

HENRY GEORGE NEWS

Vol. 12—No. 7

MAY, 1949

10¢ A COPY—\$1.00 A YEAR

What's Wrong with Capitalism?—By J. CLENN RICHARDS

THE STRUGGLE, in which the forces of capitalism are pitted against the forces of collectivism, has engaged most of the human race in practically every inhabited part of the earth. And upon the outcome of that struggle chiefly depends the future civilization of the world. This is the controversy that must be *understandingly* settled before there can be a cessation of political conflict; before there can be world peace or even a modicum of economic tranquility. If it were said that the United States is more collectivist in its system of political economy than is Russia — few persons would seriously consider the statement—let alone believe it. But unprejudiced exploration of the situation might lead to astonishing conclusions.

Notice, however, that the tax system of the United States, including the graduated income tax, sales tax and other excise taxes, is a more socialistic manner of distributing production or wealth than that employed by Russia. Our system takes from those with greater ability and ambition to produce, and gives to those with lesser ability and ambition to produce. Where-as the Russian system at present, to some degree at least, rewards those with more ambition and ability — providing they are also believers in, and promoters of, the collectivist system.

Where Russia has exceeded the United States in an advance toward complete collectivism, is in the establishment of a dictatorial or totalitarian form of *government*. And the establishment of such a form of government is, finally, absolutely essential to the establishment of an *economy* of complete collectivism. For no group of humans will all, for any extended period of time, voluntarily subject themselves to an economy which provides that the production of each must be shared, *equally* but not *equitably*, with others, irrespective of the relative ability and ambition of each.

Sufficient consideration of the matter would seem to convince us that such a condition for the entire world could never be brought about. Yet it must also be conceded that the attempt, with its accompanying violence and war, might seriously retard the course of civilization, if it did not actually destroy it.

Probably most persons believe that they understand the fundamental differences between capitalism and communism. But if there were sufficient understanding among a sufficient number of people on both sides of this controversy, then those differences, with the accompanying conflict and strife, would undoubtedly dissolve. One of the philosophies is surely wrong, and perhaps both are.

In the mind of the average citizen of the United States there may be no thought but that a free-enterprise, or capitalistic, form of economy is the better one — the only *right* one. But the average Communist or Socialist in this and other parts of the world also is sincere in his belief that an economy, controlled by the state is the only *right* one. Is it possible that both the *capitalistic free-enterprise* and the *collect-*



ivist controlled enterprise philosophies are so faulty in some particular that neither side can accept the other's viewpoint?

It is manifest that if numbers of men are to exist together they must choose between two existing methods to secure the production of material needs and desires. The one is that under which each person would exercise his mental and physical capabilities in any manner he saw fit, *without an organized society or government*. Uncontrolled by man-made rules, man might exercise all of his "freedoms" including the freedom to steal from, destroy the property of, or kill his fellow man. Such a system is known as anarchy. Since there are relatively few anarchists, in the world today, such a system is hardly worthy of consideration.

The other method, and the only alternative to anarchy, is a system under which men join together — form society — and devise man-made rules or laws. That is then a system which is called *economy*, and a *government* is also established, to promulgate, define, and compel compliance with, the man-made rules or laws. In determining the nature of such an economy, there are two schools of thought — in reality, two *extremities* of thought.

The one extremity is that in which the rules recognize only the rights of all humanity, of society as a whole — *the state*. In which the efforts, and the production and distribution from the efforts, of each man shall be equalized in all men by coercion of the state. That extremity is referred to as collectivism or communism.

The other is that in which the individual man holds the supreme consideration; and the state, or organized society, is only for the purpose of adoption and enforcement of simple rules which shall guarantee each man his fullest possible freedom of thought and action; along with the fullest possible ownership and enjoyment of everything which each produces. That extremity is called capitalism.

The Socialist might now say that socialism is in between those extremities, an intermediate form of economy. Although it is a collectivist form of economy, socialism, it might be argued, is not at either "extremity" of thought — proposing neither that the state shall be supreme, nor that the individual shall have complete freedom of thought and action. A well accepted definition of socialism says, "... it would have the state own the land and the large workshops, and the means of production on a large scale, with strict regulation of all trade and industry."

But, in the end, if pursued, that partial and gradual approach can only lead to complete collectivism; to the extremity of complete supremacy of the state, and to slavery of the individual. It is not possible to draw a clearly defined line between large scale and small scale production. And since all such movements tend to gather momentum as they progress, the constant tendency would be for the state to continue its encroachments until eventually it would own or control, not only the land and the large industries, but the medium sized ones, and finally the small ones.

History also shows that when land becomes less easily available, the gulf between rich and poor becomes wider, and the periods between depressions shorter. It is at this time that men turn from the free-enterprise economy and embrace the collectivist economy. For the thing that people seek, for the satisfaction of their materialistic or economic desires, and lacking which they become dissatisfied, is *production*.

If we were to analyze the *nature of production* we might discover why many people, even though they have great ambition and ability to labor, are unable to obtain sufficient *production* to satisfy their needs. The production of wealth is made up of two parts, and two only. One part is the *land* — the natural or created resources — and the other part is *labor* — human mental and physical exertion. The combining of those two parts makes *production* or *wealth*, and there can be no other manner of production of wealth.

Capital can be destroyed or consumed, but *land* cannot be destroyed or consumed by man; only the *form* or *location* of land may be *changed*. Man cannot make more land. He must get along with what the Creator has provided. But he can, at any time, make or create *capital* — providing the *use of land* is available to him, and he is able, willing, and permitted to exert his *labor*.

Civilization has already, for the most part, acknowledged the immorality or wrongfulness of human slavery. It recognizes the impropriety of one individual, or one group, restraining from honest labor, another individual or group. Thus civilization is willing to guarantee to every individual the one part or side of production — willing to guarantee the labor side of *land and labor* which totals production.

Most of the present (and past) dissatisfaction
(Continued on Page Three)

A Word With You

By ROBERT OLANOV

The East-West split which began — well, we won't venture to say just how or when it began—but which came to the fore in U. N. debates, seems to be spreading over more and more areas of disagreement. We knew all along about the political and economic rift. Now it's science and culture. The recent Soviet-inspired cultural conference in New York was frankly a sounding-board for party-line dogma in the arts and sciences.

It is extremely doubtful whether any more genuinely international East-West cultural conferences will be held. But the cultural controversies will carry on. *Pravda* will continue to answer the *Times*, and vice versa.

One of the latest uproars is over the subject of genetics. Soviet Professor Lysenko's doctrine that a change in environment can change the character of organisms and that the acquired character can be inherited, has been adopted as the party line. Western scientists have vehemently disagreed. (So have some Soviet scientists, but I don't know what has become of them.)

Why has the Soviet so vigorously adopted Professor Lysenko's theory? It seems obvious that application to human beings must be in the offing somewhere. Change the environment and you can breed a new race of humans at will. The superior environment of the Soviet paradise will breed a race of super-men.

So far as environment affecting human beings, or any other organisms—surely, even Western scientists would not deny that. Tests show that only characters inherent in organisms are inherited—but environment will strengthen certain tendencies or lead to a "mutation" in which a certain inherited character which enables the organism to adjust to the environment, is dominant. At any rate, environment is certainly a crucial factor.

Has the Soviet adopted Professor Lysenko's genetics just to create something that "will fit into one huge comprehensive package of communism? If so, it is understandable why freedom of inquiry even in genetics will not be tolerated.

The West can do something about it. Western nations can seek application of free science untrammelled by party line. Free science does reveal that environment plays a decisive role — though not quite as Soviet science says. Wouldn't a free cultural conference be worthwhile to explore this angle?

VIEWS OF THE NEWS

By SYDNEY MAYERS

The House of Representatives has approved and cheerfully sent to the Senate appropriations for the year aggregating \$30,834,812,120, over \$4,000,000,000 more than the 1948 figure. How time flies—we can remember when "war taxes" were repealed in times of peace.

Czechoslovakia has suddenly expressed willingness to discuss the payment of claims for American-owned property which had been seized and nationalized. By coincidence (?), as part of the deal, the Czechs urge easing of American export curbs and the resumption of trade.

The President has threatened to go over Congress' head and take his fight for compulsory health insurance directly to the people. We hope "the people" will be alert enough to observe that little word "compulsory" — and keen enough to understand its implications.

The Scripps Foundation for Research in Population Problems declares that birth control offers the only hope of solving Japan's population crisis. Well, it might solve a lot of problems at that!

Food sales have risen to record levels, for which the industry's trade association (the Grocery Manufacturers of America) credits price cuts, plentiful supplies and excellent consumer values. Grocers seem to understand economics somewhat better than "economists."

A bill adopted by New York's State Legislature authorizes the use of cities' condemnation power to acquire sites to lease for private development of public parking. This answers: "How could it be done?"

The deplorable economic status of America's Indians is attributed to their resources of insufficient and poor quality land. What better proof could there be that "wages" are fixed by the "margin?"

Belgium, unmindful of being the most "over-populated" country in the world, made the quickest post-war economic recovery in Europe, but is now feeling the hot breath of recession. The reasons: foreign tariffs, quotas and import restrictions — plus a "fantastic" 30 per cent social security charge that prices its goods out of the market.

Senator Walter George vehemently deplores the tendency to inject politics into the issue of reciprocal trade agreements and tariffs: We might inform the Senator that another Mr. George explained this phenomenon long ago in a book called *Protection or Free Trade*.

Natural gas burned as waste in Arabian oil fields has been found sufficient to produce 800,000 tons annually of high-grade fertilizer at the world's lowest price. Old Doc Malthus suffers another blow!

In the face of abundant supplies of petroleum, high industry profits and a declining cost of living, the American Automobile Association naively wonders why gasoline prices climb higher. Has the AAA never heard of land monopoly — oil land, that is?

The Indian National Congress is turning its attention to the abolition of the jagirdars, these being self-ruling vassal lords, who, thanks to grants of land and power, may exact any share they wish of the crops raised by peasants on their lands. We hope that one day "jagirdars" all over the world will be divested of their privileges.

Persons who lease portions of state property along the edge of Ohio's lakes this year will find their rent increased 44.7 per cent. Governor F. J. Lausche found the amount charged last year was the same as in 1934, and said, "Obviously, that is unreasonable and wrong."

To save it from economic ruin, an ex-immigrant bought an entire town with savings and borrowed money. His comment shows refreshing insight: "I only own the land — the people own the town!"

The "official" exchange rate for German marks is \$33.00 per hundred, but in New York's thriving grey market, the price is \$13.50. Promptly mailed abroad, the currency is a boon to the Germans, though not to American taxpayers who foot the bill for the difference.

Econo-quiz

By HENRY L. TIDEMAN

Question: Are you not making a finicky distinction when insisting that labor and not wages is the cost of wealth? Everyone knows that the price at which a thing is sold must include the wages paid to the workmen who produce it.

Answer: From the nature of the question one would imagine that the questioner has the notion that the economic world consists of merchants, workers and consumers. The question also suggests that cost accountant's tables may be explanatory of economic facts. Business economy and political economy are entirely different sciences. Both use the same vocabulary; but each has its own set of meanings.

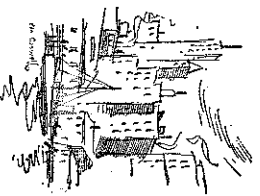
Thus in business, wages will be treated as something paid; in political economy as something retained or received.

The nature of wages may be seen in the example of a factory in which a group of workers are daily increasing the value of the inventory. The products are sold from day to day and the money taken in measures the value of the products. If the business is successful, then on pay day each worker gets an agreed upon share of the value they have all cooperated to produce. It will be observed that those wages are not a cost, not even to the owners of the business. If wages ever should become a cost the plant must soon close. But the cost accountant's tables will show the share of the total sum taken in which was paid to the workers, as "wage costs." Such is language.

It is reminiscent of the tale of the farmer who, when a yokel applied to him for a job, proposed that he go down to the river bank and gather drift-wood, offering him half of all he would bring. Had the innocent taken the job and the farmer kept books, the value of the wood retained by the laborer would have appeared as the wages cost of the wood the farmer got. Now back to our factory. If beside wages; rent and interest are involved, enough actual wealth must be produced above that taken as wages, so that these additional factors may come into a share.

Wages, interest or rent contribute nothing to prices. Price is a term of relationship, not of quantity. When the value of one hat is equal to the value of one pair of shoes, the price in money, of each, may be \$1.00, \$5.00 or \$25.00; but the figures are useful not as quantities, but as indicators of the economic relationships of the products in a market.

The State Is What We Make It—By HIRAM B. LOOMIS



AT THE conference of the Henry George School last summer I took the position: that the State is a necessity; a desirable, perhaps a necessary, condition for the freedom of the individual; and, if confined to its proper domain, an unalloyed good.

Moreover I claimed that the State must be strong, if it is to succeed in taking ground rent for the community. As a description of the State I quoted from page 212 of John Z. White's *Public and Private Property*: "There is a public organization also, but it is not contractual. It results from forces. It is not dominion. It can be fair and just. Also it can be tyrannical. Meanwhile it is the means, and the only means, whereby a decent condition can be established in which social integration can come to its fullest and best development."

On the other hand, many of my friends have a different idea of the State, an idea to be found in Albert J. Nock's *Our Enemy the State* and in Fritz Oppenheimer's *The State*. In both of these books the fundamental function of the State is given as robbery. I quote from page 27 of the latter:

The state is an organization of the political means. No state, therefore, can come into being until the economic means has created a definite number of objects for the satisfaction of needs, which objects may be taken away or appropriated by warlike robbery. For this reason primitive hunters are without a state; and even the more highly developed huntersmen become parts of a state structure only when they find in their neighborhood an evolved economic organization which they can subjugate.

Note especially that neither "the more highly developed huntersmen" nor the "evolved economic organization" was a State. It took robbery of one by the other to create a State.

When such contrary ideas of the State are held in the Henry George Movement, it would seem advisable to thrash the matter out and try to reach a definition on which we could agree. Both groups regard equal rights for the individual as their objective. But one group regards the State as an obstacle in its path, and the other regards it as the only means to secure the objective. Exactly what is the State?

From my standpoint I submit the following, which I believe is a logical presentation of the situation, and which leads to a definition that is in close agreement with what the majority of people understand.

The main problem is the relation of the community (the group) to the individual. To my mind the first question to be answered is: Is there any field in which the group has control of the individual from the very nature of things? The answer is *yes*. Every child takes the language of the group just as it is given to him by his parents. It is his mother-tongue. It is the accumulated experience of the race handed down from generation to generation. Language changes slowly, and in the matter of language, at least, the group is practically absolute dictator to the individual. This is the universal experience of every people on the earth.

Nor is language the only field in which the

group dictates to the individual. In precisely the same manner folkways are handed down from generation to generation. In these matters changes are slow, and the group is practically absolute dictator to the individual. This phase of the question is discussed in great detail in a chapter in *Progress and Poverty*, entitled, "Differences in Civilization — To What Due," Book X, Chapter II.

In the early stages the group imposes its language and its folkways without being organized, but the time comes when the division of labor and the growth of population make it necessary for the group to act consciously as a group. Then the State is born. This means some form of organization; and it is immaterial what the objective of the organization may be, or how loose the organization — *the State is born*.

Probably the most common form of organization is the choice, or at least the general acceptance, of some man as chief of the tribe. This sometimes evolved into an absolute monarchy; but the real power remained in the group. The whole tendency of evolution has been toward democratic government. Witness the history of England from the time of William the Conqueror, who was practically an absolute monarch. First the barons wrested Magna Carta from King John; then the Commons gained recognition little by little, until today the king is little more than a figurehead, and the Commons can pass legislation over an adverse vote by the House of Lords. Witness also the revolution in Russia of a generation ago. Witness the India, the China, and the Dutch East Indies of today. Revolutions everywhere are in the direction of control by the people as a whole.

We believe that the United States of America is most advanced in the evolution of government. Let us examine what we have done and what we have. "We, the people," in adopting our Constitution, declared in so many words that "We, the people" are the sovereign. Legally sovereignty is the essential characteristic of the State. If we accept this as the basis of our definition, here, in the United States, then "We, the people" are the State. Moreover, this is in strict accord with what the vast majority of our citizens understand by the State.

Our next question is: What did "We, the people" do when we adopted our Constitution? We established a form of government. We provided for the selection of agents to do our work for us, executives, legislators, judges, all agents responsible to "Us, the people." Provisionally I am suggesting the word, government, for this group. I say provisionally because I would like to keep the word, government, for the abstract idea of ruling.

We have then two institutions, the State and the Government, both of which are necessary. On the other hand, neither is essentially either ethical or unethical. They are what we make them. If and when "We, the people" actually make up our minds on a point, we will get what we want, and our agents will do what we tell them to do. Most of them are trying to do that now, and we are learning to keep them informed as to what we want. Blocks of people hire lobbyists for that purpose, as the farm block, manufacturers block, labor block, real estate block, bankers block, doctors block, teachers block, etc. "We, the people" have the power. We need only to make up our minds.

In our Henry George School we all agree that the objective is equal freedom for the individual. In this matter what have our State and our Government to say for themselves? I maintain that, in spite of all their weaknesses, both the State and the Government have served the individual well. In support of this position I quote what to me is a fine passage from *Progress and Poverty*, Book X, Chapter IV:

"The general tendency of modern development, since the time when we can first discern the gleams of civilization in the darkness which followed the fall of the Western Empire, has been toward political and legal equality — to the abolition of slavery; to the abrogation of status; to the sweeping away of hereditary privileges; to the substitution of parliamentary for arbitrary government; to the right of private judgment in matters of religion; to the more equal security in person and property of high and low, weak and strong; to the greater freedom of movement and occupation, of speech and of the press. The history of modern civilization is the history of advances in this direction — of the struggles and triumphs of personal, political and religious freedom."

This is no small achievement of our State and Government; but as Henry George points out on the page immediately following the above quotation, our State and our Government have still much to do. He wrote: "But it is now manifest that absolute political equality does not in itself prevent the tendency to inequality involved in the private ownership of land."

Here is the next step toward equal freedom; and this is a step that the State, and only the State, can take.

Capitalism

(Continued from Page One)

tions with capitalism and the free-enterprise economy, stem from the fact that the defenders of capitalism attempt to avoid its difficulties and appease its opponents. They do this, not by defending its virtues and correcting its faults, but by the adoption of much of the collectivist ideology of their opponents. And all the while, as its laws and rules multiply, the supremacy of the state ascends, and the freedom of the individual descends — until eventually the individual must become wholly enslaved by the state.

Let us face the issue clearly, since, as is generally agreed, the progress of civilization depends upon it. The defeat of communism will never be accomplished through the prosecution of those who defend the communistic philosophy. The only way to remove this threat is to alleviate the economic maladjustments which cause communism and remove the dissatisfactions resulting from the maladministration of capitalism.

If civilization were willing to guarantee to every individual the right to that *other* part of production — the *land* part of the *land and labor* combination — then the problem of equitable production could be solved. The problem of equitable distribution would then also have been solved. Each individual would be the owner and consumer of all he produced, at least insofar as this could be possible while still guaranteeing equal opportunity to all others.

Mr. M. S. Lurio, a trustee of the Boston Henry George School, commented upon the article by Dr. Harry Gunnison Brown on "The Causation of Interest" in part as follows:

"If it is demonstrable that economic interest (the riskless, assumed increment obtained merely by virtue of ownership of capital) is theoretically zero, vast superstructures of economic reasoning must topple. After the debris was cleared away, the full import of the Newtonian postulates of Henry George and of the laws of rent and of wages would be recognized, for they are the solid foundation for the proper structure of the science of political economy. Discussions of surplus value, saving and investment propensities, monetary manipulation would appear in their glaring speciousness. No longer would it be possible to find in an economic textbook (such as the one now used at the Massachusetts Institute of Technology) an early footnote that rent is like interest on capital and, therefore, needs no special treatment. Rent then would stand out for what it is, the income of a privilege."

THE SPECIFIC premises and concrete examples set forth so clearly by Dr. Brown in his article, "Henry George and the Causation of Interest" (Henry George News, October, 1948), enable us to focus our sights on the very essence of his argument as to the cause of economic interest. If, on his own ground we can show that the fundamental assumptions beg the question and have no basis in fact, we may get closer toward resolving this highly controversial subject.

Dr. Brown starts with "two vital facts." The first is that the use of capital is a "roundabout" process. The second is that its use involves "saving" and "waiting" and "sacrifice." On the surface, these are plausible and pertinent premises. Despite their several connotations, each generation of economists has borrowed and passed along the words "roundabout" and "saving," in this connection, generally without careful examination and statement of the limited senses in which they are applicable. The uncritical use of these words, as descriptive of the essential elements of production and the employment of capital, implies a necessary reward called economic interest.

If roundabout means only that there must be a machine before that machine can be used, then we must agree. But see how much further Dr. Brown goes when he uses this word. "We can, in general, produce more, if, instead of making directly the goods we desire to consume, we first produce other goods—buildings, trucks, locomotives, fruit trees, etc.—from which, over a period of time, we can expect to get help in producing the goods and services we ultimately desire." The statement that one must have a machine before one can use it, is not the same as the statement that one must first divert his labor toward the production of that specific machine. Production of all things goes on synchronously, concurrently. "It is only necessary that there should be, somewhere within the circle of exchange, a contemporaneous production of sufficient subsistence for the laborers, and a willingness to exchange this subsistence for the thing on which the labor is being bestowed." *Progress and Poverty*, page 74.) The process is not roundabout in its superficial

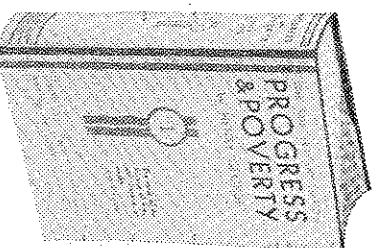
sense of longer, indirect, circuitous, delayed. Production is immediately improved.

Consider the concept of "saving." The fact that life goes on and that capital exists everywhere, shows that man, even under the many restraints imposed, can and does produce more than maintenance. But is not "saving" a misleading word to express the fact that the rate of capital formation exceeds the rate of capital dissipation? Capital is produced not to be saved but to be used—at once.

I submit that producers must accumulate capital always, in so far as they can, regardless of economic interest, but solely and sufficiently for the purpose of maintaining and maximizing wages.

Let us refer to the example of the fisherman given by Dr. Brown. To be typical, we must not consider an isolated individual, because we are talking of an economic society. We must consider a number of people who fish part of the time as the best means of obtaining some of the food they need.

When it becomes apparent that a few logs fastened together will float as a raft and enable the fishermen to go farther out and catch more fish, one or more of their number, either for himself or for others, will spend some time building such rafts, while at the same time, he subsists in part on the fish caught daily in excess of the needs of the fishermen. No one has to store up a month's supply of fish and other foods so that he can first complete the raft. No patent laws prevent anyone from building his own raft or having it built for him. Even in the rudest beginnings, the process immediately involves risk and credit when one works at making things for another. Other things being equal, there is no reason why the raft builder can obtain more for his labor than the fisherman.



But when all use rafts and fish are relatively plentiful, the exchange value of fish must fall and less time will be devoted to fishing. Taking this into account, how can we assume that the owners of rafts, if they be different from the fishermen, can sit back and do nothing and continue to get fish or their equivalent in exchange from the users of the rafts, in such amount as not only to cover replacement but to give them something in addition called economic interest? Would it not follow, if such were temporarily the case due to disaster or other sharp dislocation (the risk-factor), that more rafts would soon be built until the owners of rafts obtained for their labor no more than fishermen, assuming equal quality and quantity of labor?

We have been talking of rafts and machines as if they were the only forms of capital. But as soon as producers accumulate inventory, such inventory is also capital. Here again it is obvious that inventory as a whole cannot increase unless subsistence needs are not only met but exceeded. We know that the division of labor requires the accumulation of inventory but this too is a gradual and evolutionary as well as a synchronous process.

The real point at issue is as to the cause, the incentive, the motive, the reward involved in

Economic In

the accumulation of both inventory and machines. Is it economic interest or is it the necessity resulting from competition with others who are also seeking to satisfy their desires with the least exertion?

With Dr. Brown's refutation of George's reasoning that interest is due to the reproductive forces of Nature, I am in full agreement. Where these forces are free and available to all, such as the aging of wine, price restores the balance with mechanical forms of production. Where these reproductive forces are localized on particular land, the excess product falls in the category of rent.

Briefly, let me summarize several lines of reasoning that converge upon and culminate in the conclusion that economic interest does not exist, as such. I do not say that economic interest tends to zero but that it is exactly equal to zero, *under riskless conditions*. Pure theory requires idealized conditions, just as a point has no dimensions, a line has one dimension, etc. in theory though there is no such thing in reality. Yet can it be denied that pure theory underlies our greatest technological achievements? If we first assume that risk is non-existent, just as is done with friction in the science of mechanics, though we know that risk and friction are all-pervasive, we can separate the independent forces and set up the theoretical foundation upon which the forces of risk or of friction are superimposed.

First, two of the factors of production, land and labor, are unique and distinct categories, whereas the third factor, capital, is compounded of both land and labor. Parallelism would indicate that rent and wages are unique and distinct channels of distribution of wealth, whereas the share of wealth obtained by capital should be a compound of rent and wages (replacement), leaving nothing over to fall into a third non-correlating unique and distinct category of distribution called economic interest.

Another approach that supports the conclusion that economic interest is zero is George's ethical axiom to the effect that only those who sow, should reap. The existence of interest means that the owners of capital can obtain a share of the wealth produced without labor on their part, that is, without sowing.

A third approach is that the very same reasoning underlying the law of rent is applicable, not only to determining the law of wages but also in determining the law of interest. If the argument is based upon the fact that the holders of land can and do obtain the entire excess of production over the minimum required by least-skilled labor for subsistence (where all valuable land is taken up), then the very same reasoning leads to the conclusion that rent leaves only the minimum necessary to maintain capital, and that minimum is replacement.

Another is that if it is accepted that the pipe lines of production are theoretically always full and overflowing, then the supply of capital relative to demand is such as to permit no extra return to the owners of capital called economic interest.

One of the objections to the conclusion that interest is zero is that it would follow that those in the higher income tax brackets are getting negative interest or losing part of their capital. With this statement I agree, but it does not affect the conclusion. Income taxes are arbi-

Interest Is Zero

itary confiscations based upon changing formulae purporting to represent ability to pay. They are not economic forces. Most of the tax cannot be passed on, just as the tax on land values cannot be shifted. Thus, large capitalists are at a definite, legalized disadvantage. That is why there is a drying up of venture capital, for there is no net gain in taking greater risks for higher returns. The sharply increasing tax rate on higher gross income discourages the taking of risk, for the gains after taxes are not commensurate with the risk.

This is illustrated by the story, perhaps apocryphal, of the head of a large trust company who is said to have remarked to his close friends, half seriously and half jocularly, that the function of his institution was, with dignity and grace, slowly to dissipate the funds left in its care.

It is not easy to think in terms of complete absence of risk, even for those with a highly developed theoretical sense. It is not so hard to imagine frictionless conditions in mechanics, especially since there is unanimity among teachers and the independent forces at work are always clearly separated. Even there, some find it hard to believe that there would be perpetual motion if not for friction.

Once risk is fully evaluated and discounted, it becomes apparent that only force enables some to get wealth for nothing — that only force prevents the full flowering of production and its equitable distribution.

The conclusion that economic interest is zero makes a harmonious whole of George's analysis. In places, George practically confirms this conclusion. "For labor and capital are but different forms of the same thing—human exertion. . . . The use of capital in production is, therefore, but a mode of labor." (*Progress and Poverty*, page 198.) And again: "In truth, the primary division of wealth in distribution is dual, not tripartite. Capital is but a form of labor, and its distinction from labor is in reality but a subdivision, just as the division of labor into skilled and unskilled would be." (*Progress and Poverty*, page 203.)

If economic interest is zero, the third factor of distribution is eliminated, vastly simplifying economic studies and statistics. We rid ourselves of the necessity of reconciling the law of interest, stated in different dimensions, with the laws of rent and of wages. To those who are willing, even tentatively, to accept this conclusion, I suggest a re-examination of all sorts of economic questions.

Do we raise or lower the gold content of the dollar? Do we dilute our credit system? Do we indulge in deficit financing or in priming the pump? Do we give our substance to others or dump it into the sea? They are all soon discounted and of no permanent avail. The transient effects take from some and give to others but these are short-lived. Rent adjusts itself as quickly as commitments expire. Where only subsistence land is available without the payment of rent, wages are at subsistence plus or minus the transient or risk effects.

Vast superstructures of economic reasoning, such as investment propensities, monetary policy, surplus value arguments, would be eliminated once it was demonstrated that economic interest is zero.

Fortunately, the causation of interest does not

affect the soundness of George's remedy. But there is a weak spot in our armor of logic if we cannot resolve the question of interest. And every weapon in our arsenal must be true if we are to make any headway in fighting the proposals of planners, which lead to stultification of production, and servitude to the ogre-state.

—M. S. LURIO

Comments from the Co-author of *Economics Simplified*

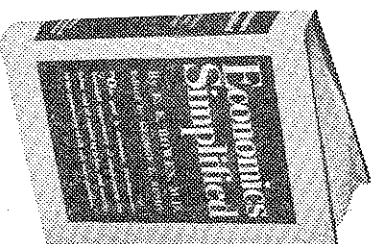
Professor Harry G. Brown, in the aforementioned article, accepts the basic premise that capital is wealth used (to mean anything definite, this must mean "being used") in the production of wealth. But his concept of the term "used," in this connection, is palpably such as to render the reasoning based on it wholly erroneous and self-contradictory. He included as capital both the plane and the plank being shaped by the plane; both the pruning knife and the orchard tree that is being pruned.

This erroneous position results from failure to recognize that the verb "use" can be employed in two very different senses, to fail to recognize the radical difference between which is to make clear thinking not difficult, but quite out of the question.

Whether, in the production of wealth labor does or does not employ capital, it is obvious that in either case labor must apply itself to something that is *not* capital—to land or some form of mere wealth. In any given wealth producing operation it is *prima facie* that labor cannot apply itself to capital. . . .

The basic trouble resides in failure to recognize that the term "use" can be employed in two senses, the economic and the non-economic, and in the resulting failure to differentiate accordingly. The plank that has been fashioned into a plank by labor using capital (the plane), is mere wealth —

until, when? Until, having been fashioned into a carpenter's bench, for example, and being used in production, it becomes capital. The orchard can never become capital, unless, for instance, it is cut down and made part of some wealth producing bridge.



When the carpenter "uses" hammer and lumber in erecting a building the hammer is "used" in an economic sense and is capital; the lumber is "used" in a strictly non-economic sense and is *not* capital. To regard it as capital would necessitate the formulation of an entirely new science of economics.

In commerce, where any kind of loose language is permissible, the orchard could be classed as capital; but economically (to which field the present discussion must be confined) the trees are but wealth, the product of labor applied to other wealth, or to land. The orchard may pay an income to its owner, but that is irrelevant. To include as capital anything paying an income, merely because it does so, would be to directly contradict the author's own premise and to convert political economy into a hopeless hodge-podge.

Another staggering misconception is that labor produces, or ever can produce capital. Labor can produce but one thing, *wealth*,

which in turn can be *converted* into capital solely by the act of labor in using it to assist in production. The shovel does not take on the property of being capital till it strikes the ground, in the hand of the laborer, in the process of production. "All the King's horses and all the King's men" could not produce an iota of capital.

Fortunately, though apparently unintentionally, Professor Brown furnished a clue for the correct approach to the subject. He says quite correctly that the user of capital can borrow it and the lender receive interest for its loan—for permission to use it; well, if capital is something that is capable of being borrowed, and interest is what is received for the privilege of using it, how is it possible for his other contentions concerning the subject to be correct?

Here we have the key to the whole subject—an extremely simple subject notwithstanding so many labored efforts, by as many authorities, to make it complex, involved and incomprehensible. The contention that interest is simply what is received for the loan of capital, nothing more or less, is in full accord with the basic premise laid down by Henry George (however unfortunately he may have so directly contradicted himself in his discussion of interest per se), that interest is one of the portions or shares into which product naturally divides itself, the shares going, respectively to him who performed the labor, to him who permitted use of the land, and to him who permitted use of the capital.

That is all there is to the interest question, a subject the gross misunderstanding of which is chiefly due to the fact that the one using the term has consistently failed to think his concept through and adequately express it in a definition capable of standing every test. If we are to have a concept of interest that accords with the rest of our economic concepts, instead of contradicting them and subjecting us to the deserved ridicule of the analytical minded oppositionist, that concept must be just this, that interest "is the capital owner's share of product (wealth) for granting permission to use (i.e. for lending) the wealth used (as capital) in producing it."

As to the claim that saving is the cause, or even a cause, of interest, one is reminded of the Lime Kiln Club's Agricultural Committee Report, after several weeks' deliberation, that the cause of the poor apple crop last year was that the trees didn't seem to bear as well as usual. So many fail to differentiate between a cause (that which operates to produce a given result) and a *pre-requisite* (that which must be, in order that a given cause can operate to bring about a given result). Obviously there must be saving, or there would be no accumulated product for labor to devote to use as capital. But what has that to do with the *cause* of interest? The cause of the price of *anything* is, that there is demand for more of that thing than can be had free of cost; interest is the price that the loan of capital (or wealth wanted as capital) commands; therefore the cause, and the only cause of interest is, must be, that there is a demand for more loanable capital than can be had free.

The law of interest: "Interest is that part of product (wealth) distributed to the owner (as such) of capital, and is fixed by the prevailing relation, at any given time and place, between the demand for, and the supply of capital, or wealth wanted for use as capital."

—GEORGE L. RUSBY

Chicago's Annual Conference May 21

Within the last few weeks most of the school directors have joined enthusiastically into an alluring proposal regarding new subscriptions to The Henry George News. On the basis that when the News is ordered through a regular magazine agency, the agency receives a commission of fifty cents; it was decided that this same commission would be offered to the various extensions. We are sure readers will welcome this opportunity to keep in touch with the Georgist world and, indirectly, benefit their local school. As Noah Alper put it to his St. Louis constituents: "You can get the News and help us fifty cents worth at the same time."

This shrewd plan originated with the *Yankees* in the Boston Henry George School a year ago. Now all will have the same advantage. In a month or so we shall try to give you some idea of who is turning in the best "agency rating."

Here, by the way, are two unsolicited comments, received in one day's mail: "Permit me to take occasion to compliment you on The Henry George News. I get a kick every time I read an issue." That was from a Chartered Life Underwriter on East 42nd Street in New York. The next is from the Hon. J. R. Fuchs, Judge of the District Court in New Braunfels, Texas: "I could not get along without the News." (See his article on page 8, this issue).

St. Louis

The Henry George School held its winter term graduation exercises on April first. Sixty-six students received certificates and eleven classes participated. Professor Harry Gunnison Brown of the University of Missouri was the principal speaker and excerpts from his talk will be found on page 8. It was a highly informative address and gave to the students some concept of the treatment accorded the Georgist presentation in most universities and colleges. William E. Hoeflin was chairman of the meeting and Irving L. Spencer and Charles Childress Jr. were class speakers. Mrs. Ross H. Schachner prepared refreshments which were served after the meeting.

Spring term classes (which will complete the 10th year of the work of the St. Louis extension) began on April 11th in eleven locations. Plans are under way to try extensive review-discussion group meetings in several sections of the Greater St. Louis area. George Clark, a recent graduate of the class directed by Mr. C. C. Case, is the latest addition to the school's group of class leaders.

The St. Louis extension recently became an associate member of the Adult Education Council of Greater St. Louis.

Boston

The spring term opened April 4th with fifteen classes — seven in Boston, and one each in Brookline, Cambridge, Mattapan, Medford, Newtonville, Quincy, Woburn and Worcester. In addition to these John S. Codman, Dean of the Faculty, teaches a five weeks' course in "The Practicality Of George's Remedy" on Thursday evenings at school headquarters; Sanford Parkas, Director of the school, conducts a class in "Political Economy" on Wednesdays; and there are five "International Trade" classes as well. The spring enrollment is light, with 94 in the basic classes. The winter term had an enrollment of 251 of which 46.6 per cent, or 117, graduated.

Due to International Competition the Graduation Dinner, on March 31st at Thompson's Spa, was not as well attended as these gatherings usually are. Even the dean, John S. Cod-

The fourth annual Chicagoland Conference of the Henry George School will open Saturday morning, May 21, at the La Salle Hotel with a community leaders' session devoted to evaluation of the progress in the past year and of the over-all program for the next. Miss V. G. Peterson, executive secretary of the Robert Schalkenbach Foundation, New York, will speak at the keynote luncheon on "The Power of an Idea." [See the June issue for a report of this talk.] Class promotion will be the theme of the Saturday afternoon session followed by a public meeting that evening on "Must We Put Up With Another Depression?"

Dr. Ernest B. Zeisler will speak at the Sunday breakfast on "Justice and Benevolence," with Mrs. Carl V. Baldwin presiding.

Mrs. Henry J. West, noted for her chalk-talk on "The Story of the Savannah," will conclude the Sunday afternoon teachers' session with her first public rendering of "Our Hungry World," a treatment of the Malthusian theory.

The Henry George Woman's Club celebrated its 10th birthday at an anniversary dinner April 9. Past Presidents Edith Siebenmann, Ruthanne Bassler, Anna Buenemann, and Agnes Goedde recounted the decade of growing influence of the club along with its increasing service to the school.

Lancaster M. Greene, a trustee of the New York Henry George School and vice president of the Robert Schalkenbach Foundation, was a surprise visitor at the seventh Commerce and Industry luncheon. Speaking of the achievements of the folk schools in Denmark, he held out hope of what can be accomplished for economic freedom in America through the adult education program of the Henry George Schools. The main speaker at this luncheon was George H. Duncan, New Hampshire legislator and tax authority. George R. Averill, publisher of the Birmingham (Mich.) *Eccentric*, will speak at the Commerce and Industry Luncheon on May 11.

man, joined the 13 or 14 thousand who were drawn to the Boston Garden by the irresistible Winston Churchill. However, the tables were still well filled. M. S. Lurio presided as chairman, and the applause for the various speakers was an enthusiastic as ever. Laurence Forrest, J. B. Giller, Walter Haigh, Edward Harwood, Edith M. Osborn, Herbert Rosen, and Saul M. Rothstein, all commented in an interesting manner on their reactions to their studies. The Worcester class was represented by five men: James Cronin, Wm. P. Kerr, Fred Pettinella, Wm. A. Sherman, Jr., and William A. Sherman, Sr., who spoke on "Life, Liberty, and the Pursuit of Happiness," their class motto.

After brief remarks by Sanford Parkas and Archie Matteson, the speaker of the evening—New Hampshire's George H. Duncan — delivered an entertaining address on "Why Tax-payers Act That Way." Being a retired member of New Hampshire's State Tax Commission, and an authority on the subject, Mr. Duncan covered a lot of territory — from the "publican" Nicodemus to present day parking meters. Yet he timed his speech so well that he finished just in time to tune in Mr. Churchill's opening words on the radio.

Mr. Duncan was asked to give the same talk in Chicago on April 13th.

James Mason is leading a critical re-examination of "The Land Question" in the current bi-weekly luncheon meetings of the Commerce and Industry seminar. "Economics in One Lesson" will next be taken up under W. W. Kester, consulting economist. Mr. Kester is also conducting a one-hour noon class which meets Mondays and Thursdays — discussing a half lesson of the basic course at each session. This class as well as the seminar meets at the Western Society of Engineers.

A group of graduates whose professions are identified with the building industry are conducting an inquiry into Chicago's building program to find out what barriers, restrictions, and burdens prevent its fullest development under free private enterprise. Among graduates participating are: Carl H. Bach, vice president of Tutthill Building Material Co.; Lewis F. Scott, district sales representative, Baldwin-Hill Co., insulation; Howard J. Elliott, plumbing contractor; Neil S. Booth, district sales manager, New York Blower Co., roof ventilators; Gustave Schirmer, building materials salesman; and Architects Attilio Forte of Holabird, Root & Burgee, Herman Frenzel, Oliver Sandquist, and Henry P. Tideman. H. Mayne Stanton, executive secretary of the Building Construction Employers' Association of Chicago, was the first to be heard at the informal weekly "hearings," on Friday, April 8.

Student speakers at the 48th commencement on April 6 testified again to importance and urgency of widespread study of fundamental economic principles. They were: Joseph Gruse, Mrs. Arthur Dahl, Fred H. Nesbitt, Lynn Grossberg, Louise Dawson, Hugh Burdick, Mrs. Patricia M. Holiner, and Gordon A. Cooley. Lewis F. Scott spoke on "The Prospect of a High Wage Level in America." Bruno Tworsey was chairman. The speaker at the 49th commencement in June will be Sidney J. Behansey, Chicago attorney and member of the faculty.

Los Angeles

Graduates of the winter term classes enjoyed an interesting evening at the commencement on April 14th with a symposium and open forum on "Henry George's Ideas versus Power Politics." Herbert Sulkin was Master of Ceremonies, and he, Erik Miller, and Stanley Sapiro gave the symposium. A lively discussion followed in the open forum, with new graduates exhibiting an unusual amount of interest. Nuel Benton told those present about the newly formed Henry George Alumni Association which has been organized so far in four communities, Hollywood, Wilshire District, Santa Monica-West, Los Angeles, and the Glendale Area.

The enrollment record in Los Angeles was topped in three ways with the winter term: (1) The largest number of students per class (averaging 24); (2) The largest percentage of students completing the course (53 per cent); and (3) The largest number of graduates per class (averaging 12.25).

The Hollywood area Alumni Association held its April meeting on the 13th, at the home of Membership Chairman, Trilby Lawrence. William B. Truehart showed some slides which the school has prepared to supplement the opening session and/or for general promotional purposes.

Delectable Treason In a N.Y. Classroom

Between teacher Dorothy Sara and student Allen Day . . .
 "What was your reason for coming to this class?"
 "I have a friend who comes here and he talks crazy."
 "Who is this friend of yours?"
 "Oh a man who lives in Brooklyn."
 "What's his name?"
 "Sydney Mayers."

Nebraska

Ada E. Shafer of Lincoln, Nebraska, held down a job during September and October, saved a little money, then started a class—all of which took a lot of courage, for there had never been a class there before. A thousand folders were sent, mostly to teachers and parent teacher groups, as well as the League of Women Voters. These were supplemented by an advertisement in the Sunday newspaper in which she tried to tell something about the school.

When the class opened, eight students appeared, and of these, five came because they saw the notice in the paper. "So my folder," writes Mrs. Shafer, "seemed like love's labor lost — but a thousand people in Lincoln who had never heard of the school before found out something about it."

The students who finished in Lincoln's "premiere" Henry George class are: Eleanor B. Bit, Mrs. Martha E. Campbell, Mildred M. Cooney, E. Glenn Gibson and Wreatha Walling.

Ohio

The Toledo extension directed by Charles Davis, Jr., held completion exercises in the Elks Club on April 12. Of 28 friends and former students present for the delicious steak dinner, 17 students received certificates. This splendid class was secured solely by newspaper advertisements. To Mr. Davis goes credit for holding the interest of the full enrollment for the entire course, and this was only his second class. Out-of-town guests included: Robert Benton, Mrs. Helen Carnes, Edwin Esten and Verlin Gordon.

Robert Benton of the Columbus extension writes that he is letting students alternate as discussion leaders and finds it helps sustain interest. It also encourages more study and improves their speaking ability.

Mr. Sumner Dennett who is headmaster of the Columbus Academy, and one of the Henry George students in the Bexley Library, is having four of his upper classmen read *Progress and Poverty* — and since graduates from this academy usually go to universities in the East, it is hoped this recommended reading will have far-reaching effects.

Montreal

Although Strehel Walton was a visitor in New York over the Easter holidays, she modestly refrained from turning in news of her classes, leaving us to garner this information from *The Square Deal* edited by Ernest J. Farmer of Toronto.

Miss Walton has a group of students at present, studying from *Progress and Poverty*, all of whom have paid tuition for the course. Other classes in progress in Montreal are: *Science of Political Economy*, International Trade and Public Speaking. Some difficulty has been experienced in finding a suitable meeting place, but Miss Walton, the director, feels sure there will be a Henry George School with headquarters for classes next September.

Ottawa

With the completion of the reading and study of *Protection or Free Trade*, the Ottawa Society has been left with many new thoughts. There is wealth in this book, and the more it is read, the more this fact is made clear.

Out of this wealth the final paragraph is a masterpiece; "Here is the conclusion of the whole matter; That we should do unto others as we would have them do to us — that we should respect the rights of others as scrupulously as we would have our own rights respected, is not a mere counsel of perfection to individuals, but it is the law to which we must conform social institutions and national policy if we would secure the blessings of abundance and peace."

"This," writes Marion E. Minaker of Ottawa, "is what we need all over the world, NOW."

Pennsylvania

Richard E. Howe of the Pittsburgh extension with headquarters in Mayor McNair's old office in the Bakewell Building, reports another one of those inspired ideas for which the mayor's protégé is already well known. A 45-minute-lunch-hour class is being held for workmen four days a week, using the teachers' manual instead of the textbook. Each student has a copy of the manual — this method is proving very successful.

New York

The dance recital staged by Agnes de Mille over the Easter week end for the benefit of the Henry George School was a huge success by all standards. The Y. W. and Y. M. H. A., where the recital was held, was sold out for both Saturday and Sunday, a week earlier. At both performances there was standing room only, and a large crowd waited to snatch up the few cancelled reservations.

A galaxy of first-magnitude stars of the dance world combined to make the recital a dazzling never-to-be-forgotten event. Agnes de Mille herself, performed in four of the twelve numbers on the program. Her talent for expressive gestures in telling a story through dance and mimic is one of the qualities that has enabled her to make ballet an understandable people's art, just as her illustrious grandfather, Henry George, brought political economy to the people.

Enclosed in each program was a folder, designed by Agnes de Mille, stating the purposes of the Henry George School. We were pleased to note that the audience was made up largely of non-school people, and so the message has been brought to many new people. This, plus the revenue realized from the benefit, plus the prestige of having such an event associated with the school, leaves us deeply and everlastingly grateful to our benefactress—Agnes de Mille.

Spend your vacation at the Georgist Conference in England (The Hayes, nr. London) August 14-21. Reserve now.



The Hayes, South Front and Conference Hall

Letters

To the Editor,

The enigma of assessing sliding land values caused by rising tax rates, has puzzled many. I remember a graph Oscar Geiger gave me, shortly before his death, showing astronomical tax rates (50 and 60 per cent) on shrinking land values.

The committee which drew up, "A Legislative Framework for the Philosophy of Henry George," arrived at a solution. It is: "Land shall be assessed at its full value, as though unimproved and free from tax."

Take, for instance, a plot of land renting for \$1000 a year. Assume a 5 per cent current interest rate.

Untaxed, its market value is	\$20,000
Taxed \$500, its " "	10,000
" \$1000, " " "	nothing

Under this plan, the plot would be assessed as if untaxed, or before taxation, so that the land value would be a constant \$20,000. Unless, of course, the rent changed.

On Page 405, of *Progress and Poverty*, George warns that "great changes can best be brought about under old forms — by making use of existing machinery — without jar or shock." Our Tax Department in New York, so ably modernized by Lawson Purdy, could make this change as a minor routine matter.

—H. C. MACGURE
 320 Broadway
 New York

To the Editor,

I enjoyed Mr. Thomson's article on the Georgist Colonies very much, but I do wish to take issue with him on his definitions of the words *enclave* and *exclave*.

When he defines *enclave* as an area where economic rent is collected for communal purposes, Mr. Thomson is defining a *Georgist enclave*, perhaps, but not an enclave in general, and it is my understanding that the surrounding area is *not* considered an *exclave*.

These two words are something like the pairs of import and export, or immigrant and emigrant. In other words, the same object may be an export from one country, but considered from the standpoint of the country of its destination, is an import. Similarly, an emigrant from one country becomes an immigrant in the country to which he moves.

An enclave, then, is merely an area or district entirely surrounded by a foreign dominion, or territory governed or operated in a different way from that within. If this enclave is governed by or in the same manner as another dominion or state which does not touch it at any point, the enclave is then considered an *exclave* of that state.

For example, the Republic of Andorra, situated between France and Spain, is an enclave, but is nobody's exclave. But the territory of Livinia, which belongs to Spain but is entirely surrounded by French territory, is considered an enclave in France, but is an exclave of Spain.

Perhaps this seems like quibbling, but I feel that the more exactly we use language, the easier it is to understand each other.

—MRS. BENJAMIN F. SMITH
 1801 Breton Rd. S. E.
 Grand Rapids, Mich.

Does Teaching College Economics Make Communists Thru Default?

[Following are a few remarks from a talk made by Professor Henry Gunnison Brown in St. Louis at the winter term graduation exercises of the Henry George School.]

ECONOMICS textbooks and economics teachers, though they devote considerable time and space to relatively inconsequential topics, frequently give no attention at all to the land question and the effects that land value taxation would have on the operation of our economic system.

"Students in Economics and in Public Finance at the University of Missouri are more interested in the part of the work dealing with the taxation of land values than in any other part. From time to time one of them tells me that he wanted to take the course because he had heard about this part of it. Any adequate presentation of the land question reaches for fundamentals. It stirs discussion. It is dramatic. The students talk about it outside of class, in their 'bull sessions.' They try to explain the philosophy of land value taxation to others, not taking the course. Recently one of my students told me that the land question 'is the most discussed question on this campus.' Teachers who omit, or almost omit, this part of economics, can scarcely hope, if other things are at all equal, to make their courses as interesting to their student customers.

"Statements made to me by a number of economics teachers (who themselves would rather not have it so) are to the effect that students of economics in our various colleges — especially those of some social idealism — tend to accept a combination of Keynesian economics and traditional socialism.

"The influence of American economics professors has spread widely. Students have come from far countries to study at American universities and especially at the larger prestige institutions, such as Columbia University. There students from the Chinese Republic (the founder of which, Dr. Sun Yat-sen, was greatly impressed by Henry George's contribution to economics and wished to make some application of Henry George's principles to Chinese taxation policy) have been indoctrinated with a contrary philosophy and have returned to China to teach this contrary philosophy.

"The graduates of our universities and colleges are but poorly armed against the propaganda of Communists and Socialists when they can oppose to the optimistically idealized program of a regimented economy only the existing caricature of what capitalism could be at its possible best. *Why are they not shown the intriguing blueprint of a free private enterprise system clearly worth fighting for?*

"If the great majority of the teachers of economics in the universities and colleges of the United States were convinced Communists desirous of following "the party line," if the leaders of the party in Moscow were seeking to corrupt capitalism into as poor a system as it could be made, in order that it might operate so badly as to provoke revolution, and if the Communist leaders had, for that very reason, given to all Communist teachers of economics definite instructions either to keep students from even thinking about the land value tax program or to cast discredit on it, the situation as regards education of university and college students on land rent and its taxation could hardly be worse than it actually is."

Henry George Schools Train Leaders

By J. R. FUCHS

THE FOLLOWERS of Henry George constitute one big family. They may criticize each other, and sometimes severely, in the use of words and in their methods of approach. However when an outsider should "jump on" one of the members of the family, all the rest will come to the support of the one attacked. For instance, if someone should take issue with the fundamentals as expressed by Mr. W. A. Howe or Mr. Gilbert M. Tucker (April issue, Henry George News), I know that I would immediately come to their defense; not that they would need my help.

We should have more such discussions as the one between Howe and Tucker. I am sure that we have all been groping for the best methods of approach. Perhaps we have not yet found the best method of attack on the "monopoly of all monopolies." And then again too much unity in the plan of attack may not even be desirable. Different groups of people have to be handled according to their peculiar predilections.

Both Mr. Howe and Mr. Tucker use some terms and phrases that I might find fault with. Probably I would be hypocritical. For instance, Mr. Howe says, "where the private appropriation of rent is abolished land value will disappear." Land will always have a value as long as people exist. All we want to abolish is the land's value as an article of commerce. It

should not be traded with, like the articles created by labor. Land should have value only to the user and not to the speculators.

And Mr. Tucker speaks of the danger of making enemies. We will never get anywhere if we are afraid of making enemies. I hope the day will come that we can make it so hot for our enemies that they will come out in the open. Not until then will we make any real headway. I am always glad if in a discussion someone takes sharp issue. It gives us the best opportunity to explain and fortify our positions.

The Henry George Schools are wonderful in training leaders. More power to them. But I am sure that we all realize that we cannot win over the people by these methods alone. A leader needs to understand all the laws of political economy. We need them. But we cannot educate the people generally by the same methods that the leaders are educated. In our movement we need the Garisons and the Phillipses, but we also need the Lincolns.

In reaching the people, we need most of all homespun illustrations, and we need not bother so much about the exact use of economic terms; however important they are in a textbook. No two men ever present the problem in the same manner. The best methods of approach may not be found until we get strong enough to invoke real opposition. Open and public opposition would be a great blessing for our cause.

Would the Working Farmer Lose?

By NOAH D. ALPER

"SO YOU want to tax the farmer?"

That's the question people throw at you when the suggestion is made that the public collection of rent of land and the abolition of taxes on the products of labor should be S.O.P. (Standard Operating Procedure) in a democracy.

Of course the facts of farmer contribution to public revenue via land value taxation (appropriating rent of land) depend on two things: (1.) Where are the land values? (2.) Can the public appropriation of rent of land by taxing methods be shifted in higher prices by the land title holder? The second proposition is so well answered by the economist that I will not go into it here. But let's look at the first—which is important—at the moment.

In order to tax land values we must first locate them. California, a state for which I have some interesting facts as of the year 1937, will make an excellent guinea pig. The state is some 1000 miles long and about 200 miles wide, with 58 counties in all. Three of those counties, San Francisco, Alameda (across the bay from San Francisco) and Los Angeles, had, in 1937, 53 per cent of the total land value of the state. To see how insignificant the area of these three counties really is get a map and color them in red. Then stick it to a wall and back off and take a look.

Consider that in the remaining counties of the state there are numerous areas involving many cities and towns, some of them highly important in the economy of California. Also think of the numerous right-of-ways, oil, mineral, chemical, timber, water-power and other

non-farm resources. From this demonstration can it not be seen how little land value the farmer really holds? And remember his improvement values and his maintained fertility values are not land values.

But another demonstration is interesting. In the City of San Francisco there is a triangular block of 1.54 acres. It is opposite the Emporium Department Store. This 1.54 acres in 1937 had a value of \$2,766,020. Locate Trinity County in northern California. The entire value of the land of that county as reported in Statement 16, issued by the state, was \$2,728,715, less than the value of a 1.54 acre block in San Francisco. Three blocks, one of which has on it the Emporium Department store building, have a total of some 17 acres, with a value of \$13,360,120 in 1937. Shasta County, adjacent to Trinity County in northern California, is given a land value of \$12,166,890. This is about \$1,000,000 less than the value of the 3 blocks of 17 acres in San Francisco.

Is the proposal to tax the value of land a proposal to tax the farmers? The answer is clear. If the farmers don't have the great bulk of land values, and if a tax levied on the value of land (appropriation of rent of land) does not cause prices of commodities to rise and so be shifted, then the farmers appear to be largely in the clear. As the situation is today, where the laws are arranged so that the private holders of land keep land rent in large part and the bulk of revenue for all governments falls on the wages and interest of labor and capital owners, the farmer is indeed a very heavy contributor to the support of government.