

HISTORICALLY SPEAKING (continued from Page 9)

The press was the single great communication medium in those days and it is estimated that about thirty percent of the important newspaper coverage was favorable to the aims of this land movement or to some type of reform. Although there were a number of special labor periodicals, it was the New York Tribune, edited by Horace Greeley, that attracted the most attention and molded public opinion. He was an ardent advocate of land reform even though he was active in the Whig party and their political philosophy was not in accord with the movement.

Because of his many articles sympathetic to land reform Mr. Greeley received blistering attacks from the publisher, but these did not deter him from siding with the poor unemployed. His reasoning is typified in an editorial in 1846: "Shame on the laws which send an able, willing man to the almshouse or to any form of beggary, when the soil on which he would gladly work and produce is barred against poverty and accorded by this government of freedmen to those alone who have money to pay for it and therefore are to some extent able to do without it."

Greeley passed from the scene and his advice to young men was forgotten in the heat of the slavery issue followed by the Mexican War.

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"I ask no one to accept my views. I ask him to think for himself." --
Henry George

FROM OUR EDITORIAL DESK

For years legislative hearings have been an invaluable source of information on governmental activities and influence. The Watergate hearings is a case in point. But almost as a footnote, the extent of favoritism and privilege has reared its ugly head. That this is a part of the system is accepted by many. But it is the public that has given government power to bestow privileges to certain groups. Industry, labor and professional groups, to mention several, receive preferential treatment. And the rationale behind such favoritism usually seems justified. But, as with most privileges, it is at the expense of someone or some group.

"There are no necessary evils in government. Its evils exist only in its abuses. If it would confine itself to equal protection, and, as Heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing."

Andrew Jackson

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The Long Island Georgist welcomes comments from its readers.

ITS TIME HAS COME

Each week the New York Times Book section contains a list of best sellers. In any given week, if ten on the list were placed side by side, chances are good that there would not be enough pages to list all of the American farmers who receive 5,000 dollars or more for not planting crops. The extent of government subsidies can be further appreciated by perusing through the Agricultural Department's compilation of 3,600 pages listing those farmers receiving direct income-supplement payments. These are the payments farmers receive from the federal government for not planting crops.

Back in the 1930's, the Roosevelt Administration felt a strong need to aid the farmers. Prices were low, supply was plentiful, and nature was unkind to the "tillers of the soil." Recognizing the plight of the farmers, Congress passed legislation to relieve the farmer of these economic pressures. Programs were developed that enabled him to receive protection from the government. Farmers were assured of obtaining minimum prices and the government purchased selected crops from farmers to limit supply. These programs were continued through subsequent administrations - Republican, and Democratic. Farmers prospered as never before in the past, but conditions changed - three and a half million families left their farms, and farms became big business.

Now, almost forty years later, many of these farm programs remain intact, but the nature of farming is different. Subsidies were originally geared to small farmers during the Depression years, but today the 600,000 largest so-called commercial farms receive 60 percent of federal payments to farms. The farm program has become welfare for the rich. As Professor Leroy Miller stated in "Economics Today": "In fact, it is corporate business in farming that gets the vast majority of farm subsidy dollars....If your particular values allow you to agree that corporate farmers should be the subject of government charity, then the program has been a smashing success."

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THE GIANTS OF FARMING

Mythology is filled with tales of dragons felled by young knights in shining armor; and which youngsters can but fail to remember the Biblical hero David and his successful encounter with Goliath. Be it fact or fantasy, there appears to be an excitement, an inner feeling of pride when the underdog successfully meets the giant, wrestles him to the ground and pins him down. Well, one such battle has been taking place for many years in the southern part of California - the Imperial Valley. In one corner of the ring is David played by Ben Yellen, a doctor, and in the other corner is Goliath, portrayed by some of the bigger corporations in the country.

Imperial Valley, located near the Mexican boarder, is one of the most valuable pieces of agricultural real estate in the nation, having a productive capacity greater than 12 states. Producing as much as five crops a year, it brings in a handsome profit to its owners of over 50 million dollars annually. But that was not always the case. To accomplish this agricultural feat, it was necessary to bring in water. At the turn of the century, water was brought in by small, private companies but with a changing Federal policy, large amounts of governmental expenditures were diverted towards an irrigation system for many western states.

Back in 1902, under President Teddy Roosevelt, the United States Reclamation Act was passed - to provide and supply irrigation to farmers in the West. A major stipulation of this legislation, keeping in tune with the spirit of the concept of small farming, was a limitation placed upon whom could receive Federal water. Only farmers owning 160 acres or less were entitled to share in this Federal project. At that period, large farms were in the weak minority in the same manner that today, family farms have ceased being an important factor.

In subsequent decades a superhighway of water has been developed, causing a once semi-arid area to bloom, and

bring forth some of our major crops. In this complex system are such names as the Hoover Dam, Parker Dam, Davis Dam and the All-American Canal. Rationed out is every drop of the life-giving Colorado River. It is this water that has turned the Imperial Valley into a Garden of Eden. Scores of big corporations have entered - Southern Pacific, United Fruit, Tenneco, Kaiser Aluminum, Purex, and Dow Chemical, to mention several. Many plots that they own range anywhere from 5 to ten thousand acres, way in excess of the 160 acre limit. Half of the land in the Valley is owned by absentee investors, and the bulk being large farmers or huge conglomerates.

Dr. Ben Yellen, a country doctor hailing from urban New York, has been publicizing this legal inconsistency for years, cornering, cajoling all who would listen, and even those that would not. His battle is bearing fruit for it is now in the courts. Dr. Yellen claims "What you have here is large absentee landowners and corporations making all that money and taking it out of the Valley. I call it intra-colonialism. They are ruining the life and economy of the Valley just like those big companies that used to take raw materials out of underdeveloped countries, and left them poor and backward".

Is the law being violated? Stephen Elmore, a leading spokesman for Imperial Resources Associates which represents many landowners, answers in the negative. States Stephen Elmore: "We don't think that the residency and land excess laws apply to Imperial Valley. We were here before the All-American Canal came in and had prior water rights. The Reclamation Act was never meant to apply here. Cutting our water supply will amount to a confiscation of private property, because without the water the land has no value".

As in many battles, the issues transcend the participants, in this case a country doctor versus large corporations. The final decision will affect seventeen Western states with water disputes. Whether corporate bigness with its efficiency will continue to gain momentum or receive a jolt, giving way to the family farm, rests with the courts. and perhaps the Supreme Court.

APROPOS

The following items have been noted recently in various newspapers and periodicals:

Of total personal income received by Americans in 1971, approximately one-fourth came from government sources, Tax Foundation points out. About 24 cents of every \$1 earned in that year came from Federal, state or local government. In the early 1960's the figure was nearer 18 cents out of every \$1. In 1969 the figure was roughly 22 cents.

In 1971 the Federal government paid out \$122 billion, or 14.2 percent of total personal income in wages, salaries, interest payments, and transfer payments. State and local governments in 1971 paid out \$87 billion, or 10.1 percent of all personal income.

Besides the use of taxes in paying governmental salaries, there is the use of deficit spending. During the last two decades, the gross debt of local government went up over 650 percent, state government over 400 percent and Federal debt rose 65 percent.

Senator Harry Byrd from Virginia states that interest on the national debt was doubled over the past eight years, and that taxpayers now face an annual debts interest cost bill of \$26 billion. "Putting it another way, of every corporate and personal income tax dollar paid into the Treasury, 17 cents goes to pay the interest on the national debt."

Newsday, several months ago, ran a series on shopping centers. In one article the major theme developed was why they go up where they do. Irwin Staller, a specialist in community centers on Long Island listed the primary criteria as population, road patterns and timing. "We look for 10,000 to 15,000 homes within a three-mile radius and with potential for further growth. There must also be a major road with access to property. You have to look at the zoning and find out what property is in the hands of residential builders."

In a New York Times article entitled "It's Time to Mine the Tax Treasure Underfoot," Philip Finkelstein, Deputy City Administrator of New York wrote: "In the agrarian societies where the property tax was born, the tax on land was in the best sense an income tax." Such land produced crops, but urban land itself has no comparable usufruct. "It is not the soil that nurtures the improvement in urban land, but money other people's money. What makes a piece of urban property valuable for construction is the sum of public and private investment in an around that location." According to the author, unless assessments on urban land are increased, newer constructions will bear a heavier burden of taxation.

Fortune Magazine, in an article entitled "Land: The Boom That Really Hurts," shows how the long steep rise in U.S. land prices aggravates both the general inflation and the decay of the cities. Not limited exclusively to this country, the article deals with what is happening to land prices in other areas of the world.

Great Britain. Average land prices have doubled since 1970, tripled since 1967. In a market sense, land is in short supply because use of much of it is subject to government restrictions. Moreover, unimproved land in Britain bears no tax whatever, so owners are under no pressure to sell.

France. Prices of agricultural land, expressed in constant francs, have tripled in twelve years. In Paris the climb has been much steeper, although not as steep as in the newer Paris suburbs.

Italy. "Aside from certain tourist developments," cables a correspondent, "land speculation in Italy isn't possible. The major deterrent is high prices." The biggest real-estate company in Italy says there's no land for sale in Rome. In most Italian cities everybody who has land holds.

Japan. The Japan Real Estate Institute says that the urban land price is now nineteen times as high as in 1954. Big city prices have multiplied by twenty-six.

Adam Smith, Wealth of Nations.

A tax upon ground rents would not raise the rents of houses. It would fall altogether upon the owner of the ground rent....Whether the tax was to be advanced by the inhabitant or by the owner of the ground would be of little importance. The more the inhabitant was obliged to pay for the tax, the less he would incline to pay for the ground, so that the final payment of the tax would fall altogether on the owners of the ground rent.

David Ricardo, Principles of Political Economy and Taxation

A land tax levied in proportion to the rent of land, and varying with every variation of rent, is in effect a tax on rent; and such a tax will not apply to that land which yields no rent, nor to the produce of that capital which is employed on the land with a view to profit merely and which never pays rent; it will not in any way affect the price of new produce, but will fall wholly on the landlords.

John Stuart Mill, Principles of Political Economy.

A tax on rent falls wholly on the landlord. There are no means by which he can shift the burden upon anyone else. It does not affect the value or price of produce, for this is determined by the cost of production in the most unfavourable circumstances....A tax on rents, therefore, has no effect other than its obvious one. It merely takes so much from the landlord and transfers it to the state.

E.R.A. Seligman, Shifting and Incidence of Taxation

If land is taxed according to its pure rent, virtually all writers since Ricardo agree that the tax will fall wholly on the land owner, and that it cannot be shifted to any other class whether tenant, farmer, or consumer.... The point is so universally accepted as to require no further discussion.

"Go West, young man, go forth into the country" is an epigram familiar to many. The advice was given by Horace Greeley and came out of New York City during the period after the Panic of 1837. More than fifty thousand mechanics and seamstresses were unemployed and countless numbers turned their thoughts toward the potential that lay to the west, especially to the vast prairie which was still in the public domain. Eventually one group, recognizing the need of "land for the landless," started the Land Reform Movement.

The so-called land reformers made frequent references and claims to millions of acres of uncultivated land. But in order to press for individual rights to the natural resources lying to the west it was necessary to establish another wing of the movement, and this was known as the National Reform Association. Under this alias the movement called for a free 160-acre homestead for every settler. They stressed equality and no alienation of the homestead, voluntary or otherwise.

During the 1830's and 40's many attempts were made to organize working men in unions, but prominent labor journalists concluded this approach was invalid. It was claimed instead that the only way to alleviate unemployment and raise wages was to provide free land for the city workers.

Since the newcomers were being granted part of the public domain it was the boast of the reform movement that their resulting wealth would consist of the accumulated products of human labor and not of the "hoggish monopoly of the products of God's labor." It was promised that strife between capital and labor would cease and the economic ills of the city would disappear. The reformers held a world convention in 1845 at which a familiar note was sounded "All agree that society is sick-very sick- but few can agree as to the nature of the complaint, whether it is dyspepsia or dropsy, headache or heartache. All agree in one thing- that it is high time to send for the doctor."

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The dominant problem of the day is undoubtedly the extremely high rate of inflation. Led by commodity and food prices, utilities second, all sectors of the economy must, of necessity, take part. Why this persistent phenomenon? Where does the responsibility lie?

The leader of our country, President Nixon, was and is basically a believer in the free enterprise system, feeling that under such a system, the price structure will eventually right itself of its own accord. This not having happened in the early part of his administration, President Nixon initiated his Phase I Price Control, in August of 1971. By and large, industry and labor cooperated with the President. Whether or not these controls were responsible for the drop in the rate of inflation from 6% to 4% has been argued pro and con without definitive result.

Phase II, adopted in April of 1972, relaxed some controls but maintained others, such as in the health fields. Phase III, adopted in January of 1973 relaxed all controls. Coincidentally, or because of it, as some thought, a runaway inflation of almost 10% annually ensued. This resulted in a demand for renewed controls, which were again reinstated on June 25, 1973, mostly on foods. This time controls were removed in one month, the reason being given that they were not effective.

Two major questions arise concerning the whole problem of inflation:

1. What has happened to the free enterprise system? Why does it not operate to regulate prices automatically and effectively without inflation?
2. Do controls work? Are they beneficial or not?

Regarding the first question, did we actually have a free enterprise system before controls? Obviously not, to anyone truly versed in the science of economics. We had certain areas where a limited amount of free enterprise was possible. These areas were outside those dominated by large monopolies, such as oil, aluminum, silver, gold, etc. or industries with a larger number of competing firms which cooperated to fix prices illegally. Thinking of areas where freedom exists to some extent is not easy. One comes up with clam diggers, fishermen, street vendors, restaurateurs, possibly professional men, the clothing industry to some extent, storekeepers, barbers, and some others. In other

words, in most areas of business, we have had monopolies and price-fixing. This is one reason for prices rising out of hand.

Regarding the second question, do controls work? Most economists and the administration believe they do not work. The farmers believe that they must raise their prices due to the high cost of animal feed; if not they must stop producing. This results in a more severe scarcity than ever. And so the administration has eased up on some controls.

Other attempts to control the economy are by raising interest rates through the Federal reserve and by decreasing the money supply. By such means, inflation may be halted at the expense of a stoppage of production and a recession.

Another important side issue is subsidies to farmers. Four billion dollars of taxpayers' money is being spent annually on land set aside to diminish production and maintain high prices. Export subsidies are paid to farmers and exporters if they sell abroad at a lower price than at home in order to maintain the differential. Of course, these must stop.

Still another cause of inflation is skyrocketing land prices. It is no coincidence that in Europe where inflation is even higher than in the U.S., land prices have gone up much higher than here.

How would we correct the situation? By free land and free trade. Then we would have a true free enterprise system where production would not be hampered by expensive land, where labor would receive its just reward and capital would be well rewarded too. Monopolies would lose their power since goods could come in from abroad without hinderance of tariffs and prices would be held down. But all this requires an understanding of a truly free enterprise society - a society free of monopolistic control.

ITS TIME HAS COME (continued from Page 3)

Although not the original intent of the government, subsidies have had opposite effects. One of the main reasons for small family farms decreasing, is due to the concentration of farm ownership caused by government programs. Monies obtained by large farms have been used for investments in larger and more versatile machinery, allowing them the chance to work bigger tracts of land.

As farmers continue to receive payments for not growing food - to the tune of about three billion annually in direct payments to producers participating in the cotton, wheat, and feed grain programs - the consumer suffers in several areas.

Obviously, in order to pay subsidies, it is necessary for the government to obtain the money in various taxes. The consumer therefore has to pay the farmer for not growing crops. Secondly, and this has become quite clear recently, the more the farmer is encouraged not to grow food, the less the supply. One of the reasons for higher prices-and an important one- is the short supply of certain commodities. Recent administrations have encouraged, with these various programs, farmers to limit supply. Several experts feel that the consumer is paying approximately four billion dollars a year in higher prices to support the income-supplement program. What with Phase IV in progress, the time is right to re-evaluate the necessity of maintaining these programs, in light of shortages and high prices.

The National Coalition for Land Reform had its first meeting April 1973. What may be of interest, especially to those wishing to research the subject of land reform, is their bibliography.

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