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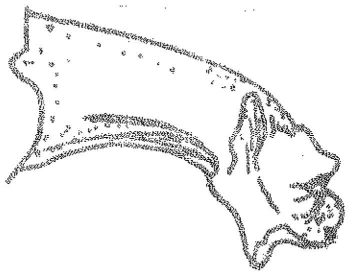
The Gargoyle



"A throat, mouthpiece, spout." Opinions expressed herein are those of the writers and not necessarily endorsed by the Henry George School.

HENRY GEORGE SCHOOL of NEW JERSEY Issue #210 AUG./SEPT. 1 9 7 7

"The more you study this question, the more you will see that the true law of social life is the law of love, and law of liberty, the law of each for all and all for each; that the golden rule of morals is also the golden rule of religious truth include the widest generalizations of political economy."
HENRY GEORGE

GENEVA CONFERENCE

Judging from the enthusiasm of the large number of Georgists present at Williams Bay, Wisconsin, July 1st through 5th, despite the heat and at times, lengthy presentations, it seemed evident that progress is being the order of the day in the movement. It was fine to witness the cooperation of the organizations and individuals who were assembled. Other publications will carry detailed reports, suffice for the GARGOYLE to condense by saying - SUCCESS, and it seems all are looking forward to an even better Conference in 1978. By mutual consent it will be held in the East, as 1979 will undoubtedly be San Francisco.

LOOKING FOR A BARGAIN?

Bill Newcomb is making a special offer of his new book - CONSPIRACY AGAINST HOMEOWNERS AND TENANTS - the retail price of which is $2.95, NOW 10 copies (or more) $2.00 each if sent to one address, or $2.25 each, if sent to separate addresses. This is a very good little book to give to someone you wish to interest in land value taxation. Why not order a supply, or have copies sent to the persons you designate? Send along a check to

William W. Newcomb,
532 Wickham Road,
Melbourne, Fla. 32901

The remedy Henry George prescribed for economic ills was as simple as it was new, and new things and simple things are ever looked on as objectionable.

Henry George was a very great man; great in his economic, prophetic insight; great in his faith, his hope, his love. He gave his message to the world, and passed on, scourged, depressed, undone, because the world did not accept the truth he voiced. Yet all for which he strived and struggled will yet come true - his prayer will be answered.

The political parties and the men who in his life opposed him are now adopting his opinions, quoting his reasons, and in time will bring about the changes he advocated.

Of all modern prophets and reformers, Henry George is the only one whose arguments are absolutely unanswerable and whose forecast was sure.

Henry George was that rare, peculiar and strange thing - an honest man.
ELBERT HUBBART

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THE DOLLAR UNDER "ATTACK"

The American dollar is once more under attack. Such is the view put forth before the public when the exchange rate of the dollar for the deutschemark and Swiss franc hit record lows, as well as near-record lows against the Japanese yen. It was even weak against such weak currencies as the Italian lira and the French franc.

The terminology used would lead one to suppose that a war was in effect, and for some reason the United States dollar was being attacked. But actually such is far from being the case.

The reason the dollar price in terms of foreign currencies has fallen is because of the tremendous increase in the number of dollars which have, in effect, been printed. M_1, which in economic jargon, consists of bank deposits and currency in the hands of the public exploded in April, jumping to a 21% seasonally adjusted annual rate. M_2, which consists of bank deposits, currency in the hands of the public, plus time deposits in commercial banks rose at a 14% rate.

For the first half of the year M_1 registered a 6½% seasonally adjusted annual rate of growth while M_2 increased at a 9.9% rate. Of the two indicators of how much so-called money is in existance M_2 is probably the more important. At this writing M_1 is in the neighborhood of $322 billion while M_2 is over $765 billion.

Such figures are so enormous as to be meaningless. The average American doesn't even know what the so-called money supply is nor what amounts are, and probably could not care less. But he is concerned over the drop in the purchasing power of the dollar. It is doubtful, however, if he connects the amount of money issued with the drop in what his dollar will buy.

He does have, however, some vague comprehension that in Latin American countries they print so much money that it buys less and less. Since these countries tend to increase their currencies at a 20 to 30% clip, it may cause him to think twice when he learns that in April the money supply jumped at a 21% increase. True this was just for one month, but it signifies that the government is pursuing a dangerous program.

One of the most sensitive measures which indicates whether a currency is weak or strong is its foreign exchange rate, which is why the sophisticated watch it quite closely. It has been argued that the drop in the exchange rate was due to the trade deficit, that is the deficit between imports and exports.

We have imported so much more than we exported, largely petroleum products, that it is expected the rate deficit will be $27 billion by the end of the year, which is astounding, The overall balance will probably be a deficit of $14 billion as some of the money returns to America in the form of investments here in business and securities.

This deficit merely reflects the increase in the money supply in America, but unfortunately that is not recognized. Politicians, in particular, ignore the true reason for the drop in the exchange rate and the trade deficit partly because they do not know the real reason but also partly because if they acknowledged it, they would have to do something about it. And one thing they do not wish to do is to stop the growth of the money supply.

The reason for this is that it is supposed to keep interest rates down, which should encourage business to borrow to construct plants and equipment, which should increase employment. Also consumers are encouraged to borrow for purchase of homes and goods, all of which is supposed to reduce unemployment.

The monetary authorities are well aware of the danger of constantly increasing the rate of growth of money. For years it was about 2%, well below that which is supposed to be indicative of how a sound currency should behave. Now the politicians consider a 6 or 7% rate of increase low, and are constantly fighting with the Federal Reserve System to increase the rate.

All signs point to increasing the rate of growth of money. The people do not understand the importance of keeping the rate down, so the politicians certainly are not going to do anything about it. They'll merely say the dollar is under attack, implying that foreigners for some reason are attacking our money, probably because we are so much better off than they are.

If M_1 grows at about a 7% rate, it means in about ten years, the money supply will have doubled. Prices will have increased, some doubled, some more, some less. Pensioners will be in a greater bind than they are now for their incomes will hardly double. Grave unrest may erupt. The problem is a serious one and nothing constructive is being done about it. So, each individual will have to look out for himself, and take whatever measures he can to counteract the tremendous drop in the purchasing power of his dollar. The young can manage, but the elderly will probably be all but inundated in the ocean of paper money.

OSCAR B. JOHANNSEN

SENSE & NONSENSE

The Age of Uncertainty", a television series on what is said to be the evolution of economic thought is hosted by John Kenneth Gailbraith, the liberal economist. As one might expect it puts private enterprise in the doghouse while it not so subtly espouses socialistic thought. The series is on Channel 13 (In N.J.) usually at 9 PM on Thursday evenings. Although possibly in the interest of appearing to give both sides to economic questions, there is a five minute alternative view at the end of the program, it is not long enough and often does not really attack the major socialistic points put across by Galbraith. He has a dry sardonic approach particularly when exposing what are presumed to be the failings of private enterprise.

To date, there simply is not effective program to sell the viewpoint of private enterprise. Most of the members of the media, whether the press or electronic, are of the liberal suasion. They simply have no understanding of how business operates. Few if any ever operated a business or had to meet a payroll. They have always been on the receiving end, whether from their parents or from the school or organizations for which they work. The result is when a series which is presumed to give some exposition of how an economy operates, it is no surprise that it is aired under the control of an opponent of private enterprise.

To every action, there is an equal and opposite reaction. Let us hope that this series will result in a reaction which gives a fairer picture of private enterprise. Time is getting short for too many of the younger generation are growing up believing that everything should be run by the government, nothing or practically nothing by private individuals.

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As everyone knows now, the Social Security system is in deep trouble. Benefits are pouring out faster than tax receipts are flowing in. It is estimated that its so called reserves which are used to make up the difference between income and outgo will be exhausted by 1983.

Although Social Security was sold as an insurance scheme, it never really was. It has been described as a Ponzi scheme, after the celebrated swindler, Ponzi, who fathered a scheme of paying high interest rates on money borrowed. In effect, all he did was to pay the interest from money flowing in rather than from investments. As long as people kept putting money into his scheme he could pay the interest and the redemptions but once the flow slowed so the money wasn't there, the swindle was exposed. Those who profited were the first ones in the game, who pocketed the high interest and redemed their loans before the collapse.

The Social Security system is much the same. The total cost of payments to the beneficiaries in any given period is covered by revenues collected from those working during that period. It is merely a system of transferring income from workers and employers to beneficiaries. If the workers stop working, there simply will be no funds for the beneficiaries. The young are supporting the old.

There is nothing unique about the young supporting the old. That has always been the case. The difference here is that it is an impersonal relationship. The young don't know the old to whom their money is going, and the old do not know the young from whom they are receiving the money. The old believe they are receiving the returns from their contributions made when they were working, much as they receive the returns from an annuity established when they were young. The result of this impersonal relationship is an increasing annoyance on the part of the young, who are slowly becoming aware that their standard of living is decreasing due to the increasing burden of social security taxes. When the young take care of their parents, there is the relationship of affection which makes the burden more bearable. Such does not exist of course in the social security scheme.

Today, many persons pay more in social security taxes than they do in income taxes. The tax is levied at a flat rate on wages up to $16,500. Although it is considered to be a recessive tax, that is one which declines as a percentage of income, as income rises, actually it is a progressive tax. Since 1965, the tax on those employees who have earned the maximum wage on which the tax is figured, has risen by 455%. Those whose wages were $4800 or less had their tax increased only 61%.

The taxes are going to have to be increased. In addition the Administration is proposing that funds from the general budget also be used when the unemployment rate exceeds 6% of the civilian labor force. This is the easy way out, of course. To increase the social security taxes to the extent necessary to pay for the benefits might cause too great an outcry, so the politicians are set to increaee the taxes only a little, with the rest coming from general revenue. While the general revenue also comes from the taxes levied on the young, they are not as acutely aware that it is being used for these benefits.

How long will social security last? Probably until inflation makes the dollar worthless.

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George Bernard Shaw once noted that truth is the one thing which nobody will believe.

Legalized gambling is becoming the in thing in more and more states each year. In New York, New Jersey and Connecticut, residents now bet almost $5 billion annually on horse races and lotteries, and, in Connecticut on dog races and jai alai.

In Atlantic City, casino gambling will soon be available to any and all. Gambling is big business now, and the states are eager to get their share of it.

While anyone who wishes to gamble should be able to, and anyone wishing to operate a gambling casino should have that right, the fact that the various states are now permitting such gambling is not indicative of their desire to grant greater freedom to their citizens. Rather it is further evidence of the breakdown of the moral fiber of the people.

As ethical and moral standards drop, all the vices of man flourish. All sorts of excuses will be offered for states participating in such vices as gambling, such as gambling is carried on illegally anyway, so why not have the state get its share? That, of course, is the states real reason--they want the money they can get.

Gambling is a form of tax--a voluntary tax which those indulging in the sport cheerfully, we assume pay. Since politicians prefer to raise taxes as painlessly as possible, this seems the perfect means.

Of course, we will soon be reading all kinds of tragic stories of compulsive gamblers, losing all their wages at the casinos and betting parlors while their families suffer. This will go on until it gets so bad that the people in disgust force the state governments to abolish legalized gambling.

In the meantime, however, gamblers and the criminal element will be in their element as the poor Yahoos throw away their money trying the impossible of beating the system.

To paraphrase George Bernard Shaw, gambling promises the poor what rent performs for the landowners--something for nothing.

SALT OF THE EARTH

It is said that a liberal is a person who is willing to spend comeone else's money.

Did you know that a library is a hospital for the mind?

A friend, who is a bachelor said he is a man who never made the same mistake once.

Why are subsidies so popular with politicians? It's because a subsidy is a formula for handing you back your own money by a politician with a flourish that makes you think it's a gift.

A summer Sunday afternoon is that day of the week when all the automobiles in America are laid end to end.

An intellectual claims that a horoscope is a blue ribbon exhibit of the misuse of intelligence.

Isn't it true that gardening is an activity that requires a cast-iron back with a hinge in it?

An economist is a man who forecasts business conditions after they have happened.

George Bernard Shaw said that liberty means responsibility, which is why most men dread it.

TIME FOR CONSIDERATION

Some advocates of the collection of the annual rental value of land (LVT) propose the proceeds, after deduction of administrative expenses, be distrubted pro-rata to all residents of the geographical area so administered. This, they recommedd be handled by a non-governmental body. Governments would raise revenue by taxation preferably, by a per capita tax.

Alternative to this method is the collection of the full annual rental value of land (LVT) by government. This is the system currently being proposed in the Graded and Incentive Tax and similar proposals of reducing or removing taxes from improvements and increasing taxes on land. It is not as a rule being stated that the ultimate aim is the collection of the full annual rental value of land.

Under the system of government as the collecting agent, the cost of administration (assessment, collection, etc.) is deducted and the balance is used to meet the cost of government services.

The tax rate, assumedly is set by the budget requirements of government. This does or does not mean that the rate will embrace "the full annual rental value of the land.

There is the question, would a tax on land values only bring in sufficient revenue for the entire support of government? Possibly it might bring in more than enough - what then?

Unless the full annual rental value of land is taken, land speculation and high land costs will continue. It is not a question, as I see it, of just setting the tax rate to meet the budget, but rather to determine the full annual rental value of land, and collect that amount.

Comments requested.

Jack Tetley