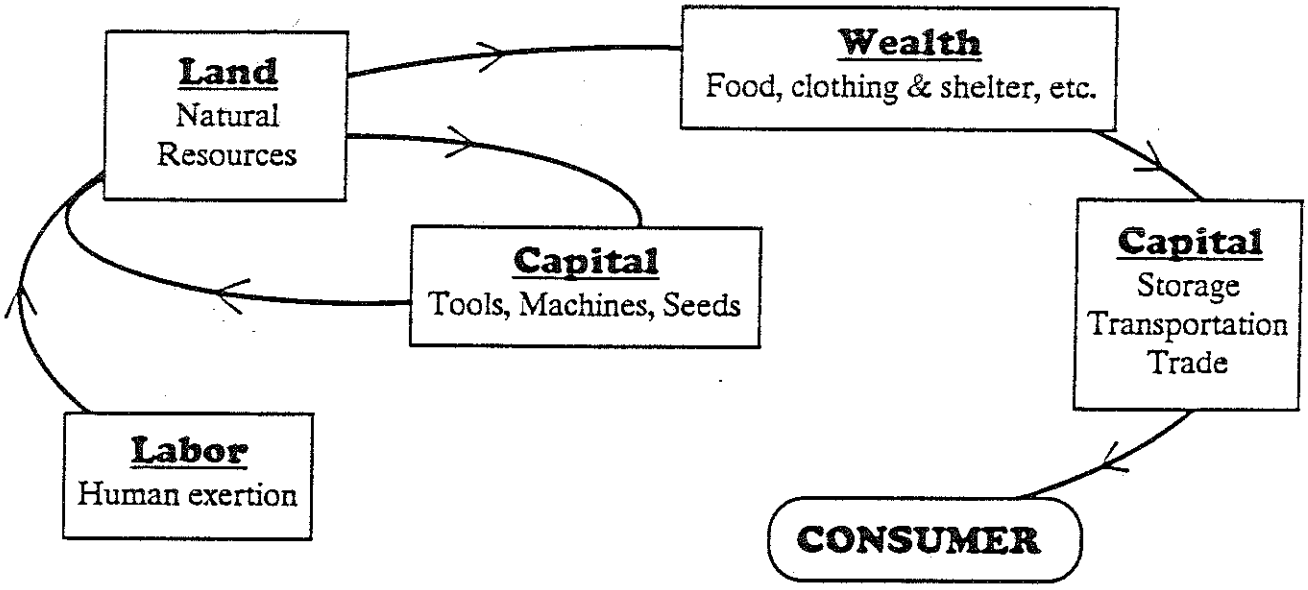
The Henry George School of Social Science presents:

POLITICAL ECONOMY

...the principles which led Henry George to the conclusion that taxing the annual value of land would end unemployment, cure poverty, eliminate crime, rejuvenate cities and prevent war.

The apprehension of these principles inspired George to write his classic book, *Progress and Poverty.* This is the first of ten lessons which comprise a complete course of study, "Basic Economics".

People exist and they satisfy their desires by consuming food, clothing, shelter, automobiles and a multitude of products. These products are produced by adapting natural resources to the satisfaction of human desire (changing materials in form or in place).



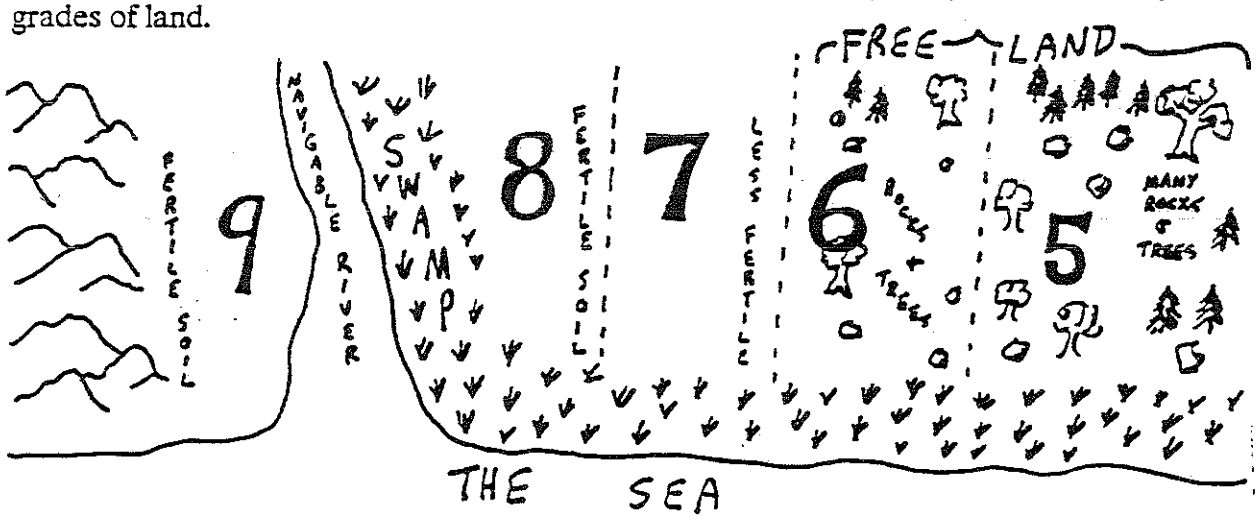
People endeavor to maximize the results of their efforts, so they produce tools and machines. It's a more complicated process, but in the long run they get a greater result. The same thing is true of agriculture; a greater result is enjoyed by planting and cultivating than simply gathering food which exists in nature. Anything which aids in getting a natural resource to the consumer in the desired form is part of production. Although money cannot be eaten, worn, lived-in or driven, it is an enormous asset. It eliminates the need to find one person who not only has what you what, but wants what you have (barter). With money, you may buy from one person who wants what you have and sell to different person who has what you want. Anything which consistently acts as a medium of exchange is MONEY.

In order to maintain a clear distinction between the Earth itself and the results of human exertion, precise terms will be used. They are the same terms used by classical economists; they are used here with greater discipline. The Earth itself, that is, the entire material universe excluding people and their products is called LAND. All human exertion, mental and physical, which is used to make products is called LABOR. All materials altered by human exertion and having an exchange value are called WEALTH. All wealth used to produce more wealth and wealth in the course of exchange is called CAPITAL.

LABOR is the active factor. LAND is the passive factor. CAPITAL, a compound factor, results from labor applied to land. It gives labor a greater efficiency.

In many societies, land is assigned to individuals and groups for exclusive use. This gives security to the things produced on and out of the land. People are not willing to till and cultivate the soil, or to build homes or factories unless there is assurance that they can keep what they produce. Titles to land do not give their owners an advantage as long as there is land of equal quality available to everyone. However, as soon as all the best quality of land is monopolized and someone must resort to less desirable land, the owners of all better land enjoy an advantage, and the land attains a value. All the gains which result from the superiority of land are called RENT. This changes and limits the meaning of the word rent from its use in common speech, which includes payments for the use of products (items of wealth) as well.

In the following model the numbers represent the average wealth (food, clothing, shelter, etc.) which can be expected to result from each unit of labor and capital applied to the respective grades of land.



The difference between the average result that can be expected on any particular piece of land and the average result that can be expected on land that is free is called the POTENTIAL RENT. While the actual rent is part of what's produced, there can still be a "potential rent" even if nothing is produced. When land is rented, the owner usually asks for the potential rent.

QUIZ:

#1. Fish in the ocean are: land A.( ) capital B.( ) wealth C.( )

#2. Before labor can produce wealth, it must have: money A.( ) capital B.( ) land C.( )

#3. Is a store keeper a producer? Y( ) N( )

#4. Can the potential rent be greater than the actual rent? Y( ) N( )

#5. Using above model, what is the "potential rent" on the 8 land? ( )

#6. If an individual could produce twice as much as the average person on any particular piece of land--18 on the 9 land, 12 on the 6 land, and the potential rent were being asked on all grades of land, where would that individual experience the greatest gain? A. On the best land( ). B. On the free land( ).

Answers on top of previous page.

This lesson will deal with the gains of labor, which are called WAGES, and the gains which accrue to the owners of capital, which are called INTEREST. The cause of interest and the mechanism which distributes wealth between the owners and the users of capital may be seen by way of three examples.

#1 If I make and offer to lend you a bow and a set of arrows, and in exchange I ask for the difference between the game you do catch and what you would have caught with your bare hands, you would simply make your own bow and arrows. Hypothetically: you could take the first two weeks of a year, make a bow and arrows and use them for the remaining 50 weeks at which time they would be worn out. Or, you could borrow a bow and arrows, use them for the first 50 weeks and take the remaining two weeks to make a new bow and arrows for return. Ether way, at the end of a year, you would have 50 weeks worth of game and a worn out bow and arrows. If the loan of the bow and arrows was conditioned upon the payment of any of the game as interest, no borrowing would have taken place. In this example, the primary benefit of capital was in its use, and it was taken by the user.

#2 But, suppose instead of a bow and arrows, you have built a kiln for baking bricks. Having once been built, this kiln can be used to bake the bricks used to make other kilns with far less work and time. If I ask to borrow your kiln, which I shall use to bake the bricks and make another kiln for return, you will expect a payment which represents the saving of time in not having to repeat the original steps of building the first kiln. If the payment of interest was not agreed to, no lending would have taken place. This principle applies to mining the first ore and making the first tools and machines. Once produced, many of these tools and machines are used in mining each succeeding unit of ore and making new tools and machines. As long as they are maintained, some of the original steps are eliminated from the productive process. The wealth which represents the time saved in not having to repeat original steps accrues to the owner of capital.

#3 Or, suppose, instead, that you have made two casks of freshly made wine; each will support your needs for several years. Observing this, I propose to borrow one of your casks until such time as you have need for it, say in two or three years. I will then make a fresh cask of wine and return it. This proposal would not be acceptable, because the wine would have aged and increased in quality and value. Although periodic applications of labor are necessary, there is, independent of the human factor, an increase in the value of the wine (capital). This principle applies to seeds that grow while the farmer sleeps or plows new fields, or to solar collectors that continuously produce energy, or any product that harnesses the productive or reproductive forces of nature. Here, there is an increase of capital which accrues to its owner.

In the first example, a bow and arrows, there was no advantage in borrowing capital. The benefit of capital was in the use, and was enjoyed by the user. In the second example, a kiln for baking bricks, the benefit was also in the use, and enjoyed by the user, except for the savings which resulted from the use of existing capital, which was enjoyed by the owner of the capital. In the third example: making wine, the benefit was in the increase of capital, which was enjoyed by the owner of the capital.

Any workers (labor) involved in assisting the increase of capital must be paid for out of that increase. And they must be paid as much as they could have produced in the first example, where the benefit of capital was in the use and enjoyed by the user.

Any owner of capital who lends it for a use incapable of increase, like a bow and arrows, will have to be paid as much as his capital would have increased had it been maintained in a form

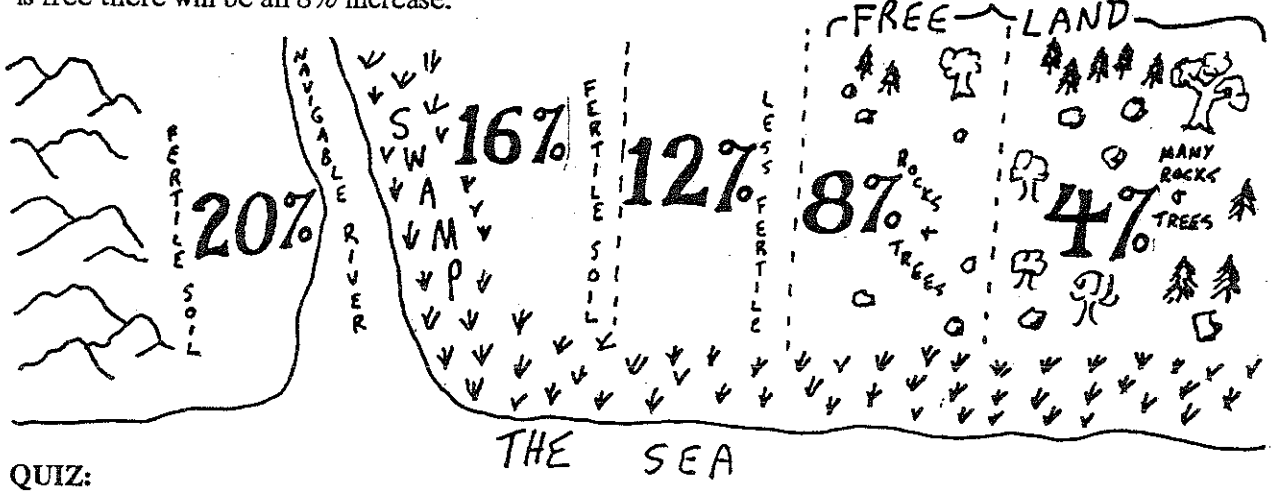
which is capable of increase. Through the laws of supply and demand, the general rate of interest will be equal to the average savings and increase of capital as a whole. The general rate of wages will be equal to the average results of labor which have produced and used capital in changing matter in form or in place as in the example of a bow and arrows, or as in building a house. The wages of individuals will differ with their own abilities.

This explanation illustrates a mutual support system between workers and capitalists. Interest represents the advantage of time which results from the use of existing capital. If the advantage does not equal the demanded rate of interest, labor can always produce additional capital and use that. There is an equilibrium between wages and interest in regard to the supply and demand balance between the two, and therefore the rewards to each. Example: at the frontier the Sawyer cuts trees and makes boards. He changes matter in form or in place and his rewards are wages. Near by a farmer plants seeds and nurtures crops. He harnesses the productive or reproductive forces of nature causing an increase of capital. His rewards are interest.

If the rewards for farming (interest) rise above the rewards for sawing (wages) workers start farming and stop sawing. The increased supply of food lowers the price and the profit (interest). The decreased supply of boards raises the price and the profit (wages) and draws the workers back to cutting trees. This maintains an equilibrium.

Land, however is different; no amount of labor or capital can produce land, but they are dependent upon it to produce everything. So, the general rate of wages will be equal to the average production of labor where the land is free. All production which results from labor's application upon superior land is enjoyed by the landowners as rent. The same mechanism is true of interest. The general rate of interest will be equal to the average savings and increase of capital where the land is free. All savings and increase of capital which result from its application on land of superior quality will be enjoyed by the landowner as rent.

To conceptualize this distribution, observe the following model. The different percents represent the expected increase of capital on each grade of land. Imagine a farmer (capitalist) who owns $100,000 worth of capital, a tractor, machinery, seeds, fertilizer and so on. He employs his capital on the most fertile land. After he pays his labor, he will have worn his equipment, he will have no seed or fertilizer, but he will have a crop; his assets (capital) will be worth $120,000 at the end of the year, an increase of 20%. On the next grade of land, which is less fertile, there will only be a 16% increase. Where the land is free there will be an 8% increase.



QUIZ:

#1. Does capital employ labor? Y( )N( ) Does labor employ capital? Y( )N( )

#2. Interest arises from: A. the increase in the power of the tool.( ) B. the advantage of time in having the concrete results of labor for immediate use.( )

#3. The most that the owners of capital can ever demand is: A. the entire product.( ) B. the entire increase of capital. ( )

#4. On the best land in the model, how much of the 20% increase does the capitalist get?( ) how much does the landowner get?( ) *Answers: top of previous page*

3

Lesson #2 dealt with the distribution of wealth between workers and capitalists, or between wages and interest, and the distribution of wealth between workers and capitalists and land owners, or between wages and interest, and rent. In this lesson wages and interest will be considered together. The workers store up tools and equipment, stockpile goods etc., which they use and receive wages and interest.

POTENTIAL LAND RENT	3	2	1						
AVERAGE WEALTH EXPECTED	9	8	7	6	5	4	3	2	1
AVERAGE WAGE & INTEREST	6	6	6	6					
	land already owned				free land				

In the above model the vertical lines represent the different grades of land; the numbers in the center line represent the units of wealth which can be expected to result, on the average, on each particular grade of land with the application of each unit of labor and capital. All land in the shaded area of the chart is already owned. All land to the right of it is still free. The numbers on the bottom line represent that portion of the product which the average producer expects to keep. The numbers on the top represent the potential profits of the land holder.

Wages and interest on all land will be equal to what, on the average, labor and capital can produce where the land is free. Skilled, knowledgeable or otherwise superior workers will produce more and receive higher wages than the general level, and interest will vary with the risk involved.

The potential rent will be the difference between what, on the average, can be produced on any particular piece of land and what can be produced, on the average, where the land is free.

As population increases and the free land is pushed to less productive points, wages and interest fall and rent rises.

POTENTIAL LAND RENT	4	3	2	1					
AVERAGE WEALTH EXPECTED	9	8	7	6	5	4	3	2	1
AVERAGE WAGE & INTEREST	5	5	5	5	5				
	land already owned				free land				

However, as population increases, the potential; to specialize and exchange increases the capacity of labor and capital and more than compensates for the resort to less productive land.

POTENTIAL LAND RENT	8	6	4	2					
AVERAGE WEALTH EXPECTED	18	16	14	12	10	8	6	4	2
AVERAGE WAGE & INTEREST	10	10	10	10	10				
	land already owned				free land				

Inventions increase productivity directly, through economies of scale, and, in the realm of transportation, by expanding the availability of things which are regionally peculiar, like minerals, soil and climate. Productivity is further increased by governmental activities like roads, police and public education. This also increases the demand for materials, fuels and space to produce and maintain the new productions. Productivity is increased; free opportunity extends to less productive land.

POTENTIAL LAND RENT	20	16	12	8	4				
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4
AVERAGE WAGE & INTEREST	16	16	16	16	16	16			
	land already owned					free land			

Wages and interest tend to rise with the increase in productivity. Rent also rises as population grows, roads, police and schools are available, and inventions march on. In the expectation of this increase in rent, land is hoarded -- held as an investment. Some portion of every grade of land is held for speculation, either unused or grossly underused (in other words, used less intensively than its most economic use). In the city of Wilmington, in spite of all the new construction, the industrial land along the Christina river, with railroad and high voltage electric lines already in place, is grossly underused. There are surface parking lots where the land could economically support the construction of stores or office buildings; there are lots with abandoned buildings; some completely vacant. The reason the owners of this land are in no hurry to sell to someone who will use it now is that the land will be worth more tomorrow. As population, invention and government services increase, the rent of land will increase with it.

POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4
AVERAGE WAGE & INTEREST	4	4	4	4	4	4	4	4	4
	land already owned								

Portions of *all* grades of land are held for speculation (unused or grossly underused). But, for the sake of simplicity, the model assigns all of the next three grades as idle to show the effects of land speculation upon the distribution of wealth.

Using land in any less than its most economic way, within the limits of health, safety and the environment, prematurely removes the frontier, and, thus, independent opportunities to produce. Non-use or underuse of land does not increase labor's ability to produce; in fact, it becomes an impediment to cooperation; roads and transportation, police and fire, and water and electric must all pass by it. The result is that underuse of land lowers wages and interest, and increases rent.

The tendency to monopolize land, in the absence of any counteracting force, will continue until all the land which is capable of monopoly and production is owned. What happens then will be the topic of the next lesson.

QUIZ:

#1. In the first model, why did the workers and the capitalists agree to pay the land owner 3 units of wealth? A. Land owners can charge what ever they want.( ) B. The producers would still receive as much as they could produce where the land is free.( )

#2. If a worker and a capitalist could produce twice the average results, where would they be better off? A. Pay the potential rent and use the best land.( ) B. Go to the free land and pay nothing.( )

#3. If the same producers could only produce half as much, where would they be better off? A. On the best land. ( ) B. On the free land.( )

#4 As wages and interest increase as an amount, do they rise ( ) or fall ( ) as a portion of the product?

Answers: top of previous page.

This lesson will explore what will happen when all land is monopolized -- when no free land is available for use. Keep in mind, the term LAND is used to include all natural resources which are unaltered by human exertion. The law of WAGES: the general rate of wages will be equal to what, on the average, can be produced with a given amount of labor where the land is free. The law of INTEREST: the general rate of interest will be equal to the average increase of capital where the land is free. The law of RENT: the rent of land will be equal to the difference between the results on any particular piece of land and what the same application of labor and capital could have produced where the land is free. Next: final model from lesson #3.

POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4
AVERAGE WAGE & INTEREST	4	4	4	4	4	4	4	4	4
	land already owned								

In this model, wages and interest are 4 units of wealth on all land. This is because workers and capitalists have a free alternative place to produce four units of wealth. No one will work on someone else's land for less than they can produce on their own. Rent equals the difference. In the next model there is no free land, and therefore no alternative. The ocean and the air are also land, but for the purpose of illustration, all the land which is capable of monopoly is either taken, or not capable of production. The first thought might be that wages and interest would fall to zero. However, if nothing is paid, no production takes place, the workers starve, and the landowner gets no rent. The workers must be paid enough to keep them working and reproducing --therefore the general rate of wages falls to a bare subsistence. In this model, subsistence equals four units of wealth.

POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	0
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4
AVERAGE WAGE & INTEREST	Wages fall to subsistence; Interest falls to the minimum level required to maintain supply of capital (4 units in model).								
	land already owned								

Clearly, the basic workers in no way benefit from the advance in material progress; every increase in productivity inevitably goes to the owners of land, whether it results from specialization and subdivision of labor, inventions, innovations, new discoveries, or public services such as roads, police and public education.

One attempt to counteract the impoverishing level of wages is the minimum wage law. Through the legislative process, the voters tell the landowners that if they do not give the workers more of what the workers produce, the workers will not be allowed to produce anything, and the landowners will get no profit. Perhaps labor unions are similar in that they tell the land owner: if they do not get more of what they produce, they will not produce, nor will they let anyone else produce, and the land owner will get

no profit. History has shown that landowners can wait far longer than workers for production to resume. Land retains its value whether production occurs or not, but a laborer who is denied work today loses today's wages forever.

Unless there is free land, skilled and professional workers also have no alternative way of employing themselves, but: would they go to college or otherwise acquire special knowledge and skill, work harder or more intelligently, if they were not rewarded for their greater productivity? They need not be paid the full amount of increased production that their greater skills bring about, but just enough to entice their greater productivity. On the other hand, suppose a worker can only produce half as much as the average worker? Subsistence (4 units of wealth in our model) must be paid nevertheless, if that worker is hired.

POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	0
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4
AVERAGE WAGE & INTEREST	Wages fall to subsistence; Interest falls to the minimum level required to maintain supply of capital (4 units in model).								
	land already owned								

Turning to the model, if a worker could only produce 18 units on the best land, where the average worker can produce 36, the landowner would only experience 14, instead of 32 units in rent. Even though the less efficient worker can produce over four times what he must be paid as subsistence, as long as a worker of average productivity is available for hire, the less efficient worker remains unemployable. A worker may produce many times his own subsistence, and yet, if he or she is in the group of least productive workers, he or she may be unemployable. The number of workers who are unemployed depends upon the amount of land which is held from production.

The owners of capital can always demand interest equal to the full increase of their capital where the land is free. In the absence of a free land alternative, all of the increase of capital tends to accumulate to the land owners. As this tendency exerts itself the workers lose the incentive to produce, maintain, and use or loan their capital. Without the use of capital (inventions, factories inventories), labor becomes very inefficient. As production falls, the profits of land ownership fall with it -- so, in self-defense, landowners are forced to accumulate capital. This phenomenon may explain the (mistaken) tendency to vilify capitalists, *per se*, as the exploiters of labor. In any case, the giant corporations of the world -- Gulf and Western, General Motors, Sears & Roebuck -- own the land as well as the buildings and machinery of production. When free land is unavailable, capital owners have no place to employ their capital, regardless of how much it could increase. When landowners choose to borrow capital, they must pay a rate of interest which reflects only the reward necessary to entice the accumulation and loan of capital -- an amount below which the supply would not meet demand. These loans come only from those who enjoy more than a bare subsistence. After subtracting monetary inflation, long-term interest between borrowers and lenders of minimal risk is thought to have been between 3 and 4% for nearly 100 years.

QUIZ: #1. With no free land, if greater success were attained in public education and every worker produced more as a result, who would enjoy the benefit? the workers ( ) the land owners ( ) both ( ).
#2. With no free land, who benefits from the widespread use of computers? workers ( ) capitalists ( ) land owners ( ) workers & capitalists ( ).
#3. With no free land, income taxes decrease: wages & interest ( ) rent ( ) both ( ).
#4. With no free land, the graduated income tax greatly reduces the take home pay of superior workers (skilled & professional) --(True). (False).

Answers on top of previous page.

"Sorry, pal. I just bought the planet. I want you and all your buddies off by next Friday."

5

This lesson explores the cyclic expansions and contractions (depressions / recessions) which sometimes raise the general level of wages without making any free land available, and sometimes diminish production, and therefore the profits of land ownership, by refusing employment to productive workers.

There are many forces which tend to alter the production and distribution of wealth, but the fundamental force may be seen in a basic model. It starts with access to land.

Today, this access generally begins with a selling price, which in effect fixes the rent, once and for all; the rent cannot be raised above the rental value of the land or the users projected ability to pay. (Buildings are not easily moved.) However, one might ask, how is a price placed on something that has no cost of production, and cannot be reproduced? A parcel of land may offer an advantage and provide an income, but how is that monthly or yearly income potential transformed into one payment once and for all?

In modern times, land which provides an income, but has no cost of production, has been equated to capital, which provides an income and has a cost of production. The exchange value of capital, regardless of its income (interest), will equal its cost of reproduction. Therefore a parcel of land which yields $100 in income will exchange for the same value as an item of capital yielding $100 in income. If interest is 3%, than the selling price of the capital and the land would both be $3,333. The process is called capitalization.

POTENTIAL RENT (FULL RENTAL VALUE)	$110.
TAXES, ETC.	$10.
UNEARNED INCOME (PROFIT)	$100.
RATE OF INTEREST	3%
SELLING PRICE (FEE SIMPLE)	$3,333.

Another way to think of it is that, at 3% interest, the seller would have buy $3,333 worth of capital in order to continue receiving the same $100 income.

However, suppose that inventions are increasing production; that population is increasing, particularly in the surrounding area, and new roads and government services are all adding to the rental value and profits of land. Suppose that the prospective seller and buyer both agree that in all probability the profits from a particular parcel of land will increase at about 5% per year over the next ten years. If it is sold now for a price based upon the current profits, the seller will forfeit the greater profits in the future. After inflation, interest, the alternative investment, is not expected to increase, but the land is.

Look at the next chart, first column: by year 10 the income from the land would be over $150 per Year, and the interest on the capital investment would still be $100. But if the price is based upon an income of $127, what you expect the profit to be in the 6th Yr., then the seller will receive $127 each Year in interest (3rd column), and will probably gain as much by selling the land as he would have gained had he kept it. Look at the totals. With a 5% yearly increase, the total profit from land would be $1,252 By comparison, $127 per Year, what you would receive in interest for the next 10 years, adds up to $1,270 And if the trend continues, will equal out in the next 6 Months. This is why land is

	INCOME FROM LAND expected increase 5% per Yr.		INCOME FROM CAPITAL 3% interest on $4,233.		
Yr.					BAL.
1	$100	TOTAL	$127	TOTAL	-27
2	$105	205	$127	254	-49
3	$110	315	$127	381	-66
4	$115	430	$127	508	-78
5	$121	551	$127	635	-84
6	($127)	678	$127	762	-84
7	$133	811	$127	889	-78
8	$140	951	$127	1016	-65
9	$147	1098	$127	1143	-45
10	$154	1252	$127	1270	-18
11	$161	1413	$127	1397	+16

bought and sold at a speculative selling price.

Although a ten year prediction was arbitrary for the purpose of illustration, the price of land is always based on speculations about the future profits, not the profits at the time of the sale. Referring back to the model, in the first year the buyer had to give up $127 for a parcel of land that only netted $100 in profit. This puts the buyer $27 behind. By the 5th Year (Ref. column 5) the buyer is $84 behind. As long as the buyer has enough wealth to make the necessary capital investment and sustain the above loss, and as long as the profitability of the land increases as predicted, production will continue and the buyer will be fine.

However, when an individual or corporation does not have the resources to pay the speculative price of land and make the capital investment necessary to put the land to its most economic use, nothing is produced. When a significant segment of the population stops producing, or new workers are unable to produce (find employment), it is termed a recession or depression, depending upon the number of people unemployed.

In order to expand the economy and increase the number of workers employed, one of three things must happen: #1. wages and interest fall; #2. the price of land falls; or #3. the results of labor and capital increases. Every invention, innovation and new discovery increases the results of labor and capital, which, without a frontier, increases the potential rent. This increase narrows the gap between the present rent and the speculative rent based on the future, and makes profitable the previously un-affordable price of land.

In the course of every recession / depression, wages and interest diminish, within the narrow space above subsistence and the incentive to store up capital; the price of land falls; and inventions continue on. Eventually, through some combination of these three factors land becomes affordable and the economy expands and employs additional workers.

Through the vehicle of inflation (increased supply and reduced value of money), wages and interest and the price of land are diminished. When land and capital are mortgaged at fixed rates of interest, inflation diminishes the agreed price of land labor and capital, and permits production. Of course wages and, after a time, capital are re-negotiated.

To recapitulate: the selling price of land is a speculative price which attempts to capture the expected profits of land ownership in the future. When the wealth available for purchasing land is insufficient, the economy stops expanding, people joining the work force are unable to find employment, and all production based on an expanding economy stops. Diminished demands equal diminished returns for goods and services. This reverberates throughout the entire economy and manifests in a recession / depression.

QUIZ: #1 The selling price of land is based on: (A) the rental value of the land. (B) the profits of land. #2. The selling price of land is based on: (A) past and present profits. (B) expected profits. #3. Can the anticipation of a technological discovery increase the price of land? (YES)(NO) #4. A sudden increase in the price of oil could trigger a recession. (T)(F) Answers on top of previous page.

BARRON'S April 4, 1988

Foreign Investment

Tokyo Nears Peak

Just look what happened to Japanese land prices last year. They soared abnormally amid speculative buying with surplus funds and low interest rates. According to the government's National Land Agency, the price of residential land in Tokyo rose 68.9% in 1987, nearly twice the prior peak gain of 35.9% in 1973, and almost triple the 1986 increase of 23.8%.

The highest land price recorded was 34 million yen per square meter, in the Chiyoda ward in central Tokyo's main Marunouchi business district. At 125 yen to the dollar, this worked out to a staggering $6.72 billion dollars per acre.

Hold on, help is on the way. According to Oxford Analytica, a U.K.-based consulting and research service, Japanese government actions have curbed real-estate speculation. In August 1987, Tokyo ordered new reporting requirements for real-estate deals, postponed auctioning off choice public lands, discouraged bank lending for speculative deals, and sharply hiked taxes on property held less than two years.

The upshot: Land prices in the Tokyo metropolitan area now are nearly 20% below their peak. That's the good news. The bad news, says Oxford Analytica, is that the decline is likely to be short-lived. It could bottom in June or July as real estate firms finish disposing of excess holdings. A new round of increases could follow. Reason: "Major public works projects in Tokyo Bay and neighboring areas are likely to fuel an urban renewal boom, thus overwhelming the government's present anti-speculation measures." ◆◆◆

6 This lesson will review the main points of the course so far and survey traditional explanations for poverty, hunger and depressions.

Labor applied to natural resources (land) produces wealth. Wealth used to produce more wealth (capital) gives labor a greater efficiency.

Land is assigned as private property to grant security to the producer, so the workers can be sure to keep what they produce. However, as population increases and invention marches on, an advantage evolves from the private ownership of land. This occurs in two ways: As the frontier (free land) extends to less desirable lands, the advantage of owning all superior lands increases; as people come together in communities the potential to specialize and exchange increases the ability of labor to produce and satisfy desires, but because this potential is only present on land where population is dense, it becomes an advantage which accrues to the owners of land.

Every increase in population, every invention and every beneficial action provided by government increases this advantage. Since this advantage can be used to acquire what other people produce, land is sought as an investment. In anticipation of the expected increase in the income from land ownership, enormous amounts of land are hoarded, unused or grossly under used; this prematurely extends the frontier, lowers wages and interest and raises rent.

In the absence of countervailing incentives, all land which is capable of production and monopoly is appropriated. Without free land, wages tend to a bare subsistence; interest tends to the minimum needed to induce capital's production and loan.

The selling price of land is a capitalization of future expectations of the land owner's net income. As it is called, the speculative price of land makes significant portions of land unavailable to producers. Because the speculative price is not in sync with the amount of wealth saved for its investment, the amount of land unused and underused varies from time to time and correlates with the changing number of people unemployed (economic expansions and recessions).

This is the Georgist explanation for poverty and the cyclic intensifications (recessions / depressions). Contrast these with the current explanations that follow.

THE WORLD IS OVER POPULATED.

This implies that all the land is being used, and used in the most efficient way in every time and place.

According to the United Nations, their are over a billion acres of unused, but potentially productive agricultural land throughout the world, most of it in impoverished countries. The Institute for Food and Development Policy believes that of all the world's arable land less than half is being cropped.

POOR PEOPLE ARE INEFFICIENT PRODUCERS.

Before poverty can be attributed to the inefficentcy of the workers, it must be ascertained that no portion of that which they produce is taken from them for the private gains of any land owner. And it must be shown that they applied their labor to the best land that was previously not in use.

Numerous surveys assert that a small minority of the people control the vast majority of the land within every country. Two examples: a United Nations survey of 83 impoverished countries found 3% of the land owners in control of 80% of the land; and a survey published in Harpers magazine, 1979, concluded that approximately 95% of all privately held land in the United Stated is controlled by about 3% of the population.

(About half the total land area is privately owned),

RECESSIONS / DEPRESSIONS ARE CAUSED BY OVERPRODUCTION.

The overproduction theory: It asserts that commodities have been produced in excess of their demand; that the lack of demand for commodities becomes a lack of demand for the labor and capital to produce them, and therefore causes unemployment: A reduction in the demand for automobiles reduces the demand for auto workers; the unemployed auto workers demand less new clothing; the unemployed garment workers demand less new televisions; the unemployed electronic workers demand less automobiles and a myriad of other products. Through countless reverberations, the over production of certain commodities is transformed into a reduction in the demand for labor in general, thus a recession / depression occurs

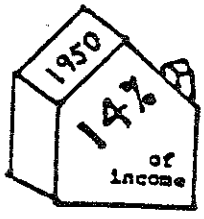
Can this theory really explain why people who are willing and able to work cannot produce anything for long periods of time? Take an economy of one, like Robinson Crusoe. He produces food, clothing, shelter and transportation. Suppose he becomes enthused with building boats, and before he takes stock has completed four vessels, twice the number at any given time he shall have any use for. There is an over production of boats, when in fact, what he really has use for is more and a better quality of food, clothing and shelter. Unlike the unemployed auto worker, this man will not be unemployed; he will now have to produce the food clothing and shelter that he wants.

People produce things they do not intend to consume, like automobiles, because, through the process of specialization and exchange, they can get more of the things they do want than by producing them directly. The primary reason the unemployed auto worker, who wants food, clothing and shelter, does not produce the things S/he wants directly, in spite of the inefficiency, is because s/he does not have access to land on which and from which s/he can produce them.

RECESSIONS / DEPRESSIONS ARE CAUSED BY THE LACK OF SUFFICIENT CAPITAL INVESTMENT.

This theory hypothesizes that a given amount of capital must be invested before each worker can achieve a profitable level of productivity and be employed. Adherence to this theory explains the government subsidized loan to Chrysler Corporation. The loaned money would buy new capital and keep the workers employed. Lower interest rates or taxes are often proposed to aid in the accumulation of capital. It is only possible to attribute unemployment to a lack of capital investment, when labor and capital have access to the very best quality land within the economy and no portion of that which is produced is taken by those who do not produce a commensurate value in exchange; this not only applies to the production site, but to the raw materials as well.

QUIZ: #1.(T)(F) As long as a parcel of land is being used for something, like a surface parking lot in a down town area, it does not effect the scarcity of land, and therefore lower wages and interest. #2.(T)(F) Inefficient use of urban land has nothing to do with the availability of agricultural land. #3.(T)(F) A person could be capable of producing several times what s/he must be paid in wages and still be chronically unemployable, if others were willing to produce more for the same minimal wage. #4. Over production which coexists with mass unemployment (recession / depression) is caused by (A) a significant increase in the production of those things which have become superfluous. (B) a reduction in the production of other things for which the superfluous products would exchange.



The median 30-year old male head of a household now earns 10% less (in inflation-adjusted wages) than his father did when he was 30 years old.

Not only does today's male earn less today than his father did, but today a 30-year old must spend 44% of his wages to live in a median-priced home, while his father in the 1950's spent only 14% of his wages to pay off his mortgage.

The cost of financing a median-priced home has grown from 21% of the average gross earnings of a 30-year old in 1973 to 44% by 1983, pushing home ownership out of reach for many people. National Taxpayers Union

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7 This lesson will analyze the results of taxes levied on income and wealth.

TAXES WITH A FRONTIER: As long as there is free land, and wages are above subsistence, and interest is greater than an amount below which capital would not be loaned, and the tax is levied on production or distribution where the land is free, then it will diminish that which is taxed. The income tax, under these circumstances, will lower rent, wages and interest, so will a tax on products.

Income tax takes 25%	15	12	9	6	3	>			
POTENTIAL LAND RENT	~~20~~	~~16~~	~~12~~	~~8~~	~~4~~	F			
AVERAGE WEALTH EXPECTED	36	32	28	24	20	R E E	16	12	8	4
Income tax takes 25%	~~16~~	~~16~~	~~16~~	~~16~~	~~16~~	>	~~16~~			
AVERAGE WAGE AND INTEREST	12	12	12	12	12	>	12			

	15	12	9	6	3	>			
POTENTIAL LAND RENT	~~20~~	~~16~~	~~12~~	~~8~~	~~4~~	>			
						F			
Tax on wealth takes 25%	27	24	21	18	15	R	12	9	6	3
AVERAGE WEALTH EXPECTED	~~36~~	~~32~~	~~28~~	~~24~~	~~20~~	E	~~16~~	~~12~~	~~8~~	~~4~~
						E			
AVERAGE WAGE AND INTEREST	~~16~~	~~16~~	~~16~~	~~16~~	~~16~~	>	~~16~~			
	12	12	12	12	12	>	12			

TAXES WITHOUT A FRONTIER. Refer to the model below: the Income tax is 25%. If on the best land, the owner gained 32 units of wealth, the government would take 8, leaving the land owner with 24 and so on.

Income tax takes 25%	24	21	18	15	12	9	6	3	0	N O	L
POTENTIAL LAND RENT	~~32~~	~~28~~	~~24~~	~~20~~	~~16~~	~~12~~	~~8~~	~~4~~	~~0~~		A
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4	F R E E	N D

With no free land, wages of the least productive workers equal subsistence, represented by 4 units of wealth. The government would take 1, leaving the workers with 3, but if subsistence equals 4, and wages are 3, the workers will die, nothing will be produced and there will be no rent. (profit to the land owner). In this model the workers would have to be paid over 5 units so that after 25% was taxed away, the workers would still have subsistence, 4. For the land owner, one less unit is better than nothing.

slightly less than	23	20	17	14	11	8	5	2	0	N O	L
Income tax takes 25%	~~24~~	~~21~~	~~18~~	~~15~~	~~12~~	~~9~~	~~6~~	~~3~~	~~0~~		A
POTENTIAL LAND RENT	~~32~~	~~28~~	~~24~~	~~20~~	~~16~~	~~12~~	~~8~~	~~4~~	~~0~~	F	N
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4	R E E	D

AVERAGE WAGE & INTEREST -- Subsistence wage & Interest to an amount below which supply would not meet demand == 4

The income tax is graduated and therefore falls more lightly on those at the bottom. However, whatever it is, it must be made up for by raising "before-tax wages". Everyone's level of subsistence is not the same, but the income tax makes some adjustments through deductions: dependents, medical expenses etc. This model has not introduced minimum wage laws and unions. However, if it did, one can easily see it would be up to the legislators and the contract negotiators to decide who would pay the tax.

Workers who are above average in their level of productivity, such as skilled

craftsman, chemists, professionals, are paid what ever it takes to induce them to acquire greater knowledge and skill and perform at a higher level---not a penny more. It is not the gross pay, but the disposable, or beneficial, pay that creates the incentive. If taxes are raised, even disproportionately, on the exceptional workers, they must be offset by the employer. To diminish the incentive will diminish the supply of superior workers. Only if a tax so increases the cost of production that decreasing the volume of production, and with it the demand for superior workers, actually increased profits, could it be said that a tax decreased the wages of superior workers. If it did, it would be by decreasing the aggregate demand for superior workers.

Taxes levied on wage income, as in many cities, will in the same way be compensated for in higher gross wages and lower rent.

The general rate of interest, with no free land, will fall to a point below which the supply of capital would not meet the demand (incentive to loan). Any taxes which diminished the incentive to store up and loan capital would diminish its supply, reduce production and therefore rent. So, Interest must be raised to compensate for taxes on it. Only, if by increasing the cost of production, the tax makes less total demand for capital more profitable, could it lower net interest. However, in that case as with superior wages, interest would fall because of reduced demand.

Taxes on wealth: buildings, sales, excise, imports, fuels, luxuries, alcohol and tobacco, etc. These taxes simply confiscate part of production. In effect, it raises the cost of production. Without free land, these taxes simply diminish rent; wages of the least productive workers must equal subsistence, and as an incentive, all superior workers must be paid more. Only if the increase in the cost of production diminishes the demand for superior workers or the amount of capital in use, can the tax diminish their wages or interest.

POTENTIAL LAND RENT	23 ~~32~~	20 ~~28~~	17 ~~24~~	14 ~~20~~	11 ~~16~~	8 ~~12~~	5 ~~8~~	2 ~~4~~	0 ~~0~~	NO LAND RENT
Tax on wealth takes 25% AVERAGE WEALTH EXPECTED	27 ~~36~~	24 ~~32~~	21 ~~28~~	18 ~~24~~	15 ~~20~~	12 ~~16~~	9 ~~12~~	6 ~~8~~	(3) ~~4~~	FREE LAND RENT

AVERAGE WAGE & INTEREST -- Subsistence wage & Interest to an amount below which supply would not meet demand = 4

In some cases, taxes which fall on production totally eliminate rent, and make the land uneconomic for use. This is not often the case, but it may be seen on occasion within the slums of our large cities. Because of the crime, the unsightliness and the lack of economic activity, the site may not be very desirable in the first place, and things may be getting worse. Often less than the most economic ratio of buildings and machinery are employed because the potential of the location is diminishing; this reduces production and rent. Taxes on buildings, sales, and wages, which are levied by most cities are coupled with the income tax levied on rent, wages and interest, all of which are paid at the expense of rent. If all this adds up to more than the original rent, the land becomes uneconomical to use. This is sometimes called a negative land value. The only evidence that they exist are cases where land is given up in lieu of taxes.

QUIZ: 1. Suppose that the United States made peace with the Russians, eliminated $200 billion from the budget and reduced taxes in the same amount. Would everyone's gross pay remain the same? (yes)(no) 2. Suppose that the professional workers, those that earn over $40 thousand per year, were given a large reduction in taxes, to be made up by a commensurate increase in the corporate income tax. Would those professional workers ever get to spend the savings? (yes)(no). 3. Suppose we eliminated import taxes and because of a commensurate increase in exports it didn't put any one out of work. Would the American worker enjoy a higher standard of living? (yes)(no). Ans. top previous page.

8

In the last lesson we saw that taxes, when there is no free land available, do not diminish net wages or interest. They simply raise gross levels of same and lower rent (profits of land owners). This lesson will follow the results of current attempts to alleviate poverty.

REVIEW

WHEN THERE IS NO FREE LAND the general rate of wages falls to a bare subsistence. The wages of superior workers will not be equal to the difference in value between what they produce and what the average worker produces, but just enough to induce their superior production.

WHEN THERE IS NO FREE LAND the general rate of Interest will fall to a point below which the supply of capital would not meet the demand (incentive to loan).

WHEN THERE IS NO FREE LAND rent will be the entire product, minus wages and interest.

POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	0	NO LAND FREE
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4	

AVERAGE WAGE & INTEREST -- Subsistence wage & Interest to an amount below which supply would not meet demand = 4

PROPOSED REMEDIES

Increased Education: this includes all improvement in knowledge and skill, and simply increases the results of labor. With no free land available, it cannot raise wages.

While our educational standards seem to be falling below that of many other countries, the present generation of high school and college graduates have developed skills and knowledge that were not even in existence when their parents were in school. They are indubitably more productive, and yet they enjoy no higher standard of living than their parents did 30 years ago. When an individual increases his or her level of productivity faster than the average worker, then the increase in productivity will increase the wages of the individual, but not the general level of wages.

Inventions: this includes all innovations and new discoveries, all of which increase labor's ability to produce.

With no free land available, they cannot sustain higher wages; it only increases rent. Whether it's typing a letter on a word processor or welding a car together with a computerized robot, new inventions are revolutionizing the way we produce almost everything. Over the last ten years computers have phenomenally increased labor's ability to produce; and yet wages have not significantly increased during that same period.

Economy in Government: this includes anything which lowers taxes. As seen in lesson #7, with no free land available, it only increases rent.

Minimum Wage Laws: in effect, the government tells the land owners that they must give the least productive workers more of what they produce than they would be willing to accept in a free market, otherwise no one may be employed on said land.

It does insure a higher standard of living for the least productive workers, and it is on the wages of the least productive workers that the wages of all other workers are based. It does not cause unemployment; it cannot cause unemployment until the rent of

land falls to zero. However, it removes the correlation between production and wages, and leaves only the fear of unemployment as an incentive to work efficiently.

Labor Unions: demand that if they are not given more of what they produce, not only will they not produce anything, but they will not let anyone else produce any thing either. If nothing is produced, the land owner enjoys no rent.

While labor unions have actually increased wages, their power to do so seems quite limited. Their success depends upon their ability to sustain themselves without working, which produces nothing for the land owners or themselves. Who is in a better position to do without? Their success also depends upon their ability to keep other workers from taking their jobs. These workers, who certainly have equal rights to work, may be more desperate than themselves. Finally, anything which alters the distribution of wealth in that way, removes, to the same degree, the incentive to produce efficiently.

Social Security: paid partially by the worker and partially by the land owner, is, for those at the bottom, like minimum wage laws in that they require a greater remuneration for work being done. The workers' portion is mandatory. In the absence of free land and minimum wage laws, the workers portion must be supported by higher gross pay, as each worker must net subsistence.

Social Security has clearly enhanced the lives of the American worker, but it is another form of the Minimum Wage Law.

Welfare has alleviated enormous suffering. Perhaps it has given an alternative to the choice between working for subsistence or starving to death. Unfortunately, neither it or anything else has prevented an increasing need for the alleviation of poverty.

Land Reform through redistribution: although it is conceivably possible, when it has been instituted, it has not given land to all people within the country; it has not considered the multitude of different potentials that vary with each parcel of land; and it has not redistributed the land every time the population increased.

Communism - Socialism: the former to mean no private property, with possession based solely on need; the latter to eliminate private property in the means of production (land & capital), not consumer goods.

In both cases they eliminate the effects of private property in land: private exploitation and mass unemployment. In countries which have adapted varying forms of either proposal, the condition of the least productive people seems markedly improved. However, they fail to distinguish between the gifts of nature -- the Earth itself, and the products of human exertion. By failing to make this distinction they also collect from each worker the fruits of his or her labor and with it goes their freedom and incentive to produce.

QUIZ: 1. Would the general level of wages rise if everyone increased their level of education?(yes)(no) 2. If the Gross National Product doubled, would wages sustain an increase? (yes)(no) 3. If Social Security with holdings were eliminated, as has been proposed, would net pay checks increase commensurately and sustain the gains? (yes)(no)

- Nearly ten million women and men work for the minimum wage of $3.35 per hour. (New York State Assembly Labor Committee)
- Between 1979 and 1986, income for the poorest one-fifth of U.S. families fell while it steadily rose for the richest. For every $1.00 lost by poor families, almost $10 was added at the top. (New York Times, May 1, 1988)

In the last lesson we saw the results of current attempts to alleviate poverty. This lesson will analyze the basis for, and the results of, the remedy proposed by Henry George: a tax on the annual value of land, to be spent on public purpose; eliminate all other taxes; socialize all businesses which are in their nature a monopoly (common roads, electric companies etc.); and eliminate all other monopolies, restrictions and impediments to production and trade, within the limits of safety, health and the environment.

Starting with the foundation of human rights, that inherent feeling which arises by virtue of our birth: that we have a right to exist, and, to the best of our own abilities, mature and gratify our desires. If people cannot keep what they produce---food, clothing and shelter, they will not live, except by the charity of others. When any part of the result of individual's labor is taken from him or her, then their right to themselves and their own existence is to an equal extent diminished.

However, you can't make something out of nothing. It is on the Earth that we stand and from the Earth that we produce wealth---food, clothing and shelter etc. To grant one person a greater right to the Earth, is to grant that individual a greater right to exist.

All people must have equal rights to the Earth and exclusive rights to the results of their labor. Anything less gives some individuals an advantage over others.

Land is granted for exclusive use to enable the producers to keep what they produce. Who would plant a crop or build a house, much less a factory, without the security of the product? However, with this exclusive use comes another benefit: the value of land.

The value of land arises as the best quality of land is monopolized and those who desire to use it must resort to less productive land. The value of land also arises as people come together in communities. The concentration of people gives a greater potential to trade. This permits specialization, concentrations of capital, and economies of scale (producing a large number of the same thing). The increase in labor's ability to produce attaches to land; this is because trade becomes most efficient only on land where population is dense. The more dense the population, all other things being equal, the greater the value of land.

The value of land measures the advantage of its owner. By paying to the public the annual value of land, whether it is used or not, the producer may retain undisturbed possession and yet satisfy all other's equal right its use. The vehicle for this payment is a tax on the "potential land rent". It is simply collecting for the community a value produced by the community.

Tax equals											
Potential Land Rent	32	28	24	20	16	12	8	4	0	N	
POTENTIAL LAND RENT	32	28	24	20	16	12	8	4	0	O	L
											A
AVERAGE WEALTH EXPECTED	36	32	28	24	20	16	12	8	4	F	N
										R	D
AVERAGE WAGE & INTEREST -- Subsistence wage & Interest to an amount below which supply would not meet demand = 4										E E	

The potential rent tax cannot be passed on from the owners to the users, if they are different people, because the users are already paying all they are willing to pay rather than do without; the potential rent is a monopoly value.

In the analysis and the development of the model, the free land was yielding 16 units when we introduced land speculation. The remaining land in that block and the next 3 blocks were held out of use for that purpose. In reality a certain portion of all grades of land are held for speculation, from the most to the least valuable.

The Frontier or Free Land: When a tax is placed on the potential rent, it becomes unprofitable not to put it to its most economic use, within the legal limits of health, safety and the environment. Instead of labor and capital being spread out across all grades of land, they will gravitate towards the best. As this happens, the frontier will manifest itself again. The model now returns the frontier to the land that was free before land speculation was introduced.

Tax equals Potential land rent	20	16	12	8	4	>	0		
POTENTIAL LAND RENT	20	16	12	8	4	F			
						R			
AVERAGE WEALTH EXPECTED	36	32	28	24	20	E	16	12	8	4
						E			
AVERAGE WAGE AND INTEREST	16	16	16	16	16	>	16		

Unemployment: As long as there is free land, everyone who is willing and able to work can independently employ themselves in providing their own subsistence and the satisfaction of their desires. There can be no involuntary unemployment. Under such circumstances the frontier will be just beyond the land which is fully in use. It will offer many of the benefits that are present on the better grades of land, but it will be free for the taking and using---no taxes will be paid as long as land of equal quality remains unclaimed. All people have an equal opportunity to engage on this land; the tax represents a charge for special advantage given to groups and individuals.

Wages: There will be a dynamic competition between the entrepreneurs, who monopolize the best grades of land and are striving to maximize production and profits, and the frontier with its natural opportunities freely available. No one will work for someone else for less than they can produce working for themselves. Look at the model: In this equation, one fourth the average production still equals subsistence; the average workers now get 4 times what they need. Reality might very well be similar; it will give them the ability to store up tools and equipment or buy stock in the corporations.

Interest: With the presents of a frontier, interest will again represent the advantage of the use of existing capital. The greater the savings and the increase of capital on the free land, the higher the general rate of interest. Much, and in some cases possibly all, of what the land owners loose in their unearned income from land, they will gain from the increase in interest. This will be true unless the land is unused or grossly under used. Even in that case, as taxes are increased on the value of land, its owners will find it more profitable to accumulate capital and increase production than to buy more land and hold it for speculation.

Rent: As the frontier recedes to better land two dynamic forces are in play: the potential rent will tend to diminish, (Refer to the model) and as land is put to its most economic use, our cities will experience greater concentrations of capital, subdivisions of labor and rapidity of exchange. This will increase productivity on all land in use. However, the increase will be proportionate to the increase in population which will result in a tendency to increase rent. This increase in rent will, in the absence of land speculation, coexist with an increase in wages and interest.

The final lesson will further explore the effects of Henry George's proposal.

MICHAEL KINSLEY

Managing Editor, The New Republic

Most overrated: As I write, the single most overrated person in all of American history is Oliver North. I'm hoping that may no longer be true by the time you publish this symposium.

Most underrated: Henry George. Barely a public figure at all is the nineteenth-century economist (he did twice run for mayor of New York) Henry George, author of *Progress and Poverty*. America's greatest contribution to economic thought.

10 The last lesson presented Henry George's proposal---tax the annual value of land; eliminate all other taxes; socialize all businesses which are in their nature monopolies and eliminate all other monopolies, restrictions, and impediments to production (trade is part of production), within the legal limits of health, safety and the environment. It presented the principles upon which his proposal was based and the predictable effects upon unemployment, wages, interest and rent. This lesson will focus on its effects upon the selling price of land, slums, discrimination, crime and war; free trade, public utilities, zoning, parkland and open space and the political possibilities within a democracy for resources, research and social assurance; and a brief summary.

The Selling Price of Land: is based upon the profits to be expected in the future. When it is accepted that the tax will increase as the rental value of land increases, there will be nothing to base a selling price on. That means that land will be acquired by simply paying the annual value. This will leave what was previously required for its purchase to the accumulation of capital. Henry George suggested that slightly less than the rental value be taxed, leaving a small selling price which would help the assessors in determining the value of land and keep the government out of allocating it.

Slums: When the annual value of each building lot must be paid, whether the sight is used or not, its owner will either put it to its most economic use, or give it to someone who will. In this way abandon and dilapidated buildings will be fixed up and vacant lots developed.

Discrimination: Racism, sexism, anti-gay and every other form of bigotry may be destructive and without tenable foundations, but as long as there are a limited number of jobs and opportunities, every worker has a vested interest in keeping every other worker out of the competition. However, with unlimited opportunity, the inclusion of every new member increases the potential for greater divisions of labor and economies of scale. This increase in production with a just distribution creates a higher standard of living for all producers.

Crime: Some crime does arise directly from the inequitable distribution of opportunity and wealth, like stealing bread. However, the vast majority is born of the fear of want which breeds the worship of wealth. This tendency toward perverted morality leads the human need for approval and admiration to larceny, vice, profits and misery. One can easily extrapolate that unlimited opportunity and steadily increasing wages will diminish crime.

War: is fought over land---agricultural land and mineral land. Every country in the world has abundant resources to provide for its people. However, they are not available for production. The speculative price is too high. To alleviate depressions and unemployment which are caused by this, governments make the land of other countries available for colonial settlers and extracting corporations. As is often said, "the unemployed sell their blood for bread". A tax on the value of land will insure jobs, raise wages and eliminate the impetus to war.

Revolution: is either one group of land lords against another, or the land less seizing the land as a means to opportunity and prosperity. A tax on the value of land will create opportunity and prosperity.

Utilities: Today the Public Utility Commission oversees the investments and the charges of utility companies, but as long as there cannot practically be competition, private enterprise cannot work. The government must own and operate and be responsible to the voters for the service rendered. Imagine all the streets belonging to Gulf and Western or Shell Oil Co. Even if they did have limits on how much they could charge instead of what people were willing to pay rather than stay at home, their whole purpose is profits for the stock holder, not service to the citizens. Socializing, under the control of the voter, businesses which are in their nature monopolies will benefit the consumer.

Zoning: The land tax does not in any way reduce the need for government planning, but it does insure that it will be adhered to. When neighborhood parks and quality schools are built it increases the value of land. However, the benefit can only be enjoyed by a residential use, just as a railroad for freight will increase the value of land for commercial and industrial purposes. Things will tend to zone themselves around the very carefully planned public facilities.

Park land and open space: will no longer be provided by land speculators who keep their land idle until its price for development is as high as it can go. Then, just as the open space is most needed they sell and the land is developed. The land tax will eliminate hoarding land. Park land and open space will be the government's responsibility. However, the government can acquire unused land by forfeiting the tax; it will have no purchase price.

Resources: If, for example, when the profit is in producing and marketing petroleum products, not in owning the oil land, no private enterprise will invest in the exploration of oil. The government, through the political process, must decide: should we spend government money on exploration for more oil or developing solar or geothermal technology etc. Today, the major corporations do not develop solar technology because they can't own the sun. They do explore for oil land because owning it means profits. There is no consideration of future generations or logical alternatives, only profits.

Patents: Although the whole idea of patents is debatable, there are some cases where they are obviously bad. A pesticide manufacture must invest several million dollars before the E.P.A. will approve a product for sale. It is not likely that the manufacture will be looking for reasons why a product may be unhealthful to the environment etc., when it will result in the loss of millions of dollars of profits. It is better that the government does the research, perhaps through funding programs at the universities, and then make the formulas public information. Let the profit come from efficient production. Then, when the formulas must be changed, no corporations will be invested in unhealthy products or lose millions of dollars.

Catastrophic medical bills: are just one of the many things that the electorate could choose to spend the rent on.

Free Trade: makes it most profitable for labor and capital to engage in the most economical productions. When land values are taxed this increase in production increases wages and interest. Land is not an option for foreign investment.

SUMMARY

Labor applied to natural resources produces wealth. Capital, produced by labor, gives it a greater efficiency. Land is granted for exclusive use to give the producer security to his product upon it. As the best quality land is taken up and population tends to concentrate in communities where they become most efficient. The owners of the most productive lands enjoy an advantage. This advantage is measured by its relationship to the productivity at the frontier. Wages and interest on all grades of land are equal to their production where the land is free. As the population tends to concentrate on particular lands and the frontier extends to less desirable lands, the advantage on all better lands increases. In the anticipation of the increase in population, inventions and government facilities, all of which increase the value of land, it is hoarded. Certain portions of all grades of land are held out of use. When all the land is monopolized (there is no free land), wages and interest fall to a bare subsistence and a level below which the supply of capital would not meet demand. Every increase in production goes to the land owners. The more land is held out of use, the more workers are unemployed.

Taxing the value of land will eliminate holding it out of use, recreate the frontier, raise wages and interest and insure full employment.