slide: Canons 1, 2, 3 & 4

Stan - All in all those are sound criteria on which to have a tax structure that will be efficient, sufficient and fair. We do have numerous taxes in our system. Some may be consistent with those canons and some not. There are taxes on individual income, federal, state and local; corporate, inventory, sales, profits; retail sales, real property; personal property; and a host of differently named taxes which are only variations of the ones listed above. Let us then measure how the major areas of taxation, income, sales, corporate and property taxes conform to the 4 canons of taxation. We'll rate them with a plus (+) for conformance, a minus (-) for non-conformance. Chart: Name of Tax

George - Does the income tax bear or fall lightly on production? It affects spendable income in inverse proportion to the percentage of the tax. As the tax is increased

spending, the demand for goods, declines causing reduced production. As the volume of production goes down, the cost of production goes up. Taxes on income clearly fall heavily on production. That's a minus. (-)      Chart:

Stan - Is the income tax easy and cheap to collect? There is no way to tell in advance how much wages people will earn. Earnings not subject to withholding cannot even be guesstimated. Exemptions and credits (called loopholes if you are rich) make it necessary to conduct costly investigations and examinations of taxpayers' returns - and a lot of income is hidden in the underground economy. Not easy or cheap. Another minus. (-)

Chart: Income tax

George - Is it certain? Not even the mighty computer can predict with accuracy how much income there is to be taxed, what exemptions will be claimed and how many credits taken.

Another minus (-).

Chart: Income tax

Stan - And is the income tax equitable? The federal income tax is progressive. The higher the income the higher the rate starting at a stipulated minimum up to a mandated ceiling. The rates, of necessity are arbitrary. It is impossible to arrive at rates among groups at different income levels, claiming different exemptions

which will avoid giving benefits to some at the expense of others. Some state and local taxes on income are at one flat rate. Some types of exemptions apply differently in each jurisdiction. But there is another problem. Five per cent taken from \$10,000 of income is a much greater personal sacrifice toward the expense of government than is 5% on \$50,000 of income. On equity

grounds, the verdict is also negative "-"

Chart: Income tax

George - What of the sales tax? It adds to the price, decreases demand, decreases production and up goes price. A definite burden to production. Negative "-"

Chart: Sales tax

But it is relatively easy to collect. People generally show little resistance to paying the few cents additional on each dollar purchase. However, determining the actual total dollar volume of sales for each business enterprise and the amount of tax due the government must require vast teams of auditors at extremely high cost.

Failing to properly monitor those figures must leave untold amounts of taxes unaccounted for and unpaid. Completely uncertain. "-"

Chart: Sales tax

Now some merchants, perhaps even most, often fail to turn over their collection to the government on a timely basis earning for

themselves interest on the tax collected.  
Its dependability is very much in question.

On certainty, that's a minus "-." With

Chart: Sales tax

respect to equity, unless the tax is applied selectively so as to exclude items of common and broadest use, it will exact far more from people of poor and moderate income than from the rich or higher income taxpayer.

If the tax is applied so that that inequity is avoided, it becomes ineffectual as a revenue raiser. Far less will be raised from taxing luxury items than from items of general use.

However, to exclude some citizens from the tax is itself an inequity. The sales tax also fails the standard of equity. "-."

Chart: Sales Tax

Stan - What about the taxes on business?

Businesses are engaged in with the object of returning a profit to their owners and investors. To make a profit the goods they produce must be sold for a higher amount than all the expenses incurred in production - site, materials, labor, taxes and all other incidentals like insurance. When an enterprise fails to do that it quickly finds itself out of business.

Higher taxes therefore produce higher cost of production, higher price, lower demand

lower production, a further increase in cost of production at the lower volume and again higher price. A tax of any kind on business weighs heavily on production.

A minus " - "

Chart: Business tax

George - Are business taxes easy and cheap to collect? The possibilities of disguising business details, altering, fictionalizing or creating duplicate records are probably unlimited. The difficulty and expense of investigating, auditing and prosecuting must be high. Negative " - "

Chart: Business tax

Stan - Certainty? It is not possible to tell in advance how well or how poorly a business or businesses in general will do, how many will survive or fail. Another negative " - "

Chart: Business tax

George - Equity is no easier to achieve in taxes imposed on businesses than it is on individuals whether based on fees, inventory, sales or earnings. By increasing the cost of production they restrict business formation to those who can accumulate large amounts of capital. Small businesses have a more difficult time, incurring greater expense in the attempt to meet all the reporting requirements. Paperwork virtually kills them. It is also a minus on equity. " - "

Chart: Business tax

Stan - The tax on property or real estate, as it is alternately called, must be divided into two parts. Land and the building or other improvement on it which is produced by labor. That, of course, is capital and taxes upon it increases price and reduces production. But land, as we have already demonstrated is different in character and function from capital and it responds

differently to taxation. First we should

take note that a tax on the quantity of land would be passed through to the user as are other taxes. Since the same amount would be paid for every acre or fraction thereof regardless of its productive capability it would add to the cost of production on less productive land far more than on the most productive land. With a tax of 1 bushel or dollar per acre, one-sixth ( $1/6$ ) of the product would be taken from the margin but only one-tenth ( $1/10$ ) from the best land.

Chart: Rent chart

The amount left for wages on the margin and everywhere falls to 5. Rent absorbs all the excess on better land. The result? Total wages fall from 30 to 25 but rent remains at 10.

Chart: Rent chart

George - But a tax on the value or rent of land

is markedly different. Taking the rent of

land in taxation alters the relative advantage between better and worst sites by leaving only the returns to wages and interest for their owners. The amount obtained on the margin remains the same so wages and interest are not affected. The owners of better land can demand no more than the rent, otherwise, users will move to other unused land which must now pay as much as fully used land or to the margin.

Chart: Rent

Chart: Rent chart with speculation

Stan - But let us test it against our canons of taxation. How does the tax on rent affect

Chart: Canons of taxation

production? The land has no cost of production

for we do not produce it. It's just there, a gift of nature or nature's God. Neither does it increase the cost of producing goods nor limit the supply of goods. Either of which would be necessary to increase the price of goods.

Production continues as it would on the margin and on all better land. The only change is that the portion formerly obtained by the landholder as rent now goes to the public treasury. The tax on land does not add to the cost of production. A plus. " 1 "

George - How easy and cheap is it to collect?

The value of land is a comparative value.

Each parcel is adjacent to other parcels and the values vary based on location, content, topography and accessibility.

Slides: land of various typ

It cannot be disguised, hidden or taken away and the value is easy to assess. It also falls directly on the owners of the land. Collection requires only sending out bills and counting receipts. It is easy to collect. A plus " 1 "

Chart: LVT

Stan - Is the land tax certain? Since land cannot be moved, hidden or disguised, value is easy to determine. The amount of revenue available can be anticipated with little deviation by assessing annually. The land value tax has a high degree of certainty. Plus " 1 "

Chart: LVT

George - And is the tax on land values equitable?

The value of land is created by the presence and activity of the entire population of

Chart: Rent chart with margin at 6

each community and of the nation. It is not produced by any action of landowners as

landowners. Everything that is produced results from the action of labor and capital on land.

Taxing land values does not take from labor the wages it produces nor from capital the



the interest it is due. It makes no arbitrary judgment about how much anyone must pay and gives no one any advantage at the expense of anyone else. Rent grows as communities grow, as population grows, as productive activity increases. It is a concomitant of those changes. When they decline rent declines. When they advance, rent advances. Taxation of land values allows both labor and capital to retain their full rewards. It conforms perfectly to the standard of equity. Plus " 1 "

Chart: LVT

Stan - The questions of equity may be at the heart of most of our problems. Because our current system taxes people on what they do, what they produce, their labor and capital, and allows landowners to speculate, obtaining a large share of what labor produced, production and the opportunity to produce is limited. It pits producer against producer, labor against capital, makes government a witting and unwitting pawn of special interests and distorts the right to private property.

George - No one can exist, can get what is needed for life without having access to land. That is clear. If we acknowledge that everyone has and equal right to live, it must therefore be

the common property of everyone. And taking the rent of land for the benefit of the whole community is consistent with that principle. But by what right do individuals claim private ownership of anything? It must start with the right of everyone to be in this world. No one possesses any greater right to be here than any other person. We each then have a right to our own powers, our own capabilities, our own thoughts, our own creations, to the results of our own effort. A denial of any portion of what we produce is to that extent a denial of our ability and thus our right to live. For remember, everything that we produce requires effort. Effort is tiring. It saps our energy. And we are not immortal. We must rest and replenish ourselves with 3 squares a day, shelter and protect our frail bodies from the harsh, uncompromising natural elements. The individual must be able to possess the wealth he produces. Labor then is the sole and rightful basis of private property. Taxation of land values preserves that right.

Panel:

- A. In spite of all the problems we have, we've done pretty well as a nation with the economic system we have. Would it be wise to change it now?
- B. Yes, we still produce more goods and have a higher standard of living than anyone else.
- C. Oh, but look at how many people are in poverty or are unemployed by no fault of their own. It's the economy that's doing that. If we don't fix it we'll find the standard of living going down for more and more people.
- DL. What is done now to try to fix the economy and what is the result?
- C. The government has cut taxes and cut back some programs to bring down inflation and interest rates but that caused a recession and high unemployment because people haven't been able to buy as much as before. Plus, there is a bigger budget deficit.
- B. And before they were raising taxes and spending more on social programs. That caused high inflation and high interest rates that nobody could keep up with.
- A. They also increase and decrease the money supply. But that only affects the amount of spending, it doesn't really solve anything.
- DL. What do you suppose would happen if we taxed land values and got rid of all other taxes?
- B. I'm not sure there would be enough money to run the government.
- A. It could upset the economy badly. Business plans and decisions are made with the belief that certain things are going to be done. They are not expecting that kind of change.
- C. That would change the whole concept of capitalism. If it really got

rid of land monopoly and speculation, as you said, some people would no longer get a free ride. But could that ever be done?

Moderator (Host): Can you imagine an economic system in which every participant contributes an equivalent amount of goods or services for what they receive, where no one would keep neighborhood houses vacant while waiting for prices to rise or buy and sell oil and mineral lands for vast sums of money without producing anything from them? Sounds like more wishful thinking? Not so. Not only is the debate on in our country and elsewhere, but tax practices leading in just that direction are already in operation.

Tune in next week when for Lesson 8 in "Understanding Economics" we will discuss "How the Land Tax Works."

For a free guide to this and all other lessons in the series, please write to the Henry George School, 5 E. 44th Street, New York, N.Y. 10017.

## UNDERSTANDING ECONOMICS

### HOW IT WORKS PROGRAM 8

MODERATOR (HOST) GOOD EVENING. I'm Prof. Steve Cord from Indiana University in Pennsylvania. Last week, as you may recall, we discussed the types of taxes imposed in our economy and their impact on production, the ease or difficulty in collecting them, their dependability and equity. All were found to have negative characteristics in every area, except one - the tax on land values. Since revenue is needed by government and there is one tax that will not hurt consumers and the economy, let us examine "How the Land Tax Works" Part 8 in our 12 part series, "Understanding Economics." Let's turn to our panel of 5 - three students from Indiana U in Pennsylvania and two discussion leaders - George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

#### Panel:

- A. Last week we talked a little about what might happen if only land were taxed. But I was thinking, how would you know how much to tax it?
- B. And another question is would you get enough taxes from just land alone
- C. Yea, wouldn't the tax have to be real high?
- D. If you own a home or other property, you have to pay taxes on it.

How is it determined how much you have to pay and just what is it that is being taxed?

- C. It's how much you pay for it.
- B. No. There are assessors who set the tax. They decide how much it is.

worth and you are taxed on that.  
A. Yes, but still if there is a house it's not just land. How do

DL. Suppose you wanted to get some idea of what the land under your house is worth. What kind of information would you look for about the same.

B. I'd see if anybody bought land in my area. Mine should be worth more than theirs.  
A. Why bother with what people have their houses on? It's land speculators you want to tax.  
C. Wouldn't it be simple to just confiscate the land?

Lecture:

George - Throughout these sessions we have stressed

that 3 factors are necessary in order to make wealth - land, labor and capital. As we have seen labor and capital are not the culprits responsible for poverty for neither wants to be unemployed or idle. For labor, to be unemployed is to starve. For capital, to be idle is to deteriorate without giving any reward to its owner. Land, however, may stand unused without suffering any decline. The problem before us, therefore, is to find a way to get idle land to be used fully without robbing labor and capital of their earnings or taking from

Chart: Factors  
Production. Land,  
labor and capital

anyone what is rightly theirs. Either of these results would simply be replacing one bad situation with another.

Stan - And that is what has taken place all too often in the past. Land monopoly has forced wages and interest so far down that conditions for the majority of people become unbearable.

Revolutions erupt, death and destruction reign. Land is confiscated. It is divided up and distributed to peasants who are ill equipped and or incapable of properly utilizing it leading once more to its concentration in a few hands and perpetuation of the inequity. The French Revolution (1789 - 1793) was a perfect example. Mobs ran

Slide: Picture  
of the Bastille

wild. A new government was formed and land confiscated from the Catholic Church and the autocrats was parceled out to the peasants, who had lived at the mercy of the landlords and aristocracy of the first and second estates. Unwittingly, the new regime perpetuated the same system. Those who received marginal or sub-marginal land were little better off than before and those who received the better lands thrived in prosperity.

Chart: Rent-10, 9  
8, 7, 6, 5 with  
margin at 4.

George - We have obviously learned nothing from history in respect to establishing an equitable system through land reform. In 1917 land was divided among the peasants following the revolution in Mexico. Most of what was redistributed soon ended up back in the hands of the original owners. Today, land in El Salvador is being redistributed to the landless in a desperate attempt to head off a more violent, full scale revolution. But this time, the large landowners are being paid for the land that is taken. Thanks to the Yankee dollar, those land monopolists will receive what the land is worth and live comfortably, leaving the ages old problem still partly in place.

Stan - The other method of change in El Salvador will also fail to benefit most of the poor peasants. Some of the land is being placed under the control of the government. Starting with the Russian Revolution, this socialist concept of making the government the largest landholder has appealed to many who see the need for reform. But in case after case, the government in its

Slide: The Kremlin



ultimate wisdom deciding how much of what shall be produced, when, where and by whom, has failed to even achieve the previous level of agricultural production. Those who champion these remedies have accurately pinpointed the land problem and have seen some of the pitfalls of land redistribution. But unfortunately, they have proceeded to throw out the baby with the bathwater.

George - The method by which the problem will be solved, improving opportunities and conditions for the poor, avoiding inefficiency, denial of anyone's rights and dictatorial government, is by taxing land values. It sounds deceptively simple and that may be its one big disadvantage. Many people cannot imagine how abolishing all other taxes and collecting the full value of land will bring about such beneficial improvements. Here's how simple it is.

Slide: Rent chart -  
10,9,8,7,6,5,4,3,2 -  
margin at 4.

Stan - The wealth produced on the least productive (margin) land in our model is all wages and interest. The excess on all the better land

is rent. Since the difference between the result on the margin and the better lands is due to differences in the quality of the land and growth of the community, not labor or capital, taking the rent in taxation would not rob anyone of what they produced. The community would get what it produced - the rent of land. No one would have any advantage over others because of owning land. There would be no need to tax wages and interest to provide adequate revenue for the government.

George - Let's leave our model and look at this real world relationship. Here is one of New York's largest department stores in one of the most densely populated areas anywhere. Here is another department store, - this one in the suburbs. Let's assume that they are the same size, have the same merchandise and the same amount of help. Which one is likely to do more business? The one in town. Why? Because the population is greater. And if the population

is greater will the land rent be higher or lower? Higher. The difference in the income of the two stores is therefore not higher interest to capital or wages to labor but rent to land. When that is taxed away, workers and owners of capital can rejoice at not losing any of their just earnings.

Stan - Some land sites, like the ground under the Empire State Building and Rockefeller Center are owned by someone who receives rent from the owners of the buildings on them, but most land sites in our country is bought and sold. Rent is not paid for its use on a monthly or annual basis. How then can the rent be taxed? The selling price of land is in fact the rent paid in advance or to use the more technical term, - the rent capitalized. It's not a big deal. Simply this. Say the owner of Macy's at 34th Street is taking in \$600,000 a year extra just because of where the store is located. That's rent. The wages and interest are separate from that. And let's suppose that they wanted some ready cash to build another store but did not want to borrow from a bank so decided to sell the land.

How much could they get for it? If they'd say to themselves we're now getting \$600,000 a year from this land. We must therefore sell it for a sum which will bring us \$600,000 a year when invested. If the going rate of interest is say 6%, then the selling price must be \$10,000,000 for \$600,000 is 6% of \$10 million.

George - Now, how do we propose that the \$600,000 be taxed. All real estate, land and buildings are assessed and taxed. The assessed value is usually set at a percentage of what the property would sell for - the market value. Market values of property are constantly revealed on a daily basis as properties of all kinds are bought and sold. Private appraisers and public assessors have no trouble distinguishing the value of land from the value of improvements. In fact many state constitutions require land and buildings to be assessed at full market value and some cities show the separate land and building assessment and the taxes due on each on the bills sent to property owners.

Chart: Assesmer  
Land & Bldg.

Stan - Some of the land rent is already being taken

by the property tax. But assessors have traditionally assessed land at a lower percentage of market value than they do buildings. So the amount is not nearly enough to deter speculation. In fact it has had the effect of penalizing those who improve the land and rewarding those who keep it idle. Here is how the change would affect 3 pieces of property, all

having land of the same value, \$10,000 but difference value improvements - zero, \$10,000 and \$20,000. A tax rate of 3%

Chart: Land  
A B C  
\$10,000 \$10,000 \$10,000  
Bldg: -0- \$10,000 \$20,000

on the total value of each property will produce \$300 from A, \$600 from B and \$900 from C. The better improved property is penalized. The unimproved is rewarded. But if a 6% tax on land alone is substituted, each will pay \$600. Construction is encouraged on the vacant site because it pays as much as if it were improved and the 6% tax on full market value assessment leaves no room for speculative gain. And the community gets the

it needs without taxing improvements.

George - Vacant and underused lots in the city,  
bypassed suburban acres and vast amounts  
of resource land would replace the taxes  
now imposed on production. Productive use

Slides: Vacant lots,  
suburban sprawl.

Chart on corporate  
holdings in Appalachia.

of those sites would mean more mining and  
refining of raw materials, more construction,  
more housing, more stores and goods and  
services and jobs. The whole character of  
our economy would undergo positive trans-  
formation without the need for expensive  
government subsidies and programs.

Panel:

A. If this kind of tax were implemented, wouldn't  
it put a lot of people like lawyers, accountants  
IRS examiners and such, out of work?

DL. In order to put underused and idle land to its  
highest and best use, new businesses of all  
kinds would be starting up. Existing businesses  
would want to expand. Where would they find  
workers with experience?

B. The government workers who were getting paid with  
taxes could get jobs and produce their wages.

C. Wouldn't there be a lot of overbuilding if all the vacant land gets built up?

DL Do builders build, producers produce just for the sake of doing so or to make a profit? Can profits be made by oversupplying the market - any market.?

A. No. They will continue to produce things and build houses only as long as people continue to buy.

B. Could you really be able to get enough to run the government from just one tax?

DL. There has not been any accurate measure of the amount of land values in our economy but it is far more than we normally recognize. Land assessment, for instance, is usually a small percentage of true value - market value. Many corporations are landholders of one kind or another and rent figures in the dividends they pay. For example, a large part of the value of Marathon Oil Co. which U.S. Steel Co. bought was the value of its oil revenue land. That's rent.

C. But you would be changing the rules of the game

in the middle when the tax system is changed to a land tax.

DL. That's true. Lots of plans are made with expectations based on the way things are. A sudden change would create a great amount of dislocation and disruption.

Do you think that it is possible to make this kind of change in our country, in our economy, so suddenly that it would catch investors, corporations and everyone by surprise?

A. No way. There would be lots of discussions about it - in Congress, and by city councils, everybody.

Moderator: (Host)

The complications of our economic structure become much more understanding when we reduced it to a few simple, basic relationships. The tax structure yielded before a similar simplification. Logical conclusions could be drawn. Conclusions that make sense to us could be arrived at. Nothing short of experimentation will positively prove an idea right or wrong. So, if the theory is correct, how well does it do the job in practice?



-13-

Next week, our program will look at "Where the Land Value Tax is at Work" For a free study guide to this and all the other programs in the series, please write to the Henry George School, 5 E. 44th Street, New York, N.Y. 10017.

## UNDERSTANDING ECONOMICS

### WHERE LAND VALUE TAX WORKS

#### PROGRAM 9

Moderator (Host) Good evening. I'm Prof. Steve Cord from Indiana University of Pennsylvania. In the last session we looked at how the rent of land influenced the selling price, how land is assessed and how the tax on land values is applied. We also discovered that taxing land values is not as radically new as it would appear to be. Land values have always been taxed as part of the property tax. Only, not enough to end speculation. What would be new, at least since the industrial age, is not taxing buildings and other products of labor. Or is it? Several places in the world have utilized modifications of the proposition in interesting ways with equally interesting results. In Part 9 of our series, "Understanding Economics" we will examine some of the ways and some of the areas "Where Land Value Taxation Works."

Let's join our panel of 3 students from Indiana U. of Pennsylvania and 2 discussion leaders - George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

Panel:

A. If the cause of economic problems is so clearly and easily identified and the land value tax such an obvious solution, why isn't it used everywhere?

B Yes. I'd bet most people never even heard of it.

C. You would think that at least one country in the world would try it -  
I mean all the way.

DL. In one of our early sessions we said that most economists - the  
people who mold our economic thinking - considered land as just  
another form of capital. Why tax it differently?

B. But if they have problems, especially land problems, like Mexico  
or El Salvador, why wouldn't they try something else?

A. They do try different things like land nationalization or re-distribution but not land taxation.

DL. That may not be totally true. Land value taxation is tried in several  
ways in several places.

C. Does it work the way it's supposed to?

Lecture:

George - Making changes both in ideas and in  
operations can be fraught with danger. Like  
turning a speeding car around, if it is not  
handled carefully the attempt could cause a  
great calamity. So it is perhaps a good thing  
that there are several partial applications  
of the land value tax reform in a variety of  
distinctly different settings. They may be  
viewed as limited experiments but the results  
which have been obtained give more than just

Chart: LVT-Australia  
South Africa, Fairh  
Alabama, Arden, Del  
Penna., California

a hint of the powerful potential of the full grand design of removing all taxation from labor and capital and taking all the rent of land for public purposes.

Stan - On the flip side of the world, referred to by us in the northern hemisphere as "down under," is the continent of Australia.

Slides-Map of Australia

Since the end of the 19th century, the six states of Australia and most municipalities have been shifting one by one from taxing land and buildings at the same rate to taxing land more and buildings less. In three states, New South Wales, South Australia and Queensland, most municipalities do not tax improvements at all and the city of Sydney in New South Wales is the largest city in the world from which all its revenue comes from the tax on land values alone. Sydney is hailed around the city as a city without slums. The other three states have a combination of some municipalities taxing capital values (land and buildings equally) and some taxing land heavier than buildings. A major study, conducted before 1945 showed dramatic differences in new housing, building

Chart: Recent com  
parisons from IT.

permits issued, newlyweds buying their own homes and immigration in the land value tax communities over the non-land value tax communities. And surveys since 1945 have continued to bear out those trends. Granted there are other taxes, both State and Federal, and these could be other influences, but all the data consistently points to the land value tax as the effective cause of those differences.

George - Even countries that may engage in other practices toward some of its people that we would condemn, we can find evidence of the advantages of land value taxation over capital value taxation. Fourteen of the 28 largest cities in South Africa tax land values only, Chart: South Africa excluding all improvements. The Chief Assessor's statement of Johannesburg, the largest city to tax land only says this - "There are more new developments and more replacements of non-viable buildings than in any other city in the western world." These figures from Pretoria, another LVT city further illustrate Chart: Page from the benefits of the land only tax. Catalyst.

Stan - Closer to home, right here in the United States as a matter of fact, there have been several experiments of communities called Single Tax Colonies (meaning 1 tax) established for the specific purpose of demonstrating the viability of the land tax concept. Fairhope Slide - Fairhope, Ala

Alabama was one of the earliest. It is a community of some 5000 residents located on Mobile Bay. The colony was founded in 1896 by a group of land value tax advocates who journeyed therefrom Iowa. The land is owned by a corporation which leases home sites to individuals who build their houses on the land. Homeowners pay no taxes on the value of their houses. They pay the land rent to the corporation. This is used to pay for roads and all other locally provided services. Arden, Delaware is another community built along the same lines around the turn of the century. Both still operate on the same principle today. No taxes on buildings, only the taxes on the rent of land.

George - The water or irrigation districts in the Modesto region of California have used a land value tax since the law permitting it was passed

In 1909. Farmers paid taxes based on the Slide: Irrigation districts availability of the water whether they used it or not. The result was more intensive farming and the breakup of many large farms that were not being fully utilized. It represented one of the first instances in this country of paying for the infrastructure via a tax on the land values they create.

Stan - In New York during the 1920s a very interesting law was passed which exempted all newly constructed dwellings from taxation to help ease a housing shortage. And although no added tax was placed on the land, the building boom that resulted gave a good indication of what would constantly take place if buildings were permanently exempted and land values were fully taxed instead. Chart: New York study

George - And in my home state of Pennsylvania, there has occurred something quite unique. Based on a law passed in 1913, two cities-Pittsburgh and Scranton (the second class cities in the state) Slides: Pennsylvania began taxing land at twice the rate on buildings. In the early 1950s, the 47 third class cities were permitted, if they wished, to tax land at

any higher rate than buildings that they desired. In 1973, the capital city, Harrisburg, took advantage of the permissive legislation and began taxing land at a higher rate. And since 1979, when following adoption of a home rule charter, Pittsburgh began increasing the land tax rate each time additional revenue was needed. Two other cities, McKeesport and New Castle have adopted higher land than building taxes. The effects, in each city that has been studied, have been impressive.

Chart: LVT surveys  
Pittsburgh, Scranton  
McKeesport.

Stan - In the 5 years since Pittsburgh increased its tax rate from 4.95 on land and 2.475% on buildings to the present rate of 15.15% on land and 2.75 on buildings, it has experienced a more than 20% increase in building permits issued. And most of it took place while actually everywhere else was declining. Scranton and McKeesport, the other two in cities/which surveys were taken, showed successes of a similar kind when compared with neighboring towns of comparable size and economic background. Other countries in the world in which land value taxation has made a mark are Canada, New Zealand and Denmark. As economic conditions and sources of revenue become more critical, land value taxation



may be the alternative employed in more  
and more places.

Panel:

- A. There is much more land value tax around I thought.
- B. Is it producing the amount of revenue needed.
- DL. In the cities in Pennsylvania, the tax rate applied was calculated to yield a specific amount of revenue and that requirement is being fulfilled.
- C. If economists don't agree with this idea and do not recommend it how do governments learn about it.
- DL. All economists may not agree with it or recommend it but some do. There is a fair body of scholarly literature on the subject and there are citizen groups that promote its adoption.

Moderator:

A slow steady evolution toward the land only tax may be occurring But such things often need help. A small group in Pennsylvania has been advocating what they call "Incentive Taxation." I myself am involved with it in some small measure. The legislative process for change works slowly and it is not easy to move from what is known and accepted to the new and relatively unknown. And yet, our experience in this state indicates that understanding of land value taxation is growing and its use will grow. Next week we will broaden our scope to deal with "Economics and Ethics."

-9-

For a free guide to this and all the other lessons in the series,  
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N.Y. 10017.

UNDERSTANDING ECONOMICS  
ECONOMICS AND JUSTICE - BASIS OF OWNERSHIP  
PROGRAM 10

Moderator: Good evening. I'm Prof. Steve Cord from Indiana University of Pennsylvania. Last week we discussed where some of the ideas on taxation developed by Henry George are at least partially at work today. Without question, it would be well worth the time and effort for government officials and economists to examine the results obtained from taxing land values more heavily than taxing buildings in Australia, New Zealand, South Africa and the Pennsylvania cities, Pittsburgh, Scranton, Harrisburg, McKeesport and Newcastle. But the question dealt with then was "is it practical, will it work?" Perhaps a more important question, especially in an age when rights and fairness are of deep concern, would be "Is it just." As a nation of people steeped in Judeo-Christian traditions and with the concept of individual liberty and unalienable rights enshrined in our constitution, the question of justice cannot safely be excluded from the laws and institutions by which we live. In this our 10th lesson in the 12-part series "Understanding Economics" we will explore the question of justice in economics.

Let's turn to our panel of five - 3 students from Indiana University of Pennsylvania and 2 discussion leaders - George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

Panel:

- A. Justice is important and all that but millions of people around the world are starving. Isn't it more important to feed them?
- B. People don't care about justice when their bellies are empty, they want food.
- C. That's why communism is successful. It gives people what they need.
- DL. Why are there millions of starving people in the world?
- B. It's as you said before, speculators and monopolists control most of the land, the people can't make a living. But they need food now.

DL. How does communism feed people?

- C. They confiscate the land - take it away from the big landowners and use it for everybody's benefit.

A. That's justice, isn't it, share and share alike?

DL. Is justice an absolute principle or is it whatever a ruling group decides is just at any given time and place?

- B. Our ideas about morality change with the times. I guess our feelings about justice must also change.

C. Maybe not. The idea of justice has to be more than that, otherwise, we'd have to agree when a monarchy or landowners or slaveowners who /control everyone and everything call that justice.

- A. Can there be such a thing as true economic justice though? Does the government institute economic justice. Who's to say what is

or what isn't just?

Lecture: Stan - Volumes have been written on the

concept of justice; what is right between man and man. The old and new testaments, the greatest Greek and Latin philosophers have dealt with the question. It is as old as man. And the topic is only slightly narrowed, if narrowed at all, when it is brought into the field of economics that

Slide: Sermon on t Mount.

Slide: Aristotle

because / is the means by which we determine what belongs to whom. In fact it may not be an exaggeration to say that this is the foundation of justice. We have already seen some laws of nature as they apply in the economic world - laws determining what portion of product goes to rent, wages and interest. Not much reflection is required to recognize that those "laws" are nothing more than the identification, in formal statement, of what people tend to<sup>do</sup> with what they have possession of or control over - that is their labor, their capital and their land - factors when those are brought together in the productive process. Each seeks to get what he wants with the least effort and all willingly part with what they treasure least for what they desire most.

Since some people have a lot and others very little, the question we must answer is where does the right of ownership of things begin? How is it to be judged what belongs to whom?

George: Here is a picture of an individual standing

all by himself, alone, without friend or neighbor. Everything that he needs he must make for himself. And here again is that same

Slide: Individual alone

individual except that now he is in a crowd.

Slide: Individual in a crowd.

He will now cooperate and exchange with those around him for the things he wants. Is his identity as a unique human being, separate and distinct from everyone else, the unchallengeable possessor of what through his efforts he has made, lessened or eliminated because he is in a crowd, among other human beings, in an organized society? That question is at the heart of the two major ideologies which divide the world today. And it is crucial to the right of ownership. The tradition which prevails in western democracies

Chart: Western Democracies - supremacy of individuals

emphasises the uniqueness of the individual and the existence of governments to serve the aims and purposes of the individuals. That is quite different from the principle on which communist countries

Chart: Communist nations-  
supremacy of the state

operate. There, the good of the state is to be served by all persons, and their abilities are directed by the government to the purposes it defines. Although the controversy is as old as civilization, it is still fresh today. Countries and people are being torn apart and the leading powers remain unalterably at odds over the implications of these diametrically opposed concepts.

Stan - Here again is a portrait of an individual. Slide: Individual

Looking at it we note the obvious - he has two arms, two legs, two eyes, a mouth, and within, we know there is a heart, a brain, the ability to speak, to write, to sing... to communicate. Do these parts and abilities belong to him? Our entire heritage and customs, our concept of government, all suggest that the individual belongs to himself, that with only minor limitations, presented by the/<sup>fact that</sup>the same attributes and qualities/<sup>are</sup>possessed by all other human beings, he is the determiner of his own destiny. The first amendment to our constitution,

-6-

the Bill of Rights, states our acknowledgment of this in very clear terms.

George - Now, if man belongs to himself, has full possession of his mind and his body and has the inalienable right to write, to worship as he sees fit, does it not follow that he has the same right to whatever his mind directs his arms and his hands to produce? The claim of ownership is even more fully endorsed by the pain and fatigue his limbs, his total being suffers in the process. To deny him possession is to deny him a portion of his life. Distilled to these basic elements, the primary right of ownership logically resides with the expenditure of effort - with the person who labored to produce.

Slide-man at machine  
Slide-man farming

Stan - Let's go back to the basics of our study.

During our early sessions it was clearly outlined that there are three distinct factors involved in the production of wealth, each of different character, performing different functions. Land - the passive factor, the source from which all wealth is made;

Chart: Factors of  
Production - Land, Labor  
and Capital



Labor - the active factor, the initiation and  
producer of all wealth; Capital - the derivative factor, items of wealth used by labor to  
increase productive efficiency. Individual  
claims to wages, the portion of produced  
wealth which goes to labor is justified by the  
right of the individual to himself and what he  
produces. Individual claims to interest, the  
return to capital from production, is but an  
extension of the right of labor to his product.

Chart: Wealth - Land  
+ Labor + Capital.

When, instead of consuming the products of his efforts, using it all up, labor uses some of it to produce yet more wealth, the reward for capital's contribution, interest, attaches to the ownership of the capital by virtue of labor being the producer of capital. But what about rent, the return to land?

George - When individuals obtain rent for the use of land, there is an obvious departure from the basis of ownership that has so far justified the claim to wages and interest. Clearly, land was not produced by any individual. It appears as a free gift of nature or of nature's god. And

common ownership is recorded as the pre-dominant form in virtually every culture until relatively recent times. The claim of private ownership of land which exists over so much of the modern world has been accomplished by force of arms, fraud and trickery, usurpation and denial exercised against "primitive peoples" who had no concept of private ownership of land, and over newcomers to regions of the earth

where land monopolists had already laid  
/Absolute titles & deeds have merely legitimized flagrantly fraudulent  
their claim/ No better argument than is  
claims

made for private ownership of land can be  
made for private receipt of rent, the return  
to land. The value of land is not produced  
Slide-Landlord  
collecting rent

by the holder of the land. It is not dependent on what, as an individual, he does or does not do with the land. Recollecting that vacant land in the heart of a city is worth as much, has a value as high as equivalent fully built up land around it, readily confirms this truth. The owner as an individual, having done absolutely nothing, expended no energy of his own to create that value, has no basis in labor on which to

claim rightful possession of the rent.

Stan - The value or rent of land results from the presence of the population <sup>as a whole;</sup> <sub>/arising from</sub> including our individual landholder, /their demand for space, their efforts to build and improve, develop and distribute all <sup>desired</sup> the things that are/in the community. Reduce the amount of desirable things in the community and the value of the land will decline. Take away the population, let the people leave, and the land loses all value. To be consistent in our application of the principle that labor is the basis of ownership-that the product belongs to the producer - the rent of land must belong to the whole community. The land itself must be the common heritage of everyone, accessible to everyone. For while it was not made by anybody, no body can survive without it. The custom of allowing land to be owned as private property just as one would own a suit, a car or a pin, precipitates a host of injustices. The landowner enjoys exclusive use of the land without having to adequately

-10-

compensate the other members of the community for being excluded from it. The landowner is able to deny others the opportunity to use the land when he chooses not to use it. The landowner is given the power to collect rent for the land although the rent justly belongs to the entire community.

George - This fundamental injustice then, owning land as private property, robs from the masses of men the opportunity to earn a<sup>decent</sup> living. It breeds the desperate state of poverty in which countless millions are destined to remain ill-fed, ill-clothed, ill-housed, unwelcome surplus in a world that could easily supply their every need. In our compassion for those victims we, in the nations that have had some circumstances favorable to spurts of development and have a middle class, in our concern for the pitifully poor, have further compounded the injustice. We take away in taxes of many kinds, the justly earned wages and interest of industrious members of society to give aid to the more

Slide: IRS office

-11-

severely dispossessed. Welfare, food stamps, public housing and all the other forms of support not only do not attack the cause of the problem, but in so far as they may alleviate the severity of the symptoms, they enable private holders of land to extract more rent from those skillful enough to still make productive use of it. The goodness of our hearts is ridiculed by the wrongness of our actions.

Stan - But new perceptions of the injustice of private property in land is growing even in places where it produced absolute domination of the people. About 500 years ago Pope Alexander VI decreed by a single stroke of the pen, that the lands of the newly discovered Western Hemisphere would be divided between Spain and Portugal by a line drawn along a longitude which gave to Spain almost total possession of most of Latin America. The Roman Feudal fiefdom of the land belonging absolutely to the lord, the King with everyone and everything on it his vassals and chattel, was thus implemented in the New World. Each new region claimed

Slide: Map of the Americas.

In the name of the King with sword and musket was granted to a favored courtier or explorer. The present day padrone, trying to resist the drive of hungry peasants to break up his latifundia and acquire the land, is defending a gruesome injustice that to most thinking people is indefensible.

George - The appeal of Socialism in the struggle to right this historic wrong has been great. But the failure of the methods of Socialism to fulfil the hopes of socialism are even worse than the impotence of our kindhearted subsidy to the poor and the unsuccessful. Taxation of land values instead of labor and capital is the effective antidote to injustice and poverty, and the antithesis of Socialism. Let's make a quick comparison of the two reforms. Note the sharp differences in each area. First, with regard to land. Under land value taxation or LVT, private ownership of land would continue with the landholder paying the full annual value or rent to the community and the use of the land would remain under the control of the titleholder. Under Socialism, land is

Chart: comparison LVT  
and Socialism.

owned and controlled by the Government. Labor under LVT would enjoy free access to land and resources and the freedom to decide what goods or service they wish to produce. Under socialism, labor's efforts are directed by the government to the tasks which fulfill its needs, requiring, in the words of the well known slogan, "From each according to his abilities." And capital under LVT would be privately owned and controlled. Under socialism, capital must be owned and controlled by the government.

Stan - Taxing the value of land to provide the revenue for public services, permitting labor and capital to have unrestricted access to land, and giving them the assurance that they will rightfully receive and enjoy the full rewards of their earnings, is in complete accord with the fundamental tenets of justice. It can be no more clearly stated than that labor is the rightful basis of private property and that land, not being a product of human labor but being necessary to the survival of everyone, must be recognized and treated as the common

property of all mankind. Churches and religious leaders of all faiths are joining economists, philosophers and politicians from countries in acknowledging around the world/that the earth is the birthright of all mankind/<sup>that</sup>and it must be made so in principle and in practice.

Panel:

A. It does seem right to think of land as our common heritage.

B. Yes. But to change the way it is owned, you would have to change centuries of thinking.

C. People won't give up their land so easily that's why there are violent revolutions.

DL. Does taxing land values require owners to give up their lands or their titles to it?

A. No. From what was said, they can keep the land as long as they pay the full rent as taxes.

C. But you are taking away the value. Some people - speculators are going to lose. They bought the land.

DL. Is there a "carrot" being offered along with that land tax "stick"?

B. Right. There won't be any taxes on anything they build or do with the land.

A. That sounds equitable and just, but will people really accept it?

DL. Do you accept it?

Moderator: The values we espouse shape the political, economic and social institutions which govern our lives. The problem often is translating those values into practical measures. The principle



-15-

of justice is rooted in our moral and religious beliefs. Only when its economic base is laid will its observance throughout society occur. Man is clearly a land animal. Our dependance on its resources is evident. As we become more scientifically and technologically sophisticated, we must better appreciate how fully intertwined is our relationship with our environment. Next week, number 11 in our 12-part series, "Understanding Economics" we will discuss "The History of Land Tenure," throughout the world.

For a free guide to this and all other lessons in the series, please write to the Henry George School, 5 E. 44th Street, New York, N.Y., 10017.

## UNDERSTANDING ECONOMICS

### PROGRAM 11

#### THE HISTORY OF LAND TENURE

Moderator: Good evening. I'm Prof. Steve Cord from Indiana University of Pennsylvania. Last week our program explored the very rudiments of economics - the basis of ownership. Who get what when wealth is produced is the fundamental relationship in economics for it dictates whether or not and to what extent people will expend their energies in productive activity. If one cannot consume he will not produce. Justice decrees that rent belongs to the community and wage and interest belong, without reservation, to the worker and the capital owner. Confusions which blur the distinction between land and the wealth that man makes have distorted justice and the equitable distribution of wealth. In "The History of Land Tenure," number 11 in the 12-part series, "Understanding Economics" we will explore how various peoples have treated land. Let's turn to our panel of five - 3 students from Indiana University of Pennsylvania and 2 discussions leaders - George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

Panel:

A. Why should

we bother ourselves with discussions about how land was owned hundreds and hundreds of years ago.

B. What we're doing with it today would seem to me to be the important thing. After all, our economy is quite different from the economy of three or four hundred years ago.

C. Different cultures may have ways of dealing with land. Maybe we could learn something from them.

D. Suppose we were able to find other societies which had practices

just like ours, what could we look for that might tell us something about our own?

- C. We could find out if they had the same kinds of results that we are having then we would know if we are on the right track or not.

- A. After more than two centuries of a system that has developed to be the most productive that the world has ever seen isn't that proof enough that we are doing something right?

- DL. Can we make any judgments about how long our economy and even our culture will continue to thrive...or what conditions may cause it to collapse?

- B. I guess we can only try to learn from past mistakes.

Lecture:

George - From the very beginning of our series of lessons, we emphasised that in order to make wealth, the things which sustain our lives and make it enjoyable, three ingredients are necessary - land, labor and capital. Land, the passive factor, the oceans and rivers, the earth and its minerals, oxygen and helium, all that is natural - is the source of our survival.

Chart: Land, Labor  
and Capital

How it is used determines how well or poorly we survive. The history of its use in other cultures and at other times may give us some clues to our own fate.

Stan - A number of years ago, a famous television comedian stated that there are seven basic jokes and all comedy routines are built on those seven.

Something similar can be said about the ownership of land. Although there are many variations and arrangements, as we well know, there are but three basic types of ownership of land - state or public ownership, private ownership and common ownership. With state or public ownership, a government decides how, when and for what purpose land is to be used, exercising complete control over the operations upon it. With private ownership, an individual, corporation, partnership or syndicate has absolute and exclusive right and control of the land They decide if, when and how the land is to be used.

Chart: Types of ownership - state, private, common.

In common ownership the land belongs equally to all the members of the society. They may use it collectively if the group is small. When the numbers are large, a nation with millions of people for instance, individual members may obtain exclusive use of portions of the land by paying the

rent of it to the community at large. The individual cooperation, partnership or syndicate would control the use of the land. The type of ownership employed will influence how well an economy operates and the extent to which special privileges are enjoyed by some at the expense of others.

George - Land laws are very prominent in the Old and New Testaments. The ancient Hebrews considered it a gift from God to all his children from which none should be permanently excluded. It was therefore required to be redistributed every 50 years. In the book of Leviticus, they are admonished "The land shall not be sold forever; for the land is mine; for ye are strangers and sojourners with me." And in the New Testament, the theme of stewardship of the land is also found within its pages - "The earth is the Lord's and the fullness thereof."

Stan - The Bible thus reports a special and spiritual relationship between a people and the land that is not unknown among other cultures. From primitive cultures that predate the Greco-Roman era down to some in our modern age, the theme of land

Chart: Leviticus 25  
"The land ..."

Chart: "The earth is  
the ..."

as a special gift to all the people appear.

The Native Americans (Indians) revere  
earth as the "great spirit" or "the

Slides: Tribal Indian  
Groups

great mother" to be kept sacred and  
undefiled. It was held in common by  
all the tribe. Each group throughout the  
ages has had its own mechanism to cur-  
tail monopolization or special advantage  
to which there is always a tendency. But  
private property in land was alien to most.

George - It was during the period of the Greek  
and Roman civilization that the universality  
of common property in land began to be  
eroded. During the many wars throughout  
the period, large areas of conquered  
lands were handed over to victorious  
generals and chiefs. The small farms of  
Italian husbandmen and the common land  
which was open to all users gave way to  
large private estates, the giant latifundia.  
Thus free men were either made tenants on  
the land they formerly owned, driven into  
slavery or into Roman cities to become  
part of a hungry rabble reduced to selling  
their votes for food. And therein lie the  
seeds of its ultimate destruction.

Stan - During the Middle Ages as various German tribes invaded the remnants of the declining Roman Empire, they brought with them the idea of common ownership of land. This was blended into the Roman system of individual ownership and brought forth the feudal structure. Within it ultimate power over the land rested with the ruler, the King. And the holder of a grant of land, though exercising total control over his fiefdom, exacting burdensome tribute from his minions, owed and paid obligations to the crown. This system was extended to every region of the world as "new discoveries" were made. The lands of the new world were claimed in the name of the king - of England, of Spain and France, of every conquering nation.

Slide: Map of New World  
English, Spanish and  
French colonies.

George - The system of land tenure implanted in North America followed the British model. The first discoveries were made in behalf of the Crown. The king then parceled it out to his titled favorites as was done in Britain, plus portions

to adventurers, trading companies

and his creditors. William Penn obtained the land he named Pennsylvania as payment of a debt the King owed his father,

Slide: New York, Penna.  
and Delaware.

Admiral Penn. But by the time North

America began to be settled, landholders in Britain had succeeded in significantly reducing their obligations to the Crown and the Common lands were being made private property. Furthermore, the immigrants who left the crowded cities of Europe where a title to land was clearly a title to wealth and power, came to a world of limitless land, free for the taking. Unlimited private property in land, free of obligation to anyone for its possession, was the inevitable consequence.

Stan - Some of our founding fathers and early

leaders of our nation, Washington and Franklin,

to mention but two, were owners of vast Slide: Washington and  
Franklin

amounts of land. Their stand for individual liberty and freedom from the Crown was in large measure a landowners stance. They held their land in anticipation of the day when it would become much more valuable. As the new world became more populated and land in



the older section of the country and in specific areas became scarce, it became obvious that high profits could be made by buying and selling land if one was willing to hold and wait. Land speculation entered the system as only it could - under conditions of unrestricted, obligation free, private property in land.

George - The 13 colonies became the 13 states and with time population flowed into new territories. And as new states were added some of the land was held in reserve by the Federal government. So in addition to private ownership of land, we have in our country state or public ownership of land. At the present time the Federal government owns approximately one-third of all land in the United States. The government decides whether or not the land it owns will be made available for use. It stipulates what may be done and under what conditions. The usual means by which it is made available for individual use is by lease. Bids are taken at auction and the highest bidder wins the right to drill for oil or gas, cut timber, graze cattle or whatever has been approved on that land.

Leases are generally on large amounts at great costs that the average person cannot afford.

Stan - Of the three methods of owning land, private ownership has had the most profound influence on our economy. Land speculation which is an inevitable development has been the source of some of the greatest fortunes in America. John Jacob Astor and Marshall Field are names that jump out of the pages of history as examples of American land barons. Grants of millions of acres to railroads in the 1800s, land grabbing schemes of every description and periods of feverish speculation produced periodic depressions and wreaked dramatic changes upon our society. And today, 95% of the privately held land of the U.S. is concentrated in the hands of 3% of the population.

George - Throughout the periods of great change, struggle and debate to define our system and our ideals, there were voices raised, however faint, against land monopolization and speculation.

Slide: Railroads

Chart: Figures on land ownership.

The architect of our constitution, Thomas Jefferson said "The earth is given as a common stock for men to labor and live on." And the great emancipator, Abraham Lincoln, was most emphatic. "The land, the earth God gave to man for his home, sustenance and support, should never be the possession of any man, corporation, society or unfriendly government, any more than the air or water, if as much. An individual, or company or enterprise requiring land should hold no more than is required for their home and sustenance, and never more than they have in actual use in the prudent management of their legitimate business, and this much should not be permitted when it creates an exclusive monopoly. All that is not so used should be held for the full use of every family to make homesteads, and to hold them as long as they are so occupied."

Stan - Common ownership of land emerges as the method most suited to an equitable distribution of wealth, allowing even the least proficient equal access to the resources he can utilize, rewarding each with the full return of his labor and

capital and providing a community created fund adequate to meet the legitimate needs of the community. Sufficient attention may not have been paid to it in the past. But there is a change taking place. Recognition is growing as concentration of ownership, speculation and economic and social disruption have become clearly associated.

Panel:

- A. What would be the best way to get common ownership of land in our country?
- B. The laws would have to be changed.
- C. Do you mean make it illegal to own land?
- B. No. Change the laws so that land can be taxed instead of other things.
- DL. How do we get changes in the law?
- B. Politicians have to vote on them.
- A. Politicians won't pass laws that nobody is asking for.
- C. Well, some cities have a little heavier tax on land now. It would have to become a national thing, wouldn't it?
- DL. Are you saying that many more people across the country will have to understand it and urge legislators to adopt it?
- A. Sure. That's the way things like this get done.
- B. Yes. But people have to understand it first. It should be taught more.

Moderator: Being a Professor of History, it is very obvious to me how our land tenure system has shaped our economy and history.

-12-

Studies have shown a correlation between depressions and land prices which confirm these theories. And obviously, it is not an American phenomenon. The problems are much more acute in countries which do not have an industrial base in which better technology may offset the advance of land prices. Next week in the last of this 12-part series "Understanding Economics" we will broaden our perspective to discuss the road to "Progress and Freedom."

For a free study guide to this and all other lessons in the series, please write to the Henry George School, 5 E. 44th Street, New York, N.Y. 10017.

UNDERSTANDING ECONOMICS  
LIBERTY & PROGRESS

PROGRAM 12

Moderator: Good evening. I'm Prof. Steve Cord from Indiana University of Pennsylvania. Our program lastweek took an historic overview of the systems of land ownership that prevailed in countries, civilizations and cultures from ancient times to modern day America. Although a blending of all three forms appeared in periods of transition and cross cultural contact, through conquest and otherwise, the concept if not the practice of common ownership appeared in virtually every place and period. And more to the point, economic vigor, independence and equity thrived where common property in land prevailed only to die when replaced by private ownership or state control fostered by special privilege and tyranny. In this our last lesson of the 12-part series, "Understanding Economics" we will broaden our focus to take in the implications and nature of the relationships within and among societies to the growth of civilization. For the discussion of "Liberty and Progress," let's turn to our panel of five - 3 students from Indiana U of Pennsylvania and 2 discussion leaders - George Collins, director of the Henry George School in Philadelphia and Stan Rubenstein, director of the Henry George School in New York.

Panel:

A. If our society is to be better, more equitable and give everyone what is rightfully theirs, won't people have to become better?

- B. We have developed better ways to kill one another.
- C. Doesn't the Marxist communist idea of setting up society so that everyone learns to share equally make sense? Then when everybody accepts that principle and live by it, the state won't have to control them any longer.
- DI.. When people become religiously devoted to an idea, they tend to look forward to some greater personal reward. If labor is forced to give up its rightful earnings, what will cause them to want to continue doing so when the force is removed.
- C. A better society.
- B. But that's not quite a personal reward, is it?
- A. Well if you can't change people you have to change society. How can you change society if people are allowed to do what they please?

Lecture:

Stan - Economics, or to use the more comprehensive term, political economy, deals with how man makes a living. It is a social science based on certain natural laws concerning human behavior. Understanding these laws and how they influence relationships will show us what changes make an economy thrive or decline.

Applying these premises to the relations between nations should reveal to us which conditions will enhance our mutual benefit and the growth of civilization and which will retard it.

George - A study of history confirms that no civilization has survived, uninterrupted, to this day. They have been many, and great. Each has had its era of splendid development and great achievement only to collapse into oblivion. The rich Athenian culture has bequeathed to us standards of art and beauty, language and learning that will stand for all time. But their civilization is no more. One reason for the differences in achievement between one group and another, it has sometimes been thought, is the inherent ability of the race. The difference between Europe and Africa or the Middle East, for instance. But history also

Slide: picture of Athens

Slide: Scene of Britain

Slide: picture of Egypt



recalls that Egypt lit the lamp of learning before Rome and Athens were great and, in fact, handed the torch to them in its fall. And notable achievements that bear the marks of civilization have been found in every continent - Asia, Africa and the Americas no less than Europe.

Stan - Charles Darwin's theory of natural selection, that the fittest members of

Slide: picture dealing with Darwin

a specie survives, transmitting superior traits to their descendants had in times past been offered up as an explanation for the differences in condition between different peoples. But just as it is noteworthy that civilization came to different groups at different times, so too must it be noted that no superior traits saved any from extinction. There has been no one civilization flowering and rising from height to greater height throughout the ages. All have faltered and would be forgotten but for the traces

found by lesser lights or in later ages. Furthermore, sociologists and psychologists know that a child from a backwood culture or deprived circumstance reared in an advanced culture or privileged circumstance, free from any negative distinctions, will exhibit all the attributes and qualities of its acculturation. Human nature, capabilities, or intellect have registered no measurable change in all our history. The changes which have occurred have been to the societies we built. The customs, mores, traditions, laws, institutions we have structured produced conditions for better or for worse, for progress or decline.

George - And if it is in our institutions, our laws, the way our societies are structured that they advance or decline, then there must be a path to follow, some do's and don'ts for achieving success. What are the relationships, the natural tendencies, which if followed will produce upward momentum, social growth, human progress?

If they can be identified and observed we may succeed in avoiding the fate of the Romans, Greeks, Egyptians, Chinese and all the other civilizations which preceded ours.

Simple observations about ourselves as human beings are enough to get us started. We are mortal. We have limited energy. We must expend our energy prudently to sustain and extend our lives. But this is pure maintenance of self. We have higher aspirations.

Chart: Characteristics  
of human nature - 1-Gratify  
physical desires 2-Enhance  
mental power

There are social, intellectual, spiritual needs to be fulfilled. However, before they can be served we must take care of those physical needs - maintain ourselves.

Stan - To survive with energy to spare, to devote to those progressive aspirations, we must get the most we can with the least effort. We learned this fundamental economic fact early in these programs - that isolated from others man can produce very little. A Robinson Crusoe placed

in the most favorable natural environment will produce enough wealth to sustain himself only in the simplest way by the rudest means. But put him among other men and he will cooperate, specialize, and exchange goods and ideas expanding the power of his mind and muscle. to produce wealth in abundance far beyond his ability to immediately consume and stretch his mind with new ideas about himself, his fellowman, the world in which he lives, and worlds beyond his reach or ken. The wider the contact, trade and relationships, the better is his ability to maintain himself, in ease and comfort and to devote his mental powers to progressive pursuits. The condition that must first appear for progress to occur is association with other peoples.

George - A recurrent theme throughout history is that of strong groups over-

powering weak, advanced people dominating primitive, rich exploiting poor. In-

variably, those imbalances brew hatred, hostility and warfare. No group ever will remain subservient without some form of

Chart: Non-progressive  
1-Maintaining what we have  
2-Conflict wastes mental power.

revolt. Instead of association being one of mutual benefit with increased material satisfaction and the time to search for truth, justice, honor, knowledge, love, all that makes man better than a clod, his time, thought and energy is spent in conflict. Along with association there must therefore be equality for human society to progress. One may in fact state thosetwo conditions as a law of human progress - association in equality.

Chart: Law of Human Progress

Stan - But in order to reap those benefits our very nature imposes severe demands upon us. Repeated practices and recurring conditions are comforting. They are dependable and require little concentration or attention. We could devote ourselves to more pleasing pastimes than the way our

courts, legislatures, police, military      Slide: some institutions  
professions and tax codes are operating      of society

if conditions did not change. But change  
they will and so must those institutions  
to maintain equity and lessen conflict.

For as population and activity grow,  
wealth and power concentrates in the hands  
of the holders of those positions as they  
become more and more specialized. They  
become monopolies and the small group which  
hold them, along with the holders of the  
greatest of all monopolies, land, wrest  
control of the government from the governed,  
take the fruits of the economy from the  
producers and use that power to protect  
their position of privilege and wealth.

Those who have nothing but their labor  
naturally spend all their energies attempting  
to get from the wealthy what they have.  
Their political equality fails to halt  
the economic inequality and both groups  
waste their energies in conflict instead  
of progress.

George - All means fair and foul are employed  
in the battle between the privileged and  
the exploited. Corruption and crime,  
amoral and immoral behavior, what is  
merely legal instead of what is just,  
become the hallmarks of a civilization  
corroded by inequality and heading for  
oblivion. How can it be avoided? How  
can civilization be spared? The insti-  
tutions - legal, police, defense,  
legislative, administrative must be  
adjusted as population grows, activities  
change, concentration and specialization  
develops. They must be made constantly  
accessible and responsive and submissive  
to the public will instead of their own  
self-interest or that of the wealthy.

Slide: Crime, stealing,  
cheating.

Land monopoly and speculation the major  
source of wealth and power, must be  
eliminated if the disproportionate in-  
fluence on those institutions is to end.  
Not because it is the only source of  
unearned wealth and influence but because

it is the most enduring and most distorting. Monopolies based on capital may grow obsolete, or be substituted for by other goods but land cannot be avoided. And as long as it remains private property its possessor will obtain undeserved rent and wield undue influence.

Stan - Justice demands that each individual obtain fully what rightfully belongs to him by virtue of his labor. It insists that no one enjoy what he did not produce or get freely from the producer. Justice directs that the value arising from the land be used for the benefit of the whole community. And justice decrees that men be free to pursue their own dreams, fulfill their own desired destinies. The liberty that men must enjoy for justice to be served has to be real. Much is made of free enterprise and equal rights and individual liberty in our country, as well it should. But they cannot be met



when the indispensable requirement for survival is monopolized and manipulated for private gain at the public's expense. The denial of economic justice has been manifested in a variety of ways. We now see that the roots of communist arrival in Russia, the great American depression of the '30s and Nazism in Germany were unequal opportunity due to land monopoly and speculation and the consequent loss of liberty.

Slide: Depression,  
Nazi Germany and Communist  
Russia

George - In what is to my mind the most eloquent expression on liberty, the great 19th century American economist, Henry George said, "We honor Liberty in name and in form. We set up her statues and sound her praises. But we have not fully trusted her. And with our growth so grow her demands. She will have no half service!

"Liberty! It is a word to conjure with, not to vex the ear in empty boastings. For Liberty means Justice, and Justice

is the natural law-the law of health  
and symmetry and strength, of fraternity  
and cooperation....

"She is to virtue what light is to color;  
to wealth what sunshine is to grain; to  
knowledge what eyes are to sight. She is  
the genius of invention, the brawn of  
national strength, the spirit of national  
independence."

Stan - And he cont'd...."It is not enough that  
men should vote; it is not enough that they  
should be theoretically equal before the  
law. They must have liberty to avail them-  
selves of the opportunities and means of  
life; they must stand on equal terms with  
reference to the bounty of nature. Either  
this, or Liberty withdraws her light!  
Either this, or darkness comes on, and  
the very forces that progress has evolved  
turn to powers that work destruction. This  
is the universal law."

Panel

A. Liberty seems to mean more than the right of free speech and

assembly talked of in the Constitution. It also means economic freedom.

B. Can you really say that there was liberty and equality in the old civilizations?

C. Slavery, for instance, existed in Greece during the height of its civilization.

D.L. Perfection among men is difficult to imagine and no doubt impossible to achieve. But isn't it true that anything we do that is in accord with natural tendencies will yield positive, if partial results?

A. Sure. Political democracy is a good example. Government of, by and for the people. It doesn't work perfectly, but it gives everyone a free choice in deciding who is to govern, for how long and in what way.

B. And what you would say we need to go along with that is economic democracy - free land.

D.L. Free access to land. Land may have a value, but if that value is fully taxed would it be held from production at a price?

C. No. People would use it as soon as they got it or they wouldn't keep it. Land would always be available.

Moderator: There you have it. We have come to the close of a series of discussions leading to the most important question of this or any age - the survival of civilization. The threat of nuclear

-15-

annihilation is but the logical conclusion to the denial of access to land. That denial of liberty is the denial of life. All around the world people are seeking access to natural resources. Where they want work, there is none, where they have work, they keep little. And most are ready to trade what liberty they may have for what security they may find. Is it not possible to change or faulty practice and gain economic security and liberty? "It is the riddle which the sphinx of fate puts to our civilization and which not to answer is to be destroyed." For a guide to all the lessons in this series please write to The Henry George School, 5 E. 44th st N.Y. N.Y. 10017.

# UNDERSTANDING ECONOMICS

## Program I

"Money, Money, Money:

Misconceptions About Wealth"

In economics, and in most other things, we often fail to properly define what we talk about. This is particularly true of the most important concept in our studies -- wealth.

Many definitions have been used, but our's must be specific and consistent. It can't change from one moment to the next, as that would create confusion and throw mud in our eyes at the very beginning of our exploration of economics.

Moreover, it is essential to distinguish between the world of nature and the world of people. Consider for a moment our planet without men and women and without all they have ever created. What is left is the world of nature.

With this in mind, for something to be considered "wealth", it should meet several important criteria:

- a.) It must be man-made.
- b.) It must have exchange value.
- c.) It must satisfy a desire.
- d.) It must be material.

Many economists spend immeasurable time in areas that fall outside our concept of wealth. For example, although money is essential in our economy, it is not wealth. Stocks and bonds, a barometer followed every day by many, are not wealth because they do not meet our criteria.

However, no criteria are valid unless they can meet the test of logic and common sense -- which we hope to illustrate as we study the production and distribution of wealth in forthcoming lessons.

In brief, wealth can only emanate from one source -- nature.

Test your understanding of the concept we call "wealth". For each of the following, check off whether it meets our four criteria, then answer "yes" or "no" to the question, "Is it wealth?"

	Man-made	Exchange value	Satisfies	Material
--	----------	----------------	-----------	----------

An old car in a junk yard				
---------------------------	--	--	--	--

Jewelry in a vault				
--------------------	--	--	--	--

A government bond				
-------------------	--	--	--	--

A grove of fruit trees				
------------------------	--	--	--	--

Gasoline in a storage tank				
----------------------------	--	--	--	--

To be considered "wealth", all four criteria must be checked.

# UNDEFINING ECONOMICS

## Program II

### "Dirt Cheap Isn't Cheap Anymore"

In sharpening our definition of wealth, we came to better understand the concept. So it is with one of its basic components -- land.

Economists consider all things which mankind did not create "Land". All planets and stars, all wild animals, all grasses and trees, fish and the oceans they inhabit -- all are considered land.

Thus, strange as it may sound at first, the sea is land. The air we breathe (unless it is coming out of an oxygen mask) is also land.

Think about it....

We rely on nature (land) for the creation of all wealth. Indeed, it is essential to our survival. Yet, its importance often escapes us.

From land we created the first primitive club and the most sophisticated nuclear weapon. All our food, clothing and shelter derive from land. The ground upon which we stand, the air that sustains us, the sun which keeps us from freezing to death -- all land.

And that's all the land we will ever have.

Land can not be destroyed -- it lasts forever. We can certainly alter its shape, turning water into gas, converting solids to liquids, and the like. But there isn't one ounce less land today than there was when the earth was formed several millennia ago.

And there isn't an ounce more either. There is a fixed amount of land -- a totally inflexible constant in the economic picture.

Certainly those who own the land exert a powerful influence in the creation of wealth.

### WHO OWNS THE LAND?

#### "True or False"

1. Three percent of the population owns roughly 95 percent of private land in America?
2. The federal government owns more than a third of all U.S. land?
3. Less than three percent of all American land is classified as residential?
4. Non-farmers own 40 percent of U.S. farmland?
5. The Exxon Corporation owns U.S. land equivalent to the size of the state of Maine?

Answers: With the exception of Question 5, the answer is true. In fact, Exxon owns land equivalent to twice the size of Maine.

# UNDEFINABLE ECONOMICS

## PROGRAM III

### "People": The Real Value Makers"

Two events that occur one after the other are called a sequence. If the first caused the second, we have a consequence. A consequence that always repeats is said to be a natural law.

The physical sciences abound in natural laws. We live by them every day-- often without even knowing it. For example, we don't have to know Issac Newton's Laws of Motion to realize that we must slow down before making a sharp turn in our automobiles.

Although harder to identify, harder to prove, the social sciences have their share of natural laws too. And just as we have no choice but to abide by the laws of gravity, we must observe these natural laws-- even though we don't know them! They are part of what makes us humans.

Trying to do something contrary to natural law can prove disastrous. Often we realize this and respond to it, as when we patiently explain to a small child that Superman is only make believe, that nobody can really fly and that he would get seriously hurt if he tried to fly.

For some reason, though, we fail to recognize the existence of natural economic laws, even though they are as important to the well-being of our economy as the physical laws are to our bodies. Our government adopts laws and tariffs and restrictive regulations without regard to their eventual consequences.

The failure to recognize natural laws in economics has contributed to long-range problems in our economy (inflation, unemployment and high taxes, to name just three). The conscious decision to circumvent them with man-made substitutes has only made things worse.

### THE LAW OF RENT -- Part one

You are the first settler on a vast expanse of land. The drawing represents how fertile each section of land is. As the first arrival, choose the area you want by placing an X in the box.

10	9	8	7	6	5	4	3
----	---	---	---	---	---	---	---

Your land yields 10 bushels of wheat per month. You work it by yourself and keep all the wheat for yourself. That wheat is called "wages" because it is the return for your exertion.

Mister Y arrives and must choose the land he will work. What are his choices? What would he likely choose? Why?

X 10	9	8	7	6	5	4	3
------	---	---	---	---	---	---	---

Wages=10

Seeking to satisfy his desires with the least possible exertion, Y claims the 9-bushel land. But suppose you wanted him to do your work. How much would have to pay him to even consider your offer?

# UNDERSTANDING ECONOMICS

## Program IV

### "When Natural Allies Clash"

Imagine you are shipwrecked on an unchartered island. You have nothing but the clothes on your back. Also on the island are the ship's first mate (who was seriously injured and who drifted ashore clinging to his tool chest) and a native who is twice your size and rather unfriendly.

You have to provide for essentials until a search party arrives. The first mate can't work, but he will give you the tools you need to build a crude hut, to chop open coconuts, etc. You realize that it would take you forever to accomplish such things on your own, so you take him up on it.

But the native has other ideas for "his" island. He'll let you build a shack, but only if he can sleep there too. He'll let you crack open the coconuts, but he'll take the ripest ones. He'll permit planting a simple crop, but demands control of the harvest.

There is a great deal of hatred on your island, and quite logically it is directed at the native. How strange it would be if animosity prevailed in your dealings with the handicapped first mate. He is helpless without you, and vice versa.

In our country today, labor and capital are often at odds. But can a worker function without tools, a farmer without fertilizer? Can an owner of capital prosper without someone willing to put that capital to use?

### THE LAW OF RENT -- Part two

We witnessed that rent absorbs all wealth above that which can be produced at the margin. But what happens when capital enters the picture?

Lets assume that a capitalist arrives in our model community bearing a new type of machinery that will increase production by threefold.

Thus its use will make possible a 30-bushel crop on 10 land, 27 bushels from 9 land, etc. But how much of this increase will the capitalist get?

### PRODUCTION BEFORE CAPITAL

10	9	8	7	6	5	4	3	2	1
----	---	---	---	---	---	---	---	---	---

Obviously the capitalist won't get the entire increase, otherwise there would be no advantage to labor for using the machinery. And certainly the capitalist will get something for his machinery. He didn't go into business to lose money.

### PRODUCTION WITH CAPITAL

30	27	24	21	18	15	12	9	6	3
----	----	----	----	----	----	----	---	---	---

Because of capital, production at the margin has been raised to 15 without an increase in labor. Thus, capital makes it possible for labor to work the land more efficiently and to vastly increase the potential yield from that land.

But look at what has happened to the land to the right of the margin:



# UNDISCOVERED LANDS ECONOMICS

## PROGRAM V

"Space Invaders: How Land

Speculation Keeps Americans Out Of Work"

We know two things to be indispensable in the creation of wealth.

Labor is needed to mold and shape nature into the things we desire. And nature (land) herself is needed.

The labor supply is not fixed. Population shifts, demographic trends, and job training initiatives are all examples of our fluctuating labor supply.

The capital that makes it possible for labor to work more efficiently is far from fixed in supply. In fact, it ebbs and flows in correlation to the amount needed in the production of wealth.

Land, however, is unique in that there is only so much of it. We can't create more to meet the demand; we can't effectively move it to where more is needed. It is the only static force in the production of wealth. As such, it is worthy of special attention.

The owner of land is the only passive force in the production of wealth. He doesn't have to work or invest to reap a large portion of the wealth pie. All he has to do is to allow his land to be used. And sometimes he chooses not to.

When product prices rise, producers rush to the market to take advantage of the generous price. In doing so, they satisfy the demand somewhat and prices fall. In addition, rising prices tend to speed production. And when these new goods reach the marketplace, prices fall still further.

In the land market, rising prices can't stimulate the production of new land. There are no expenses involved in keeping land off the market. If the landowner doesn't sell during a time of peak demand, fresh supplies can't materialize and quench that demand. Land prices will keep rising.

The market forces that regulate our economy break down when it comes to land. Demand does not dictate supply -- nothing does. The owner of land very often exploits this fact by deliberately keeping prime locations off the market so that prices may continue to soar.

In doing so, he may become rich. But he also denies everyone else access to the most basic ingredient in the creation of wealth.

### THE LAW OF RENT --III

Experience tells us that the first settler in our model community might have done more than settle on the 10-bushel land if he realized that the next-best land would soon attain value.

10	NO TRESPASSING	8	7	6	5

In this way, he could earn his living off the ten land and hold the nine land for speculative reasons. When the second settler arrives, his choices have already been narrowed considerably.

# UNDERSTANDING ECONOMICS

Program VI

"Adding Up Our Losses -- The Cost of Growth"

It seems sometimes, judging solely by the headlines, that we've done a poor job of absorbing our nation's growth. Inflation and stagflation, toxic recession and depression, unemployment and underemployment, as well as toxic wastes and other environmental maladies, are all symptoms of a society that has grown too large too quickly.

But has it?

Since the beginning of time, mankind has sought ways to satisfy his desires with the least amount of effort. This urge, which is common to us all, helped us discover the benefits of working together, dividing labor for the common good. It also goaded us to invent machines that would do several years of work in a few days.

Without necessarily realizing it, all men and women are perfectionists. We all have limitless desires (which differ among individuals, of course) and we are constantly seeking to satisfy them with as little work as possible.

That is largely what makes us human.

So we strive to turn coal and oil and natural gas and even the sun into useable energy which drives our cars and propels our hairdryers and which also powers the dialysis machines that sustain life. And we are left with an advanced society with environmental problems and economic problems that loom so large they make us wonder if it was all worth it.

We know that as an economic concept, land includes all of nature. The pollution of our air and water are all problems of land management, which point clearly to a consideration of the role of land ownership in these problems.

For example, would energy companies leave strip-mined hills barren and useless if those hills belonged to their consumers? Would the hazards of production be as extreme if better-quality land was more efficiently used?

We have already begun to uncover the economic hazards that result from the present system of land ownership. But as a society we seem dimly aware of the larger implications of monopolization.

## BASIC ASSUMPTIONS

1. Man's desires are unlimited.
2. Man seeks to satisfy his desires with the least exertion.

Do they apply?

Assumption 1

Assumption 2

To a distance runner

to a holy man

to a sculptor

to a child

to a scientist

to a shoe salesman

# UNDEFINING ECONOMICS

## Program VII

"Yes, Virginia, There Is A Remedy"

Of the 496,000 words in the English language, none sparks more fear, loathing or anxiety than "taxes".

Taxes are levied on all of us nearly all of the time. We lose a sizeable chunk of our wages to the Federal government; we lose a smaller chunk to the state and sometimes the city. Then, come April, many of us have to pay still more. We pay taxes on our homes and our gasoline and our whiskey and our bank account interest. We pay taxes every time we go to the store to buy household goods. We pay taxes for trying to launch our own businesses. We pay taxes in the form of lotteries. We pay taxes for inheriting money. We pay taxes on gambling winnings and appreciating investments. The Beatles once sang, "If you drive a car I'll tax the street, if you try to walk I'll tax your feet."

There's no getting around it, we are heavily taxed.

But the government does need money to function. It needs funds to provide services and protection, to pay salaries and to buy and maintain equipment. And it has to get these funds from somewhere. Is there a formula that might point out the best source of revenue?

Adam Smith, the Father of Modern Economics, proposed four guidelines, or canons, of taxation. He believed that a fair and efficient tax should meet each requirement.

According to Smith, taxes should be:

1. light on production;
2. easily and inexpensively collected;
3. equitable;
4. certain, or free of evasion.

-----  
Complete this chart to determine how well each tax fits Adam Smith's Canons of Taxation.

TAX	LIGHT ON PROD.	COLLECTIBLE	FAIR	CERTAIN
Income tax				
Sales tax				
Corporate taxes				
Property taxes				
Land value taxes				

# UNIVERSAL ECONOMICS

## Program VIII

### "Taxing Land, Not People"

We explored how well a number of taxes fared under our four guidelines. Only one seemed to meet each criteria -- a tax on the value of land.

Think about this: A land value tax would reduce or eliminate the tax on improvements. This would encourage landowners to make the most efficient use of their most valuable land to maximize profits. Expanding the factory would no longer bring a tax penalty. Adding half a dozen stories on an office building would be worth it because it would carry no larger tax bill. Land value taxes are especially light on production. That is why they are often referred to as Incentive Taxes.

Our governments already record the assessed values of land and improvements. To initiate a land value tax, they have only to establish a new tax rate and apply it to the land-only portion of the assessment. Your tax bill is far more complicated as it appears today than it would be under a land value tax, which is extremely easy to collect.

A progressive tax, which hinges on one's ability to pay, is generally considered the most equitable type of tax. And who would be taxed the most under a land value tax? The owners of the most valuable land (usually downtown parcels; those in the central business districts). These individuals indeed appear able to absorb a tax on these valuable locations.

Finally, the land value tax is loophole-free. It is impossible to conceal the land you own -- it is right out there in the open. The land value tax is perhaps the most certain of all taxes.

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Everyone has had some experience (usually bad) filling out tax returns. Wading through pages of bureaucratese, cross-checking tax tables and calculating often complex formulae for deductions leave almost as bad a taste in the mouth as having to pay the tax in the first place.

But imagine the standard tax form under a land value tax:

MODIFIED 1040

1. Name
2. Address
3. Social Security Number
4. Do you own land?                      Location
5. Assessed value of land only
6. Pay 10% of line 5.

Simplicity offers yet another strong argument for the land value tax. But can it work?

# UNDERSTANDING ECONOMICS

## Program IX

### "Watching It Work"

When taxes on improvements are lowered or eliminated and taxes on land values are increased, we already know what to expect. But let's take the exploration of land value taxes out of the realm of theory and examine its practice in the marketplace.

Fortunately there are a number of locations that already tax land values intensively, and we can perhaps learn from them.

New Zealand and Denmark have been taxing land values for so long and so extensively that it has become a way of life in those countries. As a result, it becomes hard to gauge the impact land value taxes have on the production and distribution of wealth in those countries.

Australia is a different case. Twenty-four cities in the state of Victoria switched from taxing land and buildings to taxing land values only between 1954 and 1975. Not only did all 24 experience a construction boom within three years of the switch, but in each case they showed a stronger and longer spurt than neighboring and comparable cities which did not switch.

Closer to home, five Pennsylvania cities have adopted land value taxation as a means of stimulating their depressed economies. The results could hardly be more encouraging. Two examples:

Total building permits issued in Pittsburgh:		
Year	Number	Dollar value
<u>1976</u>	<u>3,179</u>	<u>\$ 55,794,694</u>
1977	3,819	101,458,569
1978	3,622	89,264,159
1979	4,420	108,398,188
1980	4,804	297,484,884
1981	4,335	563,072,735

In Pittsburgh, new construction soared by 590 percent within three years of their first land tax increase in 1979. The nation-wide average was 84 percent.

City	Value of building permits in <u>1977-79</u>	Value of building permits in Scranton and Wilkes-Barre. <u>1980-81</u>	%
Scranton	\$8.6 million	\$10.5 million	+ 22%
Wilkes-Barre	\$14.5 million	\$8.1 million	- 44%

In Scranton, the number and value of taxable building permits rose 14 and 22 percent, respectively, following the shift to land taxes in 1980. Neighboring Wilkes-Barre, which still taxes the old way, declined by 30 and 44 percent.

# UNDEFINABLE ECONOMICS

## Program X

### "The New Slavery"

Self-evident truths are the cornerstones of our Constitution. Before drafting the document that would steer the nation on its course for the next century or two, the framers used logic and natural law as their guide. Nevertheless, it took some 80 years before the country officially acknowledged that liberty was an inalienable right for blacks as well as whites.

Using the same guides, we can reflect on the nature of land ownership in America. Men and women, it is generally agreed, have a right to what they have created -- the fruits of their labor. That the government taxes away up to a third of such wages appears in contrast to this shared view.

By extension, we generally agree that those who start their own businesses have a right to keep what they create. This is both an ethical and practical consideration. Taxing away what the businessman earns is as incongruous as taking the laborer's wages. And practically speaking, it makes no sense to discourage those who employ workers from making their businesses more successful.

But who created the land?

Whether your answer is God or nobody, it is clear that the owners of land had nothing to do with its creation. As for the value attached to that land, it is largely the result of society. When people want or need to live in a certain area (because of its proximity to the workplace, for example) or when society as a whole spends tax dollars to create schools, roads, subways, airports and the like in and around that area, the land has achieved a value purely attributable to its location. Society has created the value, not the owner.

And if the above logic holds true, society, like the businessman and the laborer, should have a right to what it created -- the location value of land.

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Both Karl Marx and Henry George were concerned with the production and distribution of wealth. How did they differ?

GEORGE

Labor to have free access to natural material and freedom to choose direction of effort. Private ownership of capital. Private ownership of land with due regard to the rights of others. Use controlled by individual title-holder.

MARX

Labor to be directed by the state: "From each according to his abilities." Government ownership of capital. Government ownership of land with its use controlled by the state.

# UNDEVELOPING ECONOMICS

## Program XI

### "The Mother of All Monopolies"

The monopolization of land is behind many of history's greatest conflicts, including those that took place in this country's embryonic period.

During the end of the 16th Century and the beginning of the 17th Century, European monarchs encouraged and subsidised expeditions to the New World. Discoveries were made in the name of the sovereign and all lands belonged to the monarch, to be dispensed at the will of the crown. In all cases, land that had been discovered and distributed had been occupied for centuries by various Indian tribes whose cultures included ideas quite different from the English concept of individual ownership of land.

Long before the first Europeans arrived, Indians had developed an advanced economy, having passed from nomadic food gathering to food producing. Hunting and fishing were an integral part of their lives, affording a livelihood to all members of a tribe. Without nature there was no life, and nature was not something denied to one and granted to another. Land, a part of the universe, belonged to all, particularly the tribe. Individual land ownership did not exist, since all were entitled to the fruits of nature.

Inevitably, as settlements grew and the desire for further expansion increased, these two cultures conflicted. Treaty after treaty moved the Indians further west and robbed the of their habitat. Corrupt and devious means were used to compel them to forfeit their lands. In many cases, the Indians had little idea of what the settlers meant in denying them access to their lands. No match in power, the Indians were eventually limited to an area of only 200,000 square miles, in a continent of 3,600,000 square miles which they had once wholly occupied.

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In 1787, the Northwest Ordinances were issued, declaring:

"The utmost good faith shall always be observed towards the Indians; and their land and property shall never be taken from them without their consent, and in their property rights and liberty, they shall never be invaded or disturbed, unless in just and lawful wars authorized by Congress."

To what degree has the United States observed the Northwest Ordinances? To what extent have they been ignored?

# UNDERSTANDING ECONOMICS

## Program XII

### "Looking Forward:

#### The Road To Economic Independence"

Our history is dotted with great civilizations. The Egyptians, Greeks, Romans, the early Chinese dynasties -- all once ruled their world, advancing to unheard-of levels of cultural and technological progress.

None of them survived.

Is there a common thread running throughout the sequence of great civilizations? Can we identify reasons for their seemingly inevitable demise? And is our own civilization also in danger of crumbling?

Henry George believed he uncovered the link between civilizations, the primary reason none of them survived. He traced the laws of human progress down two adjacent and essential paths:

1. Association. Isolate men completely and, given the opportunity, he will produce enough to survive. Put him among others and he will cooperate, specialize and exchange, vastly increasing his ability to produce and that of the others he comes in contact with. His unlimited desires stir him ever forward; his seeking to satisfy them with the least necessary effort brings about cooperation.

2. Equality. Despite the progress that arises from the association of individuals, our history is also the story of strong groups overpowering weak ones, the rich exploiting the poor. Central in all of these conflicts is land. Because control of land implies control over those who live on the land, and because no group has ever or will ever remain subservient to another without revolt, the fall of these great civilizations has been almost inevitable. The inequalities which arise out of private monopoly of land has stunted progress every time.

So, Henry George believed, association in equality is the key to continued progress.

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Our civilization has often been characterized as one in decline. A list of indicators appears below. For each, elaborate on how they represent a sign of the decline of our civilization. Rank them in order of importance.

street crime  
white-collar crime  
drug and alcohol abuse  
divorce and the decline of family life  
turning away from religion  
economic injustice  
nuclear weaponry