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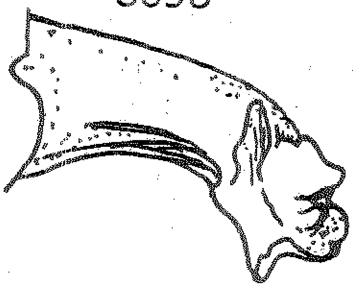
The Gargoyle



HENRY GEORGE SCHOOL of NEW JERSEY NO. 55 OCTOBER 1

THE DEAN THINKS

The Forest and the Trees.

One can be too close to the trees to see the forest. Most of us are, in our concepts of political concerns. Most of us have definite views concerning the current controversial topics such as Federal aid to schools, to farmers, to the unemployed, to build bomb-shelters, to the aged, and a host of others.

The argument in favor of these Federal projects usually is that private enterprise and initiative are unable or unwilling to aid those who need aid, so the Federal Government must fill the void. The proponents of Federal aid usually make a mixed emotional-intellectual appeal such as "The poor children of Mississippi and Alabama should not be penalized because their local governments cannot afford to give them decent schools and competent teachers. The children are potential responsible citizens and should be educated even if the Federal government must come to their aid."

If the alternative is poorly educated children with education financed at the local level, or well educated children supported by the Federal government, many good hearted, well-intentioned individuals will supress their adversion to Federal aid and acquiesce in such a course. The statement above, with the two alternatives assumes that no other course of action is possible than poor schools and ill equipped teachers at the local level or adequate schools and teachers with Federal help.

Totally ignored is the reason why the local communities cannot afford better facilities and instructors. Totally ignored is the fact that the confiscation by Federal government of so great a part of each wealth-producer's income leaves but little that is available for the local community where the actual services are rendered.

Similarly, in advocating medical care for the aged, unemployment payments and other "welfare" goals, proponents emphasize the failure of the private sector of our economy to protect the needy and conclude that Federal intervention is necessary.

Each of us considers the individual items and weighs the merits or objections and then decides that we are in favor of such a measure or opposed to it.

In the last presidential politic- paign we were warned by the advocat a New Frontier with the dire conseque of having the Soviet Union enjoying economic growth greater than ours. It w pointed out that in the last decade t. U.S. economic growth was 2.5% per annu while Russia's growth was over 3.5%. We were told the failure of the U.S. to equal or surpass the economic growth of the Soviet Union would mean that in the years to come our potential to produce defense and consumer goods would be less than that of Russians and the peril was limited only by the imagination of the writer or orators. We were told that to overcome this deficiency of economic growth it was necessary that the "public sector" of our economy must be enlarged, that is, the Federal government must spend more money to stimulate employment and production.

Not said was the fact that the Federal government can spend money only if it obtains it from its citizens in taxes or goes into debt. Government debt is usually monetized, that is, it is a paper transaction in which the Federal Reserve Bank or its member private banks underwrite the debt and, rather than use money that private individuals save, create new bank deposits, backed only by the I.O.U.'s issued by the government and thus the government can spend what neither it nor the lending banks had before the transaction. This leads to inflation of the currency, the surplus of money to command the goods and services in the market-place. Thus the cost of living goes up and the purchasing value of the dollar diminishes, thus affecting every savings account, life insurance policy and obligations payable in fixed dollars.

Beyond the fiscal policy nonsense, beyond the desire of kind, well-intentioned people to aid the less fortunate there is a greater problem which every thoughtful person should contemplate, the basic conception of the function of government.

Either the concept that government is merely the policeman authorized and armed to protect individuals in their right to life and property or the concept that the State has for its purpose the duty and obligation of providing for the welfare of all of its people, is to oversimplify the two opposing views.

Ours is a duplex system of government. Each of the fifty states is a sovereign entity. But all of the states are part of a federation of states comprising the federal government.

...e writer was in law-school he ...hat the federation of states had ...bjectives and goals and it was ...tfully said that "the powers con... the people to the federal gov... were confined to those stated on ... embodying the Constitution and ...ments thereof."

...nstitution explicitly states that ...rs not specifically granted to ...ral government are retained by ...le. Ours was set up as a govern... limited powers. And under that ... the people prospered and the United ...es became a great world power.

...nder the original system, the function ... the government was not to equalize ...ealth or to provide for each person's welfare, but to leave people alone to work out their own destinies but to prevent anyone from harming another's person or property. This was liberty in its true sense.

What the government set out to do, prevent anyone from stealing from or harming another the government itself now violates by collectively taking (stealing) the property of some and giving it to others. In other words, the government now paternalistically seeks equality, not the equality of opportunity but to minimize the difference between individuals in their ambitions, work-potential and their acquisition of wealth.

When the writer was a young attorney he was able to advise clients as to their rights and obligations. He could tell them with assurance that, under law, government could do this but could not do that. Then came the new concept that it was the government's obligation to secure the "welfare" of each individual. Then came the accepted slogan that everyone has a right to a job and a livelihood and if they could not obtain such, the government would supply them. When the then U.S. Supreme Court held that some of the "welfare" legislation passed by Congress was unconstitutional, the Supreme Court justices were dubbed as "horse and buggy" old men and soon other justices were appointed whose "welfare" concepts were well known.

Under the modern interpretation of the welfare concept of government, the actions of the government to regulate, take-over and control the lives and property of all people goes steadily forward. Expediency is the only brake. The right of the government to interfere in the economic determination of the people is now established and, of course, the liberty of the individual has been infringed and lessened.

In all discussions or thinking of the wisdom of Federal aid to education, to the aged, to the needy, to the unemployed, much as our feelings of compassion may motivate us to help those less fortunate than ourselves, we should remember that every such Federal aid leads us that much nearer to the inevitable result of autocratic regulation and control of all human behavior, that is to autocratic dictatorship.

What can we do about it? Certain..., clear thinking on our part is the first step and then the willingness, yes the eagerness of each of us to risk the unpopularity of our "welfare" friends by persuading them that the long view of every governmental action should be considered, will help. The liberty we and our children will enjoy must be deserved. "Liberty," it has been said, "is the right to make mistakes." To supinely endure more and more encroachments of our right to make our own decisions will yield us only the fruit of complete regulation of every detail of our personal lives. We will deserve the kind of life we will have.

Alexander M. Goldfinger

SENSE AND NONSENSE

A leading Catholic bishop of Mexico recently published "Ten Economic Commandments" as follows:

1. You can not create property by discouraging iniative.
2. You cannot strengthen the weak by weakening the strong.
3. You cannot help the little people by crushing the big people.
4. You cannot help the poor by destroying the rich.
5. You cannot help the wage earner by pressuring the employer.
6. You cannot solve your problems by spending more than you earn.
7. You cannot promote human brotherhood by inciting class hatred.
8. You cannot guarantee adequate security on borrowed money.
9. You cannot form character and courage by taking away a man's initiative and independence.
10. You cannot help men permanently by doing for them what they can and should do for themselves.

Excellent commandments but unfortunately no better observed by many people than the Ten Commandments.

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The minister said: "I pray for all."
The Lawyer said: "I plead for all."
The doctor said: "I prescribe for all."
The plain citizen said: "I pay the bills for all."

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One writer claims there are two classes in America now -- "those who want to lean upon the Government, and those who do not want the Government to lean on them."

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Samuel B. Pettengill believes that foreign aid will last for at least 137 years or until 2098 A.D. His reason is that the Bureau of Indian Affairs was started in 1824 (137 years ago). It claims that the Indians "are not yet ready" to stand on their own feet." As a matter of fact, the new Commissioner of Indian Affairs wants more money than ever. And just think, there are 3,000 times more foreigners than Indians.

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The reason men are so interested in getting automation perfected is that they hope to make work so easy that the women can do it all.

...rder to present a graphic picture of what a billion dollars is, it has been estimated that if one thousand dollar notes were piled on top of one another a billion dollars would make a stack higher than the Washington Monument.

However, this is based on the erroneous assumption that a dollar is a circulating promissory note of the Federal Reserve System or of the United States Government.

In view of the fact that our nation is presumed to be on an international gold bullion standard, the only definition of the dollar which has validity is the definition of the so-called "gold-dollar." This has been defined by Presidential Proclamation, dated Jan. 31, 1934, to be 1/35th of an ounce of fine gold (Troy weight). That being the case, a billion dollars is actually 28,571,428.5+ ounces of fine gold. This would occupy a volume of approximately 1628 cubic feet. If the billion dollars were cast into the form of a cube each edge of the cube would be a little less than 11.8 feet.

That a billion dollars is approximately a 12-foot cube of gold points up the important fact which most people have forgotten, and that is that a dollar is not a piece of paper promising to pay a dollar but actually a weight of gold.

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Foreign nations tell us to go home "and just leave us a loan".

DOES CAPITAL COME FROM SAVINGS?

Oscar B. Johannsen

A question which has long puzzled the writer is whether capital comes from savings. Most economists state that wealth must first be saved in order to have capital. But is this true?

Well, what do we mean by savings? This writer's definition is that savings are articles of wealth which are set aside for future use. Early in man's evolution he became aware that he had to provide for the future. He might not catch any game for a period of time and, therefore, he began to save some of the wealth he produced to use when the need arose. Savings, thus, consist of such prosaic items as the jars of home preserves that the housewife has in her cellar. Savings may also consist of money which you have set aside for future use. Savings maybe of tools which you made yourself or purchased for future use. The extra hammer you buy to use when your present hammer wears out constitutes savings.

Now, it should be obvious that capital can be produced which does not come from savings. A native who is walking through a forest espies an apple on a tree. He bends down to pick up a branch and knocks the apple down. Then he throws the branch away. That branch while he was using it was capital, but it certainly did not come out of any wealth he had previously saved. He made the capital on the spot, used it, and then discarded it. As a matter of fact, the very act of discarding the branch is contrary to the whole concept of saving, for saving means you keep something for the future. You do not discard it.

Another example. A man has been in the habit of fishing each morning. He gets five fish which is enough to live on, and lolls around the rest of the day contemplating the beauties of nature. One day he works in the afternoon fashioning a more efficient fishing rod. This is a new tool, but wherein is the saving involved? He just worked longer one day. He produced more.

In the case of the hammer which is kept for future use, it might be said that when it is put to use that capital came from savings.

The above examples would seem to indicate that capital can come out of savings but not necessarily so. If anything it appears that capital comes out of increased production, and maybe not even increased production. If a man were willing to do without while he made the capital, it might be said that the capital did not come from increased production, but merely part of the ordinary production cycle.

And when savings are turned into capital, are they still savings? When the jar of peaches are eaten, they obviously are no longer savings? But is the hammer which is not being used savings? It would hardly seem so as it is not set aside for future use. Only in a strained way could it be so construed. Wealth is only capital when it is actually being used. When it is idle, it is ordinary wealth. Thus the hammer lying on the bench might be considered savings during those times it is not being used, but this does seem to be looking at the matter in a very strained manner.

The problem is somewhat analagous to that of army reserves. As long as some men are kept behind the lines as reserves they are that, but once they are brought up to the front line and incorporated into the battlefront they are no longer reserves.

Possibly savings should be divided into two categories. Savings immediately available and "working savings". The jar of peaches, the hammer are savings which are at hand for immediate use. However, people have been loathe to keep wealth lying around idle, so when they had extra wealth they would lend it out to other people. We usually call these investments. What we do is to put at the disposal of other people wealth which we have produced. If we did not do this, those people would have to produce first this wealth. We have, thus, "saved" them effort and time. However, this is not savings. You can't save energy or time. You either use it or you don't.

Now, of course, the fact that we put this wealth at their disposal is a tremendous advantage to them. In effect they stand on our shoulders and produce more. It is said that each succeeding generation benefits from the savings of the preceding. However, whether we are actually benefiting from the wealth or whether we are really benefitting from their increased knowledge is the question. All wealth constantly deteriorates so each generation is actually producing the capital which is said it inherited for it must keep it in a constant state of repair. Actually, it isn't too important if the wealth is there. What is important is that the knowledge exists to make the capital. After each war, it is amazing how quickly few factories and equipment are produced as long as there are enough engineers, scientists, and people with "know how". It can hardly be said that this capital came from savings as most of the wealth might have been destroyed in the war.

This writer is not prepared to say that capital does not come from savings but has not seen any definitive arguments one way or the other. He hopes that some of his readers will write THE GARGOYLE to give their views for the matter is an important one. The writer does not recall that Henry George ever said capital came from savings. It seems that too many people glibly assume that capital comes from savings, but when it comes to proving it the proof is not forthcoming.

IN MEMORIAM

Dr. Glenn E. Hoover

Dr. Hoover, Oakland City Councilman, retired professor of economics at Mills College and member of the Board of Directors of the San Francisco Extension of The Henry George School, passed away on August 12, 1961, while apparently recovering from heart surgery performed four days before. He was 74.

Dr. Hoover will be remembered by many New Jersey people who attended the dedication of the N.J. school headquarters in Newark on July 12th 1959. He gave a most eloquent oration - "Freedom vs Power" - which was published in VITAL SPEECHES OF THE DAY.

SALT OF THE EARTH

One of the pleasures you miss by paying cash for everything is the thrill of that last payment.

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Small town: The only place in the world where sound travels faster than light.

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Conference: A meeting at which people talk about what they should be doing.

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The ladder of life is full of splinters but we never realize it until we begin to slide down.

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Firmness is that admirable quality in ourselves that is merely stubbornness in others.

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The three inexorables of life today. Death, taxes, and hamburgers the night before payday.

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Probably the most valuable thing you can learn from experience is not to rely on it.

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Old Timer: One who remembers when a man who owned a business had something to say about how to run it.

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From Across the Pond

HENRY GEORGE SCHOOL MAGAZINE - London: Robert Miller writes: "When all our slums have disappeared and everyone has a fair chance of obtaining decent living accomodation, I may be inclined to take more interest in astronauts."

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"Reading proof on an editorial I found that my fingers on the typewriter keyboard had birthed an appropriate new word: 'givernment.'" - J. D. Blizzard, Dillon (S.C.)Herald.

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"The Department of Commerce estimates there will be over 114,000,000 motor vehicles in the U.S. by 1976. All you pedestrians who want to cross the street had better do it now." -Harold Rogers, Easley (S.C.) Progress

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New Jersey leads all other states in the Union in farm income per acre.

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Nothing is opened by mistake more often than the mouth. Harrison Chronicle

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