

## Barquole



HENRY GEORGE SCHOOL OF NEW JERSEY

No. 43

J U N E 1 9 6 0

THE DEAN THINKS

Recently, during a social evening sponsored by the Henry George School of New Jersey, several Georgists were discussing economic conditions now prevalent. One said that the economic boom of 1959 is continuing and will continue through 1960. Two others replied that we are now experiencing a recession in business that may develop into a depression.

All three were well read individuals whose interest in and knowledge of economics is above average for most people and all three are very active in Georgist circles.

All three had read and were cognizant with the facts which are daily reported in newspapers, periodicals and reports. They knew that the stock market has, for four months, been trending downward and that though total employment has increased, unemployment has also increased due to increases in population and those seeking employment. They knew that department stores were reporting increased sales as compared with sales a year ago, and that "money is tight" for those seeking credit, causing high interest rates.

Many other facts concerning the economy they knew and yet came to opposite conclusions concerning the well being of the total economy. It is safe to say that among professional economists a similar divergence of opinion exists.

Is it because economics is not an exact science that the ability to "predict" which is so apparent in the physical sciences is lacking in economics, a social science? This is an ordered universe in which causes inevitably result in effects. If, as in the physical sciences, the pattern of change can be adequately analyzed, if cause and effect relationships can be determined, predictions can be made that similar causes will inevitably have the same effects.

But, it has been argued, since man's behavior is not always predictable, a similar ability to predict is lacking in the social sciences. Is this so?

This problem concerned an earnest, intelligent thinker, Wesley Clair Mitchell as long ago as 1918. He was a Columbia

professor who had this to say: "While I think that the development of social science offers more hope for solving our social problems than any other line of endeavor, I do not claim that these sciences in their present state are very serviceable. They are immature, speculative, filled with controversies.... Those of us who are concerned with the social sciences are engaged in an uncertain enterprise; perhaps we will win no great treasures for mankind. But certainly it is our task to work out this lead with all the intelligence and the energy we possess until its richness or sterility be demonstrated."

Mitchell believed in scientific method. First, observe, then hypothesize as to cause and effect, and then verify. After much planning, Mitchell procured the necessary funds and personnel to found the National Bureau for Economic Research in Washington, D. C. in 1919. The purpose of the Bureau was (and still is) to examine man's economic behavior in detail over a long period of time to try to determine whether any patterns emerge, any repetitions of facts and of factors which inevitably have the same or similar results. If these be found, then to trace similar conditions seeking to verify that given economic behavior will always cause given results, and if so, then predictions can be ventured as to similar economic behavior in the future.

Most of us are familiar with the conclusions that can be reached by understanding Henry George, that an increase in speculation in land, making access to land more difficult, will tend to cause production to diminish and bring on an economic recession. This very astute observation by George, arrived at, largely, by deductive reasoning has been verified many times by facts.

Mitchell decided that deduction served a useful purpose, but, starting at the opposite extreme, taking nothing for granted, with no preconceptions, if economic facts could be determined over a long period of time, and then studied to try to determine cause and effect relationships, such relationships might be useful in anticipating from day to day and month to month the probable state of the economy, both in total and in its many parts.

Mitchell and his associates in the National Bureau set themselves the task of assembling data concerning business cycles. After reviewing the past business cycles for almost 100 years, determining as exactly as possible their peaks and troughs, Mitchell set out to determine what was happening in the months or years between peaks and troughs and back to peaks again. Specific information was not easily obtained, but sufficient research and digging brought to light data from which some 600 economic time series were assembled and studied. Such time series included a survey, from peak-to-trough-to-peak again, of industrial production, factory employment, freight-car loadings, stock prices, commercial failures, factory payrolls, department store sales, wholesale commodity prices, corporate profits, unemployment, bank deposits and many others.

It was observed that increases or decreases in these time series roughly coincided with the peaks or troughs of the business cycles, but not uniformly in time. Some of the decreases in the time series anticipated the coming downturn in economic activity, some decreases were coincident with the decrease in economic activity and some decreased lagged behind the decrease in the economic cycle.

By studying many such series and what relation they bore to the economic cycle, twenty one such series were found to be of such consistency, as being leading, coincident or lagging of the economic activity that they have been used and have been verified in the cycles subsequent to the time of their formulation.

There are eight leading indicators, eight coincident indicators and five lagging indicators for which statistical data is obtained from various sources from week to week. From this data trends of these indicators, either up or down, are plotted on graphs with a moving three-month average, and from such graphs much economic knowledge is obtainable as to whether, months hence, the economy will be advancing or retrograding.

There is one serious difficulty in using the National Bureau's indicators. Since the graphs are plotted on a moving three-month average, some of the indications of a movement, either up or down, may be stale and outdated, and thus less useful in current decisions and in forecasting coming economic conditions.

To a great extent this difficulty is met by the graphs and charts prepared by the American Institute for Economic Research of Great Barrington, Mass. The American Institute uses the same indicators as the National Bureau, but the former shows on its graphs and charts the movement of the indicators, up or down, for the latest month, thus telling more about contemporary conditions and changes than the National Bureau does.

It is not thought or asserted that the use of business cycle indicators is the last word in predicting coming economic conditions. A start has been made to make economics an exact science using scientific methods. But much more can be and probably will be discovered in the future to dispel the false conception that man's behavior is so erratic that no prognostications can be made as to his future behavior.

Economics, then has a firm need of both the deductive process which Henry George used and the inductive process as now employed by the National Bureau and the American Institute. And perhaps, in the future, the graduate student of economics, the researcher scientist, will uncover and make plain not only the rationale of economic behavior, but the daily guide posts for man's use, so that the day will come, envisioned by Henry George, when business cycles, recessions and depressions will be no more and involuntary poverty will no longer scourge mankind.

Alexander M. Goldfinger

#### Can Y O U defend George?

There appeared in the Sunday News - (New York) May 1st, an editorial, with a picture of Henry George, headed "Off-Beat Americans: Henry George." It began "There was a man sent from God," said the Rev. Fr. Edward McClynn, opening a funeral oration in New York City in 1897 for the originator of the single tax theory...and his name was Henry George."

George did not originate "the single tax theory", but if people want to give him credit for it, all right. However, when it is used as, quoted in the editorial - "the most pernicious treatise on political economy" - then defense is called for. Headed in bold-type "Single Tax Philosophy" followed: "Henry George teed off from the proposition that nobody is entitled to own land....Therefore said George, every government should seize all the land within its borders and parcel out bits and pieces of it to persons or industries offering the highest bids for its use." This is absolutely a false statement. See pages 403-406 of PROGRESS & POVERTY (1958 edition)

To further quote from editorial - "But the land would be government property forever, and government would levy taxes only on the varying values of pieces of land leased by it." False statement - not the idea at all.

"All other taxes would be gradually got rid of; and the inhabitants of any single-tax nation, George insisted, would live happily ever after." Henry George "insisted" nothing of the sort.

The final section, again headed in bold-type - "Out With Landlords" made no mention at all of landlords - it simply



recorded the two times George ran for Mayor of New York, and his death.

The Sunday News, in publishing this editorial has been misleading, harsh, and uninformed to say the least but to "publicize" Henry George, even negatively, indicates that the man and his teaching is still "news" - and that is something.

#### COMMUTER BENEFIT TAX A DISGUISED INCOME TAX.

As was to be expected, with the N.J. politicians proposing ever more expensive paternalistic schemes in order to garner votes, they have raised the expenses of the state so high that they must enact an income tax. They do not understand economic rent so they do not realize how easy it would be to get the money they need through the taxation of land values. But, they do know income taxes. Of course it's too much to expect them to be forthright about it. Too long have they been denying that they would inflict the citizens of N.J. with an income tax so they must bring it in by the back door.

Thus, they advocate an income tax which is sold to the people as a "commuter benefit tax". And they soften the blow cleverly by assuring the commuters they won't really pay the tax for it will be applied against the taxes they now pay N.J. state. The commuters will have an income tax levied against them identical with the one N.Y. state now levies, but in accordance with the principle of reciprocity, N.Y. state will have to grant N.J. citizens credit for the taxes they pay in N.J.

Forgotten, of course, are all the pious protestations of the politicians against the inequity of New York taxing New Jersey citizens. Let the commuters continue to pay the tax but divert it to New Jersey where it will do the N.J. politicians the most good.

There are always two reasons for doing a thing. The publicized one is usually a good one, while the real reason is usually kept in the background. In this instance, the real purpose is to get an income tax law on the books. Once it is enacted, it will not require too much rationalization by the politicians to expand it so that all citizens in N.J. will pay. When that occurs it won't be long before New Jersey's expenses will really skyrocket as is evidenced by the proficacy of the states now having income taxes. After all, it's so easy to turn the income tax screw just a little tighter in order to squeeze out just a little more money so the politicians can advocate more vote-getting schemes to keep themselves in office.

The commuter crisis in N.J. was caused primarily by the politicians with their burdensome regulations and confiscatory taxation. If the politicians are really serious in their desire to help, they can

immediately enact legislation to eliminate all taxes on the railroads and permit them the same freedom to operate that other businesses have thru the elimination of all state regulation. The Interstate Commerce Commission is stifling the railroads with enough regulation without the state adding to their problems.

The state should eliminate all Class I and Class III taxes, which are franchise and rolling stock taxes, and adjust Class II taxes so that Hudson County, in particular, will be prevented from raiding the railroads thru excessive taxation. Class II taxes are the taxes levied by the local communities on the land and the right of way of the railroads going thru the particular towns, and Hudson County has taxed the railroads far beyond the economic rent which actually belongs to the local communities in that area.

If the above measures were adopted, the commuter crisis would vanish overnight.

When will the politicians cease playing politics and use plain, ordinary common sense in solving the economic problems which they, themselves, create? When? When the people demand it!

Oscar B. Johannsen

#### SENSE AND NONSENSE

Oregon is doing the unheard of thing of putting welfare recipients to work clearing brush alongside highways, and other simple jobs. 20% to 35% of those certified as able to work don't show up for assignments. Why? Some found jobs, others moved to districts where they could continue to get relief. Now some sob sister, no doubt, will arise soon who will say this is unfair as it may give them a "work" complex.

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The politicians are fighting one another for the credit of putting over a medical care program for the aged. Six months ago no one heard of such concern about the aged. Now, suddenly we are advised that millions of our "elder citizens" (that's the fancy term the politicians coined) need this aid by the federal government. Why? Could it be because 1960 is an election year?

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Did you know that the planners built a new building for the N.Y. State Supreme Court for \$18.5 million? It has everything - but paneling, indirect lighting, air-conditioning, leathered spectator's seats at a 20 foot long bench for His Honor. N.Y. just forgot one thing. The witness' box. Probably this happened because they were afraid a taxpayer might get in it and denounce such absurd expenditure.

#### ON TO DETROIT

The Pick-Fort Shelby Hotel has been picked for the annual conference, July 6th-10th. You can pick up a new car to drive back. But that is only one reason to attend.

## ENTER ON DEPRESSION

Definition: A depression is a stoppage of production on a large scale.

Cause: Prohibitions and restrictions which make it unprofitable for labor and capital to produce.

Willan: The man with the gun -- the government.

What happens: Man with gun adopts privilege laws favoring special groups as farmers, laborers, businessmen, landowners.

How? Crop restrictions, making it profitable for farmers not to produce.

Monopolistic labor laws making it profitable for labor leaders to hold up businessmen for a larger share of the production pie than the laborers actually produced, thereby making it less profitable for businessmen to produce.

Protective tariffs and licensing laws restricting the competition of businessmen, tending to increase prices.

Land tenure and tax laws making it profitable for landowners to hold land out of use or to demand such high rental or selling prices as to render it unwise for capital and labor to use the land.

Taxes, taxes, taxes, which siphon off all profits, earned and unearned, which the above laws are supposed to give the farmer, laborer, businessman and landowner.

For what purpose? To support the man with the gun, who now has standing behind him with outstretched hands bureaucrats, foreigners, pensioners, indigents, laborers, capitalists, landowners and more bureaucrats.

With the result: Prices build up to a point where the consumer is forced to revolt.

How? By restricting his purchases to the things he absolutely needs, as food, drugs, clothing.

Why? Because he's the farmer, the laborer, the capitalist, the landowner who was supposed to be benefited by these restrictions, and might even be benefited temporarily,

but now finds he has not enough production to exchange for all the things he wants.

How to Cure Depression?: Increase production.

How do that? By the government removing all restrictions, reducing taxes drastically, eliminating private appropriation of economic rent, and eliminating the army of bureaucrats so that the government becomes once again only the man with the gun.

When will this happen? When knowledge of the true cause of depressions has been disseminated sufficiently widely that right action will follow.

## SALE OF THE EARTH

There is no smaller package than a man wholly wrapped up in himself.

Scientists are teaching us how to sail under the North Pole, and fly to the moon, but you are still on your own when it comes to crossing the street.

Did you know our world is divided into two classes? Those who do things and those who get the credit.

Doctor: "If I find an operation necessary do you have the money to pay for it?"

Patient: "If I don't have the money would you find the operation necessary?"

The reason worry kills more people than work, is that more people worry than work.

Fat: "So you'r son's in college. What's he going to be when he gets out?"  
Mulroney: "An old man."

No fame I crave, before my eye  
A simpler goal I keep.  
I hope just once before I die  
To get sufficient sleep.

Try this one the next time you forget your wife's birthday. "But, dear, how do you expect me to remember your birthday when you never look any older."

HENRY GEORGE SCHOOL OF NEW JERSEY  
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VACATION IN JULY

THIS YEAR IN MICHIGAN

ATTEND H.G.S. CONFERENCE

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