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"There is nothing more frightful
than ignorance in action. He who
moves not forward goes backward."
(Johann Wolfgang von Goethe)

Economic Consequences Of The Nixon Trip To Peking Will Be---

Already government trade experts and industrialists are prophesying great increases in U.S. trade with China, and also with Russia, which Nixon will visit in a few months. Already locomotives, construction machinery, various chemicals and rolling mills, which once required special U.S. approval for export may now be freely shipped to Red China. And imports of textiles, Mao Jackets, curios, food products, etc. are greatly increasing, as Chinese culture and customs are becoming fad objects in America.

There is a diversity of opinion in the Henry George School as to whether increased trade contacts with Communist dictatorships is beneficial. L.A. President Harry Pollard believes that increased trade with free enterprise nations will lead to the eventual surrender of China and Russia to capitalistic temptations and gradual abandonment of less efficient bureaucratic Marxist production and distribution methods.

Your editor is not convinced of the beneficial effects of strengthening our announced enemies.

We have in mind George Orwell's "Animal Farm", in which he portrayed the seizure of the revolutionary animal movement by a small group of autocratic pigs. Eventually trade is commenced with the supposedly reactionary Farmers, as a delegation of

visiting farmers is greatly impressed by the discipline and dedicated work habits of Animal Farm residents.

The book ends with the delegation from the Farmers and the Pig rulers of Animal Farm having a riotous party, while the oppressed animals gaze through the windows. Orwell concludes:

"The creatures outside looked from pig to man, and from man to pig, and from pig to man again; but already it was impossible to say which was which."

Will Ways And Means Chairman Wilbur Mills Support National Sales Tax?

As expected, big campaign contributors are pressuring key Democrats to support Nixon's campaign to impose a national added-value (sales) tax, and give the proceeds to local governments which reduce their property taxes.

A possible crucial crack in the wall of Democratic opposition has already appeared. Wilbur Mills, Chairman of the House Ways & Means Committee, referred to by some as "the most powerful man on Capitol Hill", has indicated possible support for the added-value scheme.

"If value-added taxes were used to reduce property taxes, then I'd have to back off from my initial and basic opposition to it", Mills stated in an interview with Business Week.

Echoing Nixon's claim that the property tax was "regressive", Mills further exposed the extent of his economic education in the interview.

Closing loopholes in income taxes was "an exaggerated problem", Mills stated, belittling disclosures that over 100 people with \$200,000 income paid no taxes at all.

Defending existing oil depletion allowances Mills stated that without this preference we would be "dependent on the production of oil, gas and other minerals outside the U.S."

Defending the tax preference to capital gains, Mills stated: "If people had to pay regular tax rates on capital gains they'd never sell."

Mills attacked the idea of balancing the budget on the grounds that this would act as a "depressant."

Quotas on imports of textiles, shoes and electronics were also asked by the powerful chairman. Mills stated that quotas on textiles were needed "because that production is very susceptible to the low wages paid in developing countries."

Mills is also pushing his own variation of revenue-sharing, which will distribute the booty in a far different manner than President Nixon suggests. In the Mills version every Southern State except Louisiana will receive greatly increased donations and Wilbur's home constituency of Arkansas will reap special benefits.

Rep. Mills states that he is working hard for delegates to become the Democratic nominee for the presidency. We mention this in the event any of our readers feel it incumbent on them to support the author of the above described economic gems.

Value Added Tax Draws Mixed Opinions In Europe

The value added tax (VAT) has received mixed evaluations in Europe where it has been applied with a heavy hand, especially by the

Common Market.

Since VAT has added 23% to most retail prices in France and up to 33% to the prices of "luxury" goods such as automobiles, French labor unions are attacking it. French Finance Minister Valéry Giscard d'Estaing admitted last month: "France will not have a modern tax system until we lower these rates."

On the other hand, Maurice Laure, President of Societe General, the large Government owned French bank, who is advising U.S. Treasury Department officials on tax policy, has called VAT "the most perfect form of indirect tax."

VAT taxes are imposed on goods exported by one Common Market country to the other in the form of a "border tax", thus insuring that no Common Market country will obtain a price advantage over another Common Market country by imposing lower VAT taxes. (It's a good thing the European Common Market is a free trade organization.)

The most perfect application of the value added tax is in Russia where bookkeeping procedures are so much simplified by the monopolization of production. If it were unjust wouldn't it be attacked by the Russian newspapers?

U.S. Senate Report Recommends Land Value Taxation

Land value taxation and the elimination of taxation on improvements was supported in a special report made for a subcommittee of the United States Senate Committee on Governmental Operations. Senator Muskie, Chairman of the Subcommittee on Intergovernmental Relations, submitted the report to Senator McClellan, Chairman of the main Committee last year. Entitled "Property Taxation: Effects on Land Use and Local Government Revenues", the report can be obtained for 40 cents a copy from the Superintendent of Documents, U.S. Govt. Printing Office, Washington, D.C. 20402.

Their report discusses the effect of land-value taxation in Australia, New Zealand and West Canada, the graded tax of Hawaii and Pittsburgh, the California irrigation district land tax, and the Single Tax enclaves in Fairhope, Alabama, Arden, Delaware and Free Acres, New Jersey.

In the Summary, the report states in part:

"The low taxation of land based on present-use value facilitates speculative holding of land in the path of urban development for large capital gains. An added incentive for withholding land from the market for large price rises comes from the favorable capital gains treatment of land investment profits under the Federal income tax laws."

"Large acreages of vacant close in suburban land as well as re-buildable central city sites are withheld from the market for large price rises under the present property tax system. That occurs as land is taxed at low effective rates in relation to realistic greater market value and building improvements are subject to a relatively greater tax burden. Consequently land prices are high in urbanizing areas and builders "leapfrog" further out to cheaper lands for residential development. Less than optimum size communities are created, entailing high per-unit costs of service, increased daily commutation and an extension of urban sprawl."

"Land value taxation has been gaining increased consideration as a possible way out of the present property tax dilemma. Under land value taxation land would be assessed at a current market value based on its highest potential developed or redeveloped, rather than on its present use.

"As taxes on land were increased taxes on building improvements could be lowered. These changes would

encourage more rapid, lower-priced sale of land for higher-use development or redevelopment. At the same time, lower building taxation would encourage more development and redevelopment with lower land costs, also permitting a more rational pattern of spatial relationships in urban development."

We offer a free year's subscription to Insight to the reader sending us the first interpretation of what is meant by "a more rational pattern of spatial relationships in urban development."

"La Raza" - Justice For Whom?

Mexican-American extremists, with their rallying cry of "La Raza", continue to disturb the political and economic stability of the South-
WEST ~~WEST~~ portion of the country. Although lacking the strength of the New Mexico La Razaists (or should we say The Rascists), Los Angeles adherents are flexing their muscles as a La Raza candidate, running as an independent pulled enough votes from a Democratic Mexican-American so that a Republican "Anglo" was elected Assemblyman in the 48th Assembly District.

The La Raza economic platform is somewhat obscure. Reies Lopez Tijerina, the movement's Messiah, demands revival of land ownership as it stood under the old Spanish and Mexican land grants prior to the 1848 Treaty of Guadalupe Hidalgo, which ended the Mexican-American War and under which the then prevailing land ownership of all Mexicans was guaranteed.

Insight questions whether revival of pre-1848 land grants would do much for the economic welfare of the average Mexican-American. Many of those land grants were merely rights to use land for grazing purposes, which somehow became clear title. Many of the grants came from under-the-table bribes and none of them involved what we might call

good and sufficient consideration.

If we revert to land-grant title ownership, most of the San Fernando Valley must revert to the descendents of Eugenio Celis who paid \$14,000 for the 121,000 acres in 1846. Thirty-six thousand acres, including most of Burbank, Glendale and Eagle Rock must go to the heirs of Jose Maria Verdugo, who twisted a right to pasture his cattle and horses on this area into a permanent title. Three hundred thousand acres in Southern Los Angeles County including cities stretching from Whittier through Lakewood would be presented to those claiming lineage from one Manuel Nieto, who converted a right to feed his cattle on the acreage into fee simple.

Thirty thousand acres, including the Cities of Huntington Park, Bell, Southgate and Lynwood would be donated to the scions of Antonio Maria Lugo. John Sutter would be delighted to know what his 49,000 acres, including the City of Sacramento, lost to him in the courts, would at last be reclaimed for his descendents.

Other Spanish and Mexican grants covered even larger areas. Most of them were practically unimproved, some boasting only a wood shack in their original ownership. The lucky heirs would receive handsome windfalls under the Tijerina theory. Since most of the Mexicans were treated as little better than slaves by the noble rancheros, we wonder how the lucky heirs would handle their new tenants.

If the Tijerina followers would take a close look at the Master's doctrine they might see that they are only fighting for a change in masters. Twenty thousand square miles, covering most of the irrigable land and most of the cities in the State of California were covered by these land grants owned by a small handful of court favorites, few known for philanthropic tendencies.

Much of the La Raza support comes from Mexican immigrants, forced from their fatherland by land monopoly resulting from negligible property taxes on valuable property holdings and widespread corruption. Dissident Mexicans have claimed that the ideals of Hidalgo, Juarez, Zapata and other Mexican reformers have been cast aside as a limited dictatorship reigns, more interested in favors for its friends than correction of social evils.

Last month the Mexican government put its stamp of approval on a law fabricated to evade the provision of the Mexican Constitution which prohibits foreigners from owning land within 100 miles of an international border or 50 miles from the sea-coast. Under the new law the land will be held in trust by Mexican banks with the foreign owners the beneficiaries of the trust with the right to do what they wish with the land. Truly a distinction without a difference.

Maybe some day the La Raza followers will learn that a movement without direction is like a ship without a rudder.

Confusion Again Reigns In The Agricultural Kingdom

The intellectual giants in Washington who determine what amount of food we will be allowed to have each year and at what prices are engaged in their usual funny games. Let's see how they run.

(1) About \$2 billion will be spent by the U.S. Government in 1972 for keeping land idle which would otherwise be used to grow corn or grain sorghum. This is up \$900 million over 1971. In 1972 farmers may receive subsidies for idling 25% of their planting base acreage. In addition to the basic subsidy farmers may idle additional acres for additional subsidies under two new brainstorms. The first plan offers

comparatively low payments, but places no fixed ceiling on feed grain planting. Under the second plan higher payments are made for extra idling of land but with acreage controls.

One of the results of this program is that meat prices are forced up along with the artificially inflated prices of animal feeds.

(2) By reason of the somehow unexpected rise in meat prices, the Administration has stated it may have to raise limits on meat imports to lower meat prices. So called "voluntary" quotas are imposed on meat imports, which are only 5% of all meat consumption in the U.S. Last year 1.16 billion pounds were imported, mostly from New Zealand and Australia.

(3) About \$1,000,000 will be paid by the U.S. Government to subsidize export of about 10 million pounds of broiler chickens to Switzerland and Greece.

(4) In return for the U.S. Govt. agreeing to stockpile 10% of its grain production this year and to withdraw 13 million acres of feed grains and 8 million acres of wheat from production next year, the European Common Market has agreed to stockpile 1.5 million metric tons of wheat from this year's crop.

Treasury Secretary Connally called this "A step forward in the effort to assure fair trade practices."

(5) The price of peanut supports is no longer in the peanut category. It cost the U.S. Government only \$1,000,000 to support the price of peanuts in 1961 but it came close to \$90,000,000 to keep up peanut prices in 1971. Although the total seems small compared to the billions paid by our government to keep the price of feed grains, wheat and cotton inflated, it's on its way. Per acre, over twice as much is paid to subsidize peanut prices as feed grains.

(6) Milk lobbies have given political contributions to deserving Congressmen reported to run into seven figures, to insure confirmation of a tariff commission recommendation for quotas on cheese imports.

What you smell in Washington ain't gorgonzola.

(7) Ralph Nader charges that \$126,000,000 in annual subsidies and much more in milk price increases will result from higher price support levels for milk brought about through heavy campaign contributions to 60 susceptible Congressmen.

(8) Senator Talmadge (D. Ga.) and Rep. Dow (D. N.Y.) are sponsoring a bill pushed by the United Egg Producers, our largest egg marketing cooperative, authorizing the Secretary of Agriculture to order egg producers to kill off a part of their flocks to reduce egg production and increase prices. Unfortunately, when similar chicken-killing programs were tried in England and Australia not only did the hens regard the program with disapproval, but the smaller farmers all unscrupulously and feloniously hid out favored chickens slated for killing by the Government Egg Marketing Boards.

(9) Net farm income in 1972 should exceed 1971 by \$2,000,000,000 according to Agricultural Department officials, reporting at a recent National Agricultural Conference in Washington. Speaking at the conference Agriculture Secretary Earl Butz attacked suggestions that the government place price ceilings on raw agricultural products. Attacking consumer claims that "steak at \$1.99 a pound is too high", Butz stated: "There's always a steak in the supermarket when you go down to buy one."

We are happy to see one Government agency defend the principle of free enterprise and of liberty from bureaucratic restrictions.

Cross-Currents In Los Angeles A Fast Trip To Where?

Taxation of increased property value resulting from construction of a proposed \$735,000,000 rapid transit line of 13.1 miles from downtown Los Angeles to Westwood, was urged by the Technical Advisory Committee on Rapid Transit for the City of Los Angeles. The 8 man committee included the City Planning Director, the Chief Legislative Analyst, the City Administrative Officer, the City Traffic Engineer, the City Engineer and the heads of the Public Utilities, Airport and Harbor Departments.

The Committee urged that laws be enacted to allow taxation of the increment resulting from high-rise office and residential development along the Wilshire line's proposed 12 stations, to defray the estimated \$735 million cost of the project.

The City report suggested use of funds from the new sales tax on gasoline to finance a bond issue to obtain the 1/3rd local share needed for a larger federal matching grant.

It is suggested that if only 1/4 of the increased land values were recaptured the City could construct the transit line without a penny of gas sales tax money, Federal subventions, or other extractions from John O. Public.

The Committee report estimated 168,000 passengers would use the proposed Wilshire line every day, compared to 75,000 estimated daily passengers on the alternate line proposed by the Southern California Rapid Transit District which would run from Watts to downtown Los Angeles. The Technical Advisory Committee suggested that expended bus service would provide any needed improved transportation services for the Watts residents.

An all-out fight between the City of Los Angeles and the Rapid Transit District over which line has priority is forecast.

After watching the State Legislature and the L.A. City Council operate for 35 years, we prophesy:

(1) The line will serve the higher income residents of the Wilshire area rather than the low income Watts inhabitants.

(2) No legislation will be passed allowing any recapture of the unearned land value increment.

(3) The taxpayers will end up billions the losers, Wilshire property owners will end up billions the winners and our rapid transit officials will receive nation-wide recognition for their devoted and unselfish services beyond the call of duty in promoting rapid transit facilities.

Home Improvements-To Be Encouraged Or Discouraged-Or Both?

L. A. Councilman Arthur Snyder asked the City Council to support a Constitutional amendment which would eliminate taxation of home improvements for a limited number of years, similar to a bill introduced in the Legislature by State Senator Milton Marks of San Francisco.

We question whether this is consistent with Councilman Snyder's vote in favor of an ordinance passed 13-0 by the L.A. City Council imposing a tax of \$200.00 a unit on all new homes and apartment units built in Los Angeles and to all remodeling and additions to residential buildings and trailer sites. In one of his infrequent trips to Los Angeles, Mayor Yorty vetoed the ordinance, stating: "I cannot participate in imposing yet another burden on residential property; in making it even more difficult to finance the construction of a home and in raising the rents for apartment dwellers, since obviously this new tax would inevitably be passed on to them."

By the time this paper gets to print the Los Angeles City Council may have overruled the veto, depend-

ing on who puts on what pressure in Stop The Presses!!!
what amount.

Nixon Now A Keynesian

President Nixon's statement that he is now a "Keynesian" causes us to wonder if he really believes that adoption of Keynesian fiscal policy throughout the Western world has proved of any value whatever in solving the great economic problems of unemployment, business depressions, inflation, farm surpluses, urban slums, etc. More and more experts feel that the "conventional wisdom" of the Keynes policies aggravated rather than solved the problems.

Keynes claimed that if the public wished to save more than businessmen wish to invest, under conditions corresponding to full employment, the balance must be made up by government spending, which would make up for the inadequate private investment. Such government spending, even under deficit conditions was generally thought to be the key to achieve full employment, control business depressions and stabilize prices. But all it seemed to achieve was inflation.

As a former Keynes admirer but present critic, economist Milton Friedman recently said: "I believe that we economists in recent years have done vast harm, to society at large and to our profession in particular, by claiming more than we can deliver."

As juggling the rediscount rate, increasing and decreasing the supply of money, deficit spending and other popular economic gimmicks have failed both singly and collectively, eventually the nation will have to disregard palliatives and determine the fundamental question of who shall own and control what in our country and why.

The Administration's threat to raise the limits on meat imports, which we mentioned on page five, has become effective.

Would The Guaranteed Annual Income Eliminate Jobs?

Millions of jobs would be wiped out by either the Nixon Welfare Reform Bill or by the alternative proposal urged by Senator Javits (R-N.Y.) according to testimony given before the Senate Finance Committee by William Shaker, senior systems engineer for Dow Chemical Co.

Shaker testified that under the Javitz \$4800 annual minimum welfare payment plan, nearly 750,000 jobs would be eliminated in New York State because of the temptation of receiving equal or greater returns by going on relief and 85% of the industrial workers in North Carolina would have the same temptation.

Maybe similar investigation should be made into the number of people who prefer to exhaust their unemployment reserves and then go on relief today, due to the small amount that is left in their paychecks after income tax, withholding and social security "benefits" (which many of them will never receive) are deducted.

There are now an estimated 1,275,000 people on relief in New York City alone. If any more New Yorkers decided to hit the relief rolls, the army of over 25,000 public employees paid to distribute and administer relief payments might be badly overworked. This would require the hiring of new personnel, which might to some degree correct the unemployment increase. This is what is meant by the correcting balance of nature.

MARGINAL NOTES

Conference

We had such a good time in San Francisco last year that the National Annual Conference will be held there again in 1972. The location will be the Miyako Hotel and the time July 5th - 9th.

More Conferring!

As you read this, a number of our graduates will be heading to Fresno for the annual conference of the California Council for the Social Studies. Again this year we shall be exhibiting the Classical Analysis to more than 1,000 teachers.

High School Program

As the number of High School completions soars towards the 4,000 mark, the experiments continue. We have revived the medieval Trivium, which suggested that a reasonable prelude to learning was 'learning how to learn'. The next step is to relieve teachers of some of their more tedious activities by turning over the mechanics of teaching to the students. This will allow the teachers to devote their time to education.

Insight

Reaction to Insight has been good. We like your letters - whether you agree or not with our comments. You've asked 'who writes and edits' but our answer must be that it is a group effort -- an Alumni Group effort. The Group are graduates of the School. You are welcome to contribute, or to rebut the comments of others. The comments are those of the individual writers and do not necessarily reflect a 'Henry George School' position. The function of the School is education.

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