March 4, 1982

Editor
The New York Times Magazine
New York, NY 10036

Dear Sir:

The article by Benjamin J. Stein, "A Scenario for a Depression?" in your issue of February 28, recounted the talk we usually hear concerning business cycles, recessions, depressions, recovery. Attention is concentrated on tax rates, interest rates and money supply. These discussions - and measures - seem not to settle very much. We are still going around in circles about it: tax rates are too low or too high, the same with interest rates and money supply; they're never right. Meanwhile, the troubles of our economy continue to defy solution.

While these diagnoses go on, not much is said or done on more basic levels. The inadequacy of monetary explanations is revealed when Mr. Stein tries to explain things by imagining a desert island which has suddenly received an increased supply of money. They can "invest" this in new equipment - but he has to add, "Purchased at a neighboring island perhaps". By bringing this in, he shows the inability of a monetary diagnosis to explain the processes of production. Money is, after all, only a claim on wealth, not the real thing - the wealth has to be produced.

What is lacking is adequate attention to the real "wealth of nations" in Adam Smith's sense - what is going on with the production and distribution of the nation's goods and services. In this respect, economists have bypassed an explanation of the business cycle that deals with this reality - and that is Henry George's analysis.

All production (says George) must begin with the land - labor applied to natural resources. If there is interruption with production at this basic level, it will spread throughout the economy. The monopolization of natural resources and speculation in land are such interruptions. Land speculation keeps needed land out of production in anticipation of a rise in land prices. The amount asked for land becomes so high as to discourage production. This heralds the onset of a depression until land prices come down or labor becomes accustomed to lower returns.

Virtually nothing is heard of this explanation in influential circles. Yet if we look at what is going on, it makes sense. Key troubles are taking place in those sectors of the economy which deal most directly with land. The housing situation is a good example. The high price of land is an even greater obstacle to construction and sale of houses than high mortgage rates. Farm problems are another example. Small and medium-sized farm producers are hard-pressed, while farm land prices have zoomed and show reluctance to taper off in spire of recession. We were witness to what monopoly of natural resources could do when the OPEC nations started to squeeze us, with reverberations in the automobiled industry that are too well known. Rents in New York and other cities continue to go sky-high and in many cases put out of business all but those who can make a fast buck by any means. High residential rents have caused hardship to those who have to fork over an increasing portion of their earnings - and eviction to those who can no longer afford to do so. (We are told that there are at least 35,000 homeless people wandering around New York.)

Henry George's answer was to put a tax on land values (with reduction and eventual abolition of other taxes) which would bring down the speculative price of land and enable production to take place more readily. A good example is the partial application of this measure in Pittsburgh where there has been considerable building and rents are coming down.

George understood that monetary factors must also be heeded in order to make for a smooth-working economy - but that monetary reform alone won't do the job.

Isn't it time to pay more serious attention to the neglected analysis of Henry George?

Sincerely,

Robert Clancy
President