THE HEART BEAT OF A
HEALTHY C

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TIGHTER BELTS

AND

TOUGHER TAXES

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Dear Mr. Clancy

Many thanks for your recent airletter.

Herewith some material, with compliments, which I trust you will find useful in the H.G.S.

It is the heart of the Georgist position as I see it, expressed in terms of a 1965 environment. — but it is rather fun, like Einstein attempting to formulate a statement which remains universally and timelessly true. How well I have succeeded and how invincible the step-wise development of the argumentation, I shall be most interested to learn! Would the Robt. Schalkenbach Foundation be interested?

Sincerely Ken Grigg

THE HEARTBEAT OF A HEALTHY ECONOMY

THE ANATOMY OF "VALUE".

ECONOMY IN EFFORT is the mainspring and motive of both Techn and Trade.

Technology, through invention, saves effort; it reduces the difficulties of bringing commodities into being; it reduces "tyranny of
Trade, through exchange of goods, saves effort: it distribut benefits which enable commodities to be produced with the least "tyranny

The Motive of the Market:

Each person is both a buyer and a seller of goods and servic

To the seller, the market VALUE of an article is "how much h for it" - how much of other people(s effort it can command.

To the buyer, the market VALUE of an article is "how much he outlay to get it" - how much of his own effort it can command.

To the seller, the market VALUE which his article commands, him more of other people's efforts than it requires of his own. Hence, t a saving in effort he gains in purchasing power.

To the buyer, the market VALUE of the article he wants, comm of his effort than would be required of him to otherwise obtain a compar article. Hence, through a saving in effort he conserves purchasing power

As a seller, a man seeks the highest value for his own effor
As a buyer, a man seeks the lowest value for other people's

So then, both buyer and seller, approaching from opposite di pursue the quest of VALUE-IN-EXCHANGE; and, at a point lying between the competitive interplay of their subjective evaluations of what, for many reasons, a particular commodity is WORTH to each of them, leads to the e ment in the market of an objective VALUE-IN-EXCHANGE - that value of a which is its only value in the economic sense, and which is commonly exp the monetary ratio of PRICE.

(Value-in-Exchange is not to be confused with labour content utility, nor with worth or desirability, for all of these are personal j ments which differ widely as between individuals. It may also be noted a point that the terms of an exchange may cause the 'value' to be express in periodic form (as in a lease) or in terms of outright sale.)

A		B		C
subjective worth to seller	——————>	objective VALUE (PRICE)	<——————	subjective to buyer

The point of PRICE may shift towards buyer or seller, but a times it is the place " where minds meet in the market ".

The seller looks to a shift of price towards the buyer; an greater his margin of saving (A-B) the greater is his incentive to produ keep on selling. Thus the economy is stimulated.

The buyer looks to a shift of price towards the seller; and greater his margin of saving (C-B) the greater is his incentive to keep Thus the economy is stimulated.

Both, then, stand to gain without hutting each other from a in costs. PRICE, ie., VALUE TO BE PAID OR RECEIVED IN EXCHANGE, THEN CO AND CLOSER TO INTRINSIC, INBUILT COST or VALUE-FROM-PRODUCTION, ie., to t of the inescapable difficulties and effort inherent in problems of produc

THIS PURSUIT OF THE GREATEST VALUE TO BE OBTAINED IN EXCHANGE THIS UNIVERSAL SEEKING TO SAVE EFFORT THROUGH COOPERATION IN THE MIDST OF COMPETITION, THIS MUTUAL GAIN IN THE MARKET, THI SOUGHT-FOR PEAK IN PURCHASING POWER, IS THE SOUL OF ECONOMICS

Now the purpose of scientific invention is the progressive of the difficulties inherent in production - the reduction of inbuilt CO The cry, " There must be some easier way to do it ", is basic to human n And this is also the rationale of Trade, which may be conceived as an in whereby, through the free exchange of the benefits of economies in produ the difficulty of obtaining things may be further redused.

Therefore Economics and Science serve the same end - the S EFFORT.

So then, through the marriage of Technology and Economics, become easier to produce and easier to buy on a widened and unfettered m More real WEALTH can then appear at less VALUE and at lower PRICE. That the obtaining of wealth then requires less expenditure of human energy: satisfaction is then achieved with less tyranny of toil.

ECONOMY IN EFFORT IS THE ULTIMATE, RATIONAL, ECONOMIC HUMAN

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DISEASE IN THE BODY POLITIC

THE PATHOLOGY OF "VALUE".

To seek economy in effort is normal to human nature. Trade, then, takes p because people want it to! But in the real world dominated by politics, p are not free to trade - to buy and sell at will on an open market.

" There are two ways of saving yourself effort - the politica imposition and the social way of competition. But the former method of e anti-economic, whilst the latter is economic. When people are obliged to for goods than technical difficulties in production and distribution woul dicate, then effort is saved by some parties by occasioning effort to oth commanding the efforts of others without exchange. Herein is effort saved going to the market, but by securing special legalized privileges.

" Economic man goes to the market to save himself effort ".
"Anti-ecohomic man goes to the Parliament to save himself e

" Economic man pursues Value, and by the mutual competition f lessens Value. Anti-economic man pursues Value, and by political restrict supply, increases Value.

"Economic man by mutual competition increases competence and ie., gives society more Wealth at less Value. Anti-social man, by politi privilege, restricts competition and fosters incompetence, thus giving us Wealth at more Value and at higher Price.

" By competition, all men save time and toil at nobody else
" By imposition, some men save time and toil at the expense

"In our economic system, therefore, there is at present a cer dualism in the origin of VALUE. There is this form of VALUE which arises the order of economics - which is extra-economic or political in nature, contradicts economic Value proper. It is a value arising from political which makes goods more difficult to obtain, and which thereby inflates th arising purely from the technical difficulties of production and distribu an extra price which people are obliged to pay, it may be termed " value- obligation" as opposed to " value-from-produstion."

VALUE - IN - EXCHANGE may thus have two components:

VALUE-FROM-PRODUCTION - the index of man's domination by
and
VALUE-FROM-OBLIGATION - the index of man's domination by

Restrictions upon freedom to trade or upon access to the raw of production, constitute MONOPOLY. And monopolies may themselves be of t

(a) those which are essentially monopolistic in their nature. intrinsic monopolies.

(b) those which are created artificially by legislation. Thes extrinsic monopolies.

MONOPOLY value, whether the monopoly be intrinsic or extrinsi always a value-from-obligation. It is the extra price commanded through t creation of an artificial scarcity in the face of consumer demand.

Current PRICES are thus a combination of value-from-productio value-from-obligation, depending upon the degree to which restrictions u production and distribution are operative.

" We must see clearly the distinction between VALUE (and henc arising from the mutual concurrence of social efforts, and the VALUE (an incomes) arising from the legal compulsions of privilege."

We must also perceive the corresponding difference between and CAPITALIZATION, between CAPITAL value and CAPITALIZED value.

The CAPITAL value of an article is its economic value-from its cost of production being tested competitively in the market.

CAPITALIZED value on the other hand, is political value-fr obligation, the extra value, over and above the economic value of an art is a capitalization upon the fact that artificial restriction of competi enables it to command a higher price.

Note that an income based upon value-from-production can b into the lump sum of a capital value or selling price; whereas an income upon value-from-obligation can be gathered into the lump sum of a capita value or selling price. The market value of stocks and shares combines b forms of value.

" Spurious capital, ie., capitalized value, gets all its val its power to obstruct production. Real capital serves to facilitate prod Hence all investment is divided into investment IN production and into i AGAINST production. All sound criticism of our so-called 'capitalist' ec system must recognize this distinction.

Dr. H.G. Pearce explains it thus:

" In order to be able to mark off the area of normal econo that of 'pathological' economics, we must retain all those social instit which have grown up naturally in the mutual contracts of man exchanging services with man, and which maintain themselves by the persuasive force own rationality, and we must exclude all those other institutions which up from the accidents of history or from the legal violence of sectional and which can be maintained only so long as such interests can retain th control over the compulsory powers of the State. Whatever Society has ac through its natural impulsion to economize effort through mutual exchang service, we must regard as being within the sphere of economic science. ever has been built up through the arbitrary enactment of legal privileg laws aimed at the private good of some instead of at the common good of must regard as being anti-economic, since such laws either bind some mar restrict the production of supplies to the market....

"Today's economist has the extraordinary task of seeing tw which are in conflict - the order of Nature and the order of arbitrary a ment."

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RENT FOR REVENUE

The Natural Outcome of Economy in Effort.

Out of the propensity of human nature to save effort, there ari basic concept of RENT.

Imagine the Gross National Product as the flow of a mighty stre goods and services. Part of this stream is due to the productive effort people acting in their individual capacities. But there is a further lar tributary to the total volume which exists over and above these individu contributions, and which is due to the whole of the people acting in the corporate capacity.

For, as the community grows, it offers scope for more and more ed trades and skills and for the division of labour. Thus, in the cours public and private expansion, there arises an ever-increasing range of f which make life easier. The effect is that each individual, in attending own affairs, unconsciously adds his quota to the situation under which e member of the community finds, in countless ways, added convenience, wid opportunity and other means of saving himself effort - all of which woul been quite impossible in the absence of those spontaneous efficiencies a mies which arise in an organized society.

Now let us suppose that the total number of people in the commu and that the averaged, separate productive capacity of each individual w community is Y. (The nature of Y can be better appreciated if we reflec relatively small it was at the 'backwoodsman' stage.)

Then the total productivity of the community is not merely X mu by Y, but rather X x Y plus Z.

The 'Z' component in the Gross National Product is the incremen productivity, over and above the summation of individual capacities X x about by those economies in effort which the organism of society makes p Indeed, people by their very presence make it possible, for, in countles they cooperate in the midst of competition. This Z factor is what is mea

So then, RENT is that tributary to the Gross National Product w from the operation of social, non-individual factors. It is a bonus of w production earned by the community as a whole, springing from the innate propensity to economize effort. It is a common "profit of association", "common wealth." RENT is a natural phenomenon, rooted in a law of nature

It will be perceived that, as public and private expansion proc national income enlarges, and the "community dividend" becomes an automa expanding and dependable source for income.

And whether the velocity of the stream be large or small, depen such things close to the heart of current economic thought as propensiti consume or to invest, and control of credit and/or interest rates, this from association" remains a substantial, integral and inevitable part of

So far we have discussed the phenomenon of RENT in terms of 'ma economics, ie., on the national scale. But to understand its nature full examine its importance to the individual:

As far as the individual is concerned, any advantage to him aris community growth depends upon just where such growth occurs: a new schoo industry, a new shopping centre or a new transport service immediately c advantages upon their LOCATION; Nature herself contributes to the specia in a residential site; and again, in rural areas, there is the added fac natural differences in fertility of the soil.

People proceed to make their own estimations of what a partic location is worth to them in effort saved, convenience gained and opportu presented: the worker living close to his job can save on fares; the farm more productive soil can derive a greater yield than his neighbour; the m urer close to the seaboard avoids long haulage costs; the retailer in a s position has much greater potential turnover than the shopkeeper in a sub backwater; and the property investor gains higher rents in the more 'sele

All of these advantages in locale may thus be described in ter extra income. Wherever Community grows, pari-passu various locations acqu differential advantages which yield differential savings or income. And t income is RENT: To enjoy the differential advantages of location is to sa to save effort is to enjoy the equivalent of extra income; to enjoy extra is to receive RENT; and wherever Community IS, economic RENT arises.

To appreciate the true nature of economic RENT as it affects t ual, requires recognition of the fact that prices for commodities are set costs of production at the economic margin. Here demand makes direct cont supply, and variations in it result in immediate increase or decrease (u ditions of an unmanipulated market) in what may be called the least, or l critical, supply. Only the least or last of production can come from indu on land at the margin. The great bulk of it must come from industry based land of superior location where mans desires can be satisfied with an eco effort not possible on the marginal land. In the market, the bulk of prod will therefore bring prices in excess of its cost. This excess of price o varies in accord with the economic advantages of the site, and is include figure paid by consumers. It is this which is economic RENT, ie., that pa production which, in 'distributive economics', is allocated as the return advantages in site (the Z factor) as distinct from those other parts whic allocated as the return to individual labour and capital.

Site-rents, totalled up, the trickle of many streamlets comp into a mighty river, represent the "community dividend", the bonus that a the economies in effort which social organization brings forth.

Two important facts emerge from a study of the origin and natu RENT:

Firstly, The extra wealth represented in Rent is the natural s from which to pay, over a period, for the capital costs of those communit ties which have generated such wealth. In fact, if Rent is not generated, is not an economic proposition! The Rent to be anticipated makes a good

~~Secondly~~ Secondly, Community revenue drawn from this source makes no inroads upon productive capacities. So the purchasing power of the individual citizen equal to the full value of his own earnings.

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THE INTERRELATIONSHIPS BETWEEN LAND RENT, LAND RENTAL VALUE AND CAPITALI
LAND VALUE

Paraphrasing a well-known real estate slogan "First secure the la may assert that, "To secure the advantages available within the community, first obliged to secure the land." Under the way our society is organized exclusive security lies in the possession of a land title, issued and uphe serviced by Government.

In the competitive interplay of their own subjective estimations the possession of a particular site will gain for them, people give to lan an objective, determinable VALUE. The potential for yiedding RENT - the po for extra income or savings springing from the advantages in location - se ~~limit~~ general limit to which the rental value of land titles will rise; fo ly, if at this point all saving in effort cuts out - if above this point t ~~be~~ positively be financial DISadvantage - no-one will OUTlay more than th

So then, in summary of this argument, we may state that the Z fac Gross National Product, the summation of all the extra income within the c made possible by the social savings of effort, is channelled through the d advantages of location; and is potentially equivalent to, and identical wi total rental values of land titles throughout the country. And although la "cost of production", it has, nevertheless, to its individual occupier, a and inescapable cost arising from the obligation to compete for it.

This cost reflects the continuing value at each site of all the s and amenities available within the community - a source for income which, upon the periodic yearly basis, may be described as the ANNUAL SITE-RENTAL LAND.

How much of the value of an individual article can be ascribed to impossible to determine. But it IS possible to determine the aggregate of the aggregate of goods and services produced within the community from yea

This aggregate, for all practical purposes, is equal to the aggre site rental values throughout the whole of the country, for the existence tied to the location of community advantages. And the recording of site va of course, the daily task of valuers.

So, RENT is the theoretical concept,
whereas RENTAL is the practical, measurable value.

When land rentals are paid, then RENT becomes "actualized" into th able and tangible. " RENTALS MEASURE RENT."

Wherever people live in community, social savings in effort canno arising. Hence RENT is intrinsic to society.

And wherever competition for land is permitted so that a sum must for its tenure, then land acquires a rental value. Hence land RENTAL is in a competitive society.

Since land has no cost of production - it is already THERE to sta land rental cannot possibly be a value-from-production. On the other hand, fixed in both supply and position, and so its tenure is essentially a mono Hence, land rental is a value-from-obligation. And since the utilization o necessary to life, the value-from-obligation represented in land rentals c dispensed with. It is an intrinsic monopoly value.

Now this monopoly in land rental values may be either publicly or commanded:

If land rentals are publicly commaneded by means of a levy by G upon them, then the flow of rent is diverted into public revenue and the serves the common good.

If, on the other hand, Government does not collect rental value revenue, then these values will attach to the possession of title itself this happens, they become a source for individual rather than community transferable with the title.

Site rentals then being treated as the dividend upon a private are capitalized as a lump sum into "CAPITALIZED" LAND VALUE or LAND PRICE

We are now in a position to discuss the nature of LAND PRICE in but before doing so, it would be just as well to first make quite clear NOT. Included in the market value of "land" are many things which are re capital values, ie., such improvements as roads, drainage, fencing and p sowing. All of these are to be excluded from any of the consideration of PRICE which now follows.

LAND PRICE, being derived from the primary factor of land renta value-from-obligation and not a capital value-from-production. It is a p capital or "capitalized" value, derived from the obligation to compete f title; it is NOT the capital value inherent in a product - although it m exchanged for such in the market. Rather, it is the price of a capitaliz It is the outcome of the ability to transfer title for valuable consider continued appropriation of rent by the purchaser being the prize.

But since private viz-a-viz public command of rentals are alter this private rather than public diversion of the flow of rent is not INT the structure of society. And consequently, private equity in CAPITALIZE VALUES, even though it is time honoured, is not necessarily INTRINSIC to itive ~~[illegible]~~ economic system. Note that, if under all circumstances, G continued to levy a 100% ~~tax~~ rate upon land rentals despite ownership or fer of title, then even IT could not sell land for any appreciable capit

When land itself acquires a pseudo-capital value, it becomes co Capital and is treated as Wealth. Hence it becomes to all intents and pu commodity to be bought, sold, taxed and speculated in like any other com

So it may well be asked, " What is the difference between gain Price and capital gain from stocks and shares in industry?"

The late Sir Winston Churchill once made the following reply: " in stocks and shares confers profits, nevertheless that profit has not b by withholding from the community the land which it needs, but on the co apart from mere gambling, it has been reaped by supplying industry with without which it could not be carried on..... There is constant service, constant competition; there is no monopoly, there is no injury to the pu interest, there is no impediment to the general progress." This is anot describing value-from-production.

On the other hand, LAND PRICE is the ultimate perversion of the human propensity to save effort, because, without effort on his own part, investor in land capitalizes upon corporate community effort. He invests deliberate expectation that site rental values - the community "profit o iation" - will be capitalized into land price. His gain is NOT capital g rather, it is a gain from capitalization.

Whereas the flow of rent into the public treasury is an index o

prosperity, LAND PRICE, on the other hand, being an obstacle to the furth
production of wealth, is an index of prosperity only in the sense that a
by the lushness of its growth measures the vitality of the tree it is str

We may summarize this whole discussion of capitalized LAND
LAND RENTAL VALUE and LAND RENT as follows:

Where COMMUNITY exists, SITE-RENT co-exists.
Where RENT exists, land title acquires a RENTAL VALUE.
Where SITE RENTALS exist, therein lies the natural source
for community revenue.

But if GOVERNMENT FAILS TO COLLECT RENTALS FOR REVENUE, tw
happen:

(a) the stream of RENT worth millions of pounds every day,
into the pockets of the holders of title to land - par
those sitting astride the trade routes passing through
cities and towns, and is capitalized into LAND PRICE.

(b) GOVERNMENT resorts to arbitrary taxation on goods, ser
earnings so that the volume of privately earned income
and the PURCHASING POWER OF WAGES BECOMES MILLIONS OF
DAY LESS THAN THE VALUE OF PRODUCTION.

It might be said that, in paying for community services, c
are taxed twice over, because LAND PRICE represents TWENTY YEARS' RENTAL
IN ADVANCE, and is payable in addition to taxes.

The basic issue is therefore:

SITE-RENTAL VALUE - the heartbeat of a healthy econo

versus

CAPITALIZED LAND VALUE - the ~~sign~~ symptom of disease in the
politic.

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COMMENTARY

The economy must suffer from a split personality when, on the one hand, sc sociologists and engineers are striving to provide facilities to make life and on the other hand, groups with a vested interest in the maintenance of are continually conniving at law to ensure that the cost of making life ea remains high for most of the people!

Our civilization is devoted to the destruction of value-from- : new techniques are always good news. BUT IT IS POLITICAL VALUE-FROM-OBLIG MUST ALSO BE DESTROYED. And here, indeed, is the rub, because in most case ments are concerned not so much with lowering costs as they are with mainta prices. For the hope of increased living standards for mankind everywhere l lowering of COSTS, the lessening of VALUE, the REduction of PRICE.

Technologists are progressively banishing tyranny of toil. Th to the economist is to banish the spectre of soaring prices. So it is towa lowering of costs - the most efficient utilization of national resources in and materials - that politicians and economists, acting not so much as prie existing order than as prophets of the new, must turn their attention. They exa mine the various forms of value-from-obligation which are sabotaging na economy in effort and which lie within their power to remove.

Such values, by adding to costs, enter into prices and decrea ing power. And since it is consumers who ultimately call the tune, if there decreased demand, there is decreased production; if there is decreased prod there is decreased employment. The manufacturer suffers along with his empl then, value-from-obligation contains the seeds of slump; it explains idle m and surplus capacity.

Moreoever, by superimposing capitalized value upon capital va cost of entry to the competitive field is raised so that the number of thos enter is limited. SO SPREADS THE TRENS TO MONOPOLIES IN PRODUCTION, DISTRIB EXCHANGE - and the inability of the earner of wages to command his full sha wealth production.

The chief offenders in contributing to this situation are:-

HIGH PRICE OF LAND

HIGH RATES OF TAXATION

HIGH RATES OF TARIFF

HIGH LAND PRICE and HIGH TAXATION raise manufacturing costs a the demand for protective restrictions in the form of TARIFFS.

TARIFFS upon raw materials hurt other industries further alon thus decreasing employment opportunities within them, and compounding final consumers.

Wages are arbitrarily raised to compensate for the rise in pr of course lag behind. The immediate benefit of such wage increases is then by a further price spiral if the level of tariff protection makes this poss

The resultant creeping inflation debases the currency and ero and monetary manipulation has so far proved impotent to prevent it without up the rate of public and private expansion.

Is there any alternative which will permit of STABILITY and E WITHOUT INFLATION?

Land Price, Taxation and Tariffs are not intrinsic costs of man but are values-from-obligation imposed or permitted by law. As such it is that they be dispensed with. Yet adequate revenue must still be provided f essential needs of an expanding community. Can this be done without the al source of revenue entering into the price structure ?

There is no doubt whatsoever that land rentals which measure the community services, are the natural and adequate source of revenue from wh finance these services. But can a levy on land rentals be passed on to con added price ? If they cannot, then this diversion of RENT to the public pu obligatory as an alternative to the present tax system.

PRICES are determined by the costs of the operator at the margin production is still just worthwhile. The extra income made by producers op at a relative advantage to the man at the margin, is RENT. This is reflect enhance rental value of the better-situated properties. A 100% levy on suc values, whereby the economic rent is publicly diverted, detracts from the income of supra-marginal producers, and to that extent is a cost to them.(it were, a payment for the provision of valuable community services.) Howe levy does not apply to the marginal producer whose rental advantages are n Hence there is no addition to his costs (he least enjoys the value of comm services) - and consequently there is no addition to the price which he But, to repeat, it is the marginal producer for whom supplying the market just worth while who determines prices in the light of his costs. Thus, a land values "sits where it hits", and cannot be passed on in higher prices sumers. Such a levy is applied at a differential, because land, as measured rental value, has a differential ability to serve the production of wealth.

On the other hand, taxes on goods are levied at a flat rate, and fore be equally passed on to consumers by all those in the chain of product distribution. That is to say, TAXES ADD TO PRICES.

It may therefore be asserted that, at the expense of investment i ized land values, the diversion of land rentals to public revenue can replac taxes at present being levied for public services; and that, unlike the tax would replace, a levy on land rentals cannot be added to consumer prices, a fore cannot inflate the general cost structure.

To the great majority of the people, who depend upon the purchasing power of their current personal earnings, the prospect of adequate public revenue coupled with a stable currency and with lower prices for consumer goods, should have much greater appeal than current trends to tighter belts and tougher taxes. And manufacturers with goods to sell must realize that in the long run they sink or swim with their customers!

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Acknowledgement is made of the influence of Dr. H.G.Pearce of Sydney, whose book VALUE-NORMAL & MORBID has made him our mentor in the preparation of thid paper. Quotations from his book have been used in discussing the nature of Value.

And underlying both our work and his is the Georgeist philosophy of human freedom.

Also
"TWENTY
DOLLARS
by
OTTO C
of