

AN
ALTERNATIVE OUTLOOK

A SERIES OF ARTICLES

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IF I WERE A JOURNALIST

For a long time I have been promising (threatening) to write something for publication in *The Polk Progress*. It seems that since childhood I have occasionally encountered the phrase "If I were king . . ." as the title of a book, play or other writing. That strikes a response (felt or spoken) in most people I know. Almost everyone can think of something he or she feels ought to be done differently—if I were king I could cause some change to be made.

If the pen is mightier than the sword, it would seem that writing should have the greatest influence on society. If I was a columnist, I would find very little I would consider worth my time other than the subject of government. Readers would find it hard to discern whether or not I am a Democrat or a Republican since I do not believe either party is even in the ball park in the supposedly diligent search for solutions to the very distressing problems of our nation and the world. Also, I am neither liberal nor conservative. I do not consider those to be opposite ends of any useful scale, since both derive their explanatory background from the same abysmal errors perpetrated by "academia."

I believe I cannot be categorized "left" or "right" since I see little more difference between the political left and the political right than I see between Iowa football and Oklahoma football as it appears to a bystander who objects to football. As I see it, the left and right are just two factions competing for the job of managing a collectivist economy and they get their economic education out of the same academic school of thought.

I avoid multiple-meaning words such as "politics" to which my dictionary assigns a good meaning "the science of government" and another meaning "the art of management so as to secure the election of particular candidates." The use of the word elicits, in most minds, the second meaning. This meaning separates politics from education by a wide gulf. It is not a classroom situation. It is the art of the quick fix, the medium of the clever catchphrase, the foggy bottom of professional obfuscation. It is an arena where conflicting privileges battle for their own supposed advantages, usually without regard to, and often at the expense of, the general good. (At this point, I suggest you check with your local algebra teacher to calculate whether you gain with a ten percent larger fraction of a ten percent smaller pie). It is highly possible for one man's supposed gain to be no one's gain, not even his own.

One time I talked to a local service club on "Utopia and Language." I stated I could be considered Utopian if Utopia is defined my way as the practical correction of a few major fundamental injustices. But you can leave me out of your list of Utopians if you define Utopia as an impractical scheme of social order. (See such writers as Alvin Toffler.)

If I was a columnist, my theme would be about economic processes and their relation to government. Unfortunately, the economic beliefs which inform and advise most of the world's leaders and rule-makers, including Russia, have nothing to offer that will solve anything. About the only remedy the current advisers offer is to inflate the money supply, under one guise or another, and they cannot even explain why that seems to affect a slight relief for a time, and then later, to intensify the same problem it was intended to relieve.

I think I have a case to present. No, I did not think it up all by myself. It is an explanatory framework for economics which I stumbled upon almost four decades ago. Its explanations make sense when other theories make the world appear to be filled with hopelessly complex mysteries and people doing wrong intentionally.

I hope to be back here soon.

DEMICANS AND REPLICATS

It would distress me, and great guilt would be upon me, if my mention of the following topic was to inspire some sick mind to carry out the act. Long ago, someone described to me the gory result of tying the tails of two cats together. They fight each other instead of cooperating to go after the guy who tied them together.

Every day's mail and newspaper brings to my attention many examples illustrating such a war going on all the time. I could fill this column this week and for many more weeks with these examples. And I plan to bring up a few, but any reader, with very little effort can find them every day.

Older people receiving, or soon to receive, the Social Security payments upon which they had counted for so long, are definitely, and with good reason, worried about where the money is to come from to keep the payments coming. They also worry with good reason about how progressively less that money will buy even with the annual increases for inflation allowed in the laws.

The other cat in the case is the younger people who look at their paychecks and find the deductions for such things steadily increasing and realize that fewer and fewer people are remaining on the employment roll to pay the bill.

The details of the war between these two cats are familiar from many articles written on both sides. Very few raise the question of why so many people enter upon their older years with no visible means of support. Those few who do usually offer an answer ascribing to each individual victim, lack of some virtue observed in some other person. Almost no one sees the larger picture so as to see this conflict as only a symptom. Suggestions for handling this one symptom are plentiful. It is not always easy to determine which suggestion fits the Demican or Replicat platform. (Er—excuse me—Democrat or Republican.)

In the larger picture, neither of the political parties has members who have penetrated to the root causes. Every grocery boy fashions himself as a keen analyst of economic affairs. ("They" should pay "me" better and the problem is completely under control.) So the civil war goes on as to who shall get the larger fraction of the pie.

These problems will be very hard to solve until there is some concern for the size of the total pie. Inflating the money supply, as most of the modern schools recommend, will not enable everyone to buy more real goods and services until there are more goods and services available to buy. The studies ought to be directed to the production of goods and services. A knee jerk reaction at this point needs to be, and is, anticipated. You may argue that enough is produced, but poorly distributed. You may even be able to point out what appears as excessive production in a few limited areas such as raw or nearly raw materials at the extractive (farming and mining) levels. In fact, it is almost impossible to find anyone who does not have a product or some labor which he would like to exchange for someone else's. However, the rest of the story has to involve the problem of why they (farmers for instance) cannot exchange their product for what they would rather have.

An entire school of thought in the question is competing for the attention of the academic world. It will probably not force its way upon us from the academic world nor from the world of legislative bodies. So far, it appears similar to the history of some of the other major pieces of human knowledge, and the outside world will have to force it upon the world of so-called higher learning. And you are that outside world.

Nearly every summer I attend a conference of people devoted to precisely that task. At this moment, I am making preparations for that conference to be held in Pittsburgh a couple weeks from now.

More later.

CRANKS AND ZEALOTS

I mention making preparations to attend a conference in Pittsburgh to discuss economic matters. Last summer's conference was held in New Hampshire. Before it was over, we had the pleasure of reading in one of their local papers, a description of us as zealots and cranks. We took pleasure in thinking how fine zealots and cranks are as long as they are our kind of zealot and crank. We just happen to believe that our explanation of economic matters would make sense to many people if they had a fair chance to hear it. By fair chance, I do not mean one sentence or two forced upon a person who is braced to reject it. I mean something like reading a fairly complete presentation of it.

You don't have to agree to anything very hard to believe in order to start understanding it. For one thing, it may be easy to convince you that you can't build a very illuminating science by starting with poor definitions of words. Over-lapping meanings and conflicting meanings and changing meanings are hard to manage, but most of the currently prominent professors of economics put up great shows doing just that. Imagine trying to build a science of chemistry, and in the early stages, calling all of the salts and all of the sugars by the same name as long as they are white and granular. Try to determine its nature by observing its behavior when you take a sample and pour something into it. A lot of different things are white and granular, so different experimenters would get different reactions. Now imagine the resulting quarrels and incriminations when for one, a nourishing substance may result, and for another, it might explode or emit a poisonous gas. The modern economists (not we cranks and zealots) follow the lead of Karl Marx and Alfred Marshall in grouping some very dissimilar things under the name of "capital." And of course their scholarly studies give conflicting results about what happens to capital and what is caused by capital. They hate capital or love capital according to what their guru thought capital was. They recommend increasing or decreasing a certain tax across the board and then quarrel about whether and why it should or did have such and such an effect, when mostly, the effects cancelled out, or worse.

We cranks and zealots are often indicted, for allowing questions of justice and injustice to invade our scientific investigations. We accept that indictment, but we plan to continue to do that for reasons we believe we can defend. We even entertain the thought that some day, science might have as one of its duties, the job of aiding in the discovery of right versus wrong.

We cranks and zealots are also sometimes indicted for offering simple answers to complex problems, but that, among others, could be the topic of a later column.

TEACHERS AND CLERGYMEN

Last week, I mentioned the world's unnatural penchant for taxing backwards. Several times every week, there appears a news article that absolutely must be answered or handled in this column. It takes the form of great puzzlement and distress over some grave problem which the writer does not know is a stand-out symptom of our backwards method of taxation. I try to save those news items and the stack beside my typewriter is getting too high. This week, it might be appropriate to sort out the ones which complain about the low pay of our teachers (and clergymen). Now it would seem to me that our teachers (and clergy) above all are in a position to solve the problem. If it can be argued that they don't have time to study it, I would counter argue that they actually do spend as much time in futile discussions as it would take to study the problem in a systematic manner. To start out, one of the ways would be to read a little of Adam Smith's *Wealth of Nations*, at least through the part which explains how and why teachers' (or any one else's) wages are in a rather stable proportion to the wages of any other occupation. I use the word "rather" to permit minor variation about an average. If that average has changed in the two hundred and six years since Adam Smith published, it has been by dint of some artifice which has changed the difficulty of entering the occupation and has kept part of the competitors out. This probably chased those losers into competition with other occupations, thus lowering the wages of the ones who were left to pay the teachers' wages. So the teachers' gain was probably mostly cancelled out. This mechanism, using the example of teachers, could be described using almost any occupation as an example — any occupation, that is, subject to entry on a competitive basis. The fluctuations about an average are of shorter duration than a human lifetime, but the average itself, is set by natural laws.

If the teachers' pay, then, is a fixed proportion of the pie, it would make great sense to exert mental effort to consideration of the size of the pie. The early writers such as Smith and David Ricardo, and J. B. Say were trying to do just that but it should be no surprise that they made an error or two in reasoning. Is there a good excuse for the army of later thinkers not to detect those errors? We cranks and zealots happen to believe that at least one did. You teachers who want to solve your pay problem may by-pass the earlier writers and go directly to the Polk library for *Progress and Poverty* by Henry George. (I put it there.) I have about half a dozen books which say it in as many different ways, some shorter, but none better. There are some modern "experts" who say that a proper tax formula should not modify the total network of economic processes, and then they turn right around and advocate the one we use which inhibits our standard of living clear down to what it is, with the average person barely above minimum survival. If you think your occupation is the one which is really hard hit, and all of the others rolling in affluence, then you are in a class with most of the people I have ever met. Each one feels that his pay is so low because others' is so high. This is not true. What is true is that his pay is too low because the others' is too low. And I'm not talking about just money; I'm talking about purchasing power.

I have been fond of saying that since teachers are in the best position to do something about it, they should be the last to get a raise. But my statement is useless because the fact is that their boat will be raised by the same tide that raises all the others. MFNE (My Favorite Nebraska Editor) is fond of a Great Truth that you can't get more from less. Maybenot, but you can sure get less from more and if it has gone on for enough centuries, people unfortunately accept it as natural.

THE BEST SEAT ON THE TITANIC

NBN (Nebraska's Big Newspaper) for July 8 has on its front page one of the more cheery articles I have seen in a long time—but sad in the sense of the large number of people who can be induced to believe what it sets forth. A president of a small Nebraska college presents his partial diagnosis of problems in the job market and only one reader in five thousand will detect the serious error of reasoning which shouts from it. He says that America's productivity is suffering from a lack of motivation. He presents the case of how his college will produce in its graduates the attitudes that will enable them to get jobs instead of someone else. He says "We have to get them to care."

His college has set up a Career Development Institute to teach his vocational system to other colleges. The idea would seem to be that if more colleges did this, more people would find better jobs. I am going on record as asserting that this can't happen unless the number of jobs could change. Have you ever played musical chairs?

Oh sure, those particular colleges and their graduates can improve their relative status. But can they do it without reducing someone else's when the overall situation is determined by factors probably not considered anywhere in the curriculum of those colleges? Do you care who has the best seat on the Titanic?

He says that productivity has slipped in part because Americans have been convinced they should not enjoy work. People come up with ideas like that when they cannot visualize a massive equilibrium around which productivity would wobble even if a hundred percent of us sang through our daily tasks. Productivity is held at a figure far below its natural rate for reasons very carefully avoided in the economics curricula of our colleges.

That college plan, even if spread to every school in the country will not influence productivity nor our unemployment rate by one iota. Nine percent is not necessary. The rate could be zero or less.

Negative unemployment rate? That's what I said. How can one conceive of that? If being an employer were only a few percent more desirable, employers would increase in numbers and would be competing for more job applicants instead of rejecting them. At this point, some disputant, in his profound wisdom usually says, "But to do that you'd have to change the system." And I answer, "By the beard of the prophet! Of course, change the system. The system is nothing in the world except the total set of rewards and penalties. It gets changed every hour that any legislature ever sits."

Society needs for the colleges to pick up the thread of macroeconomics at the stage where it was still a science (before Karl Marx) and develop the logical consequences of the laws of Adam Smith, David Ricardo and Jean Baptiste Say.

"Quick fixes" avail society nothing if they try to conflict with fundamental natural cause-and-effect linkages.

We have just returned from a couple of weeks spent in and around Pittsburgh and Washington, D.C. A conference on taxation in Pittsburgh took three full days and included a bus tour to survey some good and bad effects of some good and bad property tax formulas.

The conference was a meeting of Georgists, people who have read the works of Henry George, an economist who wrote about a hundred years ago.

Our economic analysis is based on quite different ideas than you usually encounter, including ideas about what naturally—and therefore morally—belongs to whom. Depending on the origin of an object, or the origin of its title, or the origin of its value, it could belong to YOU, naturally and morally, or to the COMMUNITY, naturally and morally. Such natural origins and titles should then serve as guides to where in the production chain taxes should be levied. If your knee jerks at the thought of someone getting out of paying taxes, your fears may be allayed by the fact ALL taxes (except capitation types) are paid by the consumer, no matter where in the production chain the tax is levied.

Any city in Pennsylvania is not the most inappropriate place for a meeting of Georgists, since more solid progress has been made there than in the rest of the United States. It took many decades to get through their legislatures something in the way of local option. Now, certain government units are allowed to reduce taxes slightly on buildings and replace them with taxes on land values. The result, of course, is always a major stimulus to building and therefore all other legitimate business. However, some strong political opposition and counter-propaganda comes from some large monopolists whose operations are not well understood by masses of voters. I guess they don't like for new enterprises to come along and compete for their customers and their labor force.

Some bare land speculators also lack savvy about which side their bread is really buttered on. I guess they think that more than a pitiful few of them will get their price after the rest of the country is strangled by dire need for suitable locations for work. Maybe they also don't see the connection between that and the need to send their youth to another world war about once per generation. Or maybe they think they will survive the next major war. They won't. No one will.

□ □ □

We had written Mr. Gross to inform him that last week's Progress lacked space for his column and it would be published this week. We also said we were in a fog (this Monday morning fog reminded us of the letter) trying to figure out what he is promoting. We thought some clarification would be helpful. He wrote:

"You mention being foggy about what I am trying to say. Nothing would please me more than to be able to remove the fog in a few sentences or eight short installments. At the risk of making this letter longer than you have time to read, let me try to summarize what has taken me many books to learn.

"1. The newspapers are full of accounts of great distress in the world, most of which is economic—inflation, unemployment, business stagnation, chronic depletion of public treasuries, undeserved poverty, and war.

"2. People rise up in great disputes about causes of same and therefore what to do about said problems.

"3. Most of said disputes come in pairs of opinion packages which are totally devoid of power to solve the problems because they totally fail to make use of available information about root causes of the problems.

"4. I am a member of a band of zealots and cranks who firmly believe that we know a small number of root causes which completely explain and remove mysteries behind those problems.

"5. Solutions do not depend on the improvement of human nature, but rather on the propagation of information.

"6. Readers will be repeatedly directed to an introduction which I have placed in the Polk library. There is no easier way to get it.

"7. Great is the difficulty of persuading people to try out in their minds a new explanation of anything, as long as they place trust in some explanation which they have heard many times from early years.

"Thank you again for the pulpit. I shall try to move as fast as I think I dare in presenting my case.

Everett Gross

"P.S. Maybe slower is really better."

MR. A, B, C AND D

During my whole lifetime, and long before, the news has been dominated by general financial hardship for nearly everyone, and including public funds. Disputes about causes go on and on. Each person is sure he knows the cause of his own hardship and therefore what other people should do to remedy it.

Our form of government is presumed to be predicated on the idea that if each person votes in his own best interest, then the majority will vote in the best interest of the majority. But if it worked that way, we would long since have corrected our national failings and would by this time be living in a very favorable material setting and could direct our attention to less material aspects of life. Self-interest could be the propelling force that takes us to the solutions of problems.

There is a large school of thought which holds that self-interest works against correction of national defects and therefore people should be taught not to have self-interest. From many pulpits (formal and otherwise) comes the plea that if you are making a profit from your work, you should give it up, and if you see anyone else making a living, you should vote for the government program which would confiscate it, and if you see a category not making the grade (it's farming right now), you should vote a government plan to have the rest of the country dole in and subsidize it. This kind of thinking is not just characteristic of a few eccentrics but actually dominates textbooks of economics and public policy.

Is it possible for the majority of people to be mistaken? History books will show you some cases where they were, and the displacement of myth by fact was a difficult and slow process.

Actually, there is a school of thought right now, publishing and speaking outside of the standard school curricula, which holds that self-interest can be a good, rather than evil facet of human nature, but that most people really don't know their own self-interest. Mr. A doesn't know which of the activities of Mr. B, C, and D actually redound to his (Mr. A's) own good, and which do not. Mr. A might vote according to a very short-sighted self-interest, not knowing that B, C, and D are thus caused to readjust their factors of production so as to do unintentional and even unknown harm to A and everyone else.

Abandon all hope, ye who plan to admonish all of the Mr. A's not to act in what appears to them to be their own interest. But if we set up a system of rewards and penalties to induce Mr. A to act against ours, then we ought to take a second look.

As an example, we have set up a tax and subsidy structure that is causing us to lose our small farms. We could just as easily have it the other way. Would it be so hard to get used to the idea of reducing (even to approach zero) the tax rate on improvements? It has been tried and it works.

LESSONS OF HISTORY

A few basic problems can be solved and the known solutions are begging for listeners. There is probably no excuse for waiting for solutions for all problems before solving the ones we know about. I cannot accept that a solution always brings a problem as bad as the original problem. What is true is that a scheme based on a faulty diagnosis usually just adds a problem to the original one.

Of all the problems we dread today, war ought to head the list. The next major war will leave no human survivors and very few of any other kind. War is an economic phenomenon and will not be prevented except by solving economic problems.

History, right up to the present, holds a long list of rulers who could have turned their respective countries into paradises. If you argue that they failed because they were greedy, they might have tried harder to find out how to do it because it would have made them richer. The real reason they did not do it is that they simply didn't know how. They cheated themselves by accepting explanations that they grew up with, and a fat fraction of them met miserable deaths to boot.

We mortals have a way of ignoring a situation which we might secretly admit could yield trouble. We use all kinds of excuses, but surely one of the worst is thinking there is no need to hurry because the trouble has not erupted yet. The Czars and other big shots of Russia were making haste to remedy the oppression of several centuries duration—after the revolution was breathing down their backs—too late. It may be risky to guess what Batista thought about the truly poor in Cuba until—oops, too late. Years before I ever heard of the Sandinistas in Nicaragua, I had heard of the oppressiveness of the Somoza family rule.

Now it is El Salvador and the rest. In each case, we are terribly worried lest the revolting people are to be led down the communist path. Actually those people have heard of only two possibilities and they are fed up with the one under which they have been living.

Where were we during these decades when we had time to teach them how to insure a healthy economy which can supply the needs of their people? If there is any hope of teaching any of those people how to avert communism, it would be to start right at home and build a credible example. Do we have time? Maybe not now any more. If we fail to build such an example here, all of our military might will not help because many of our own people would see communism as an improvement over their present condition.

We had no candidate in the last presidential election who had any inkling of what causes our economic mess or what to do about it.

MESSAGES FROM SPACE

In reading a book by Carl Sagan, I encountered the case he makes for the importance of receiving a message from some other world out there in the universe. The reasoning is that the senders of such a message would have a technology more advanced than ours in order to send it. If so, they have passed through the stage which we Earthlings are in right now and have survived it. And if they could survive it, we can too.

It is interesting to note that a non-dummy like Sagan can really feel as I do that there is a very good chance that we might not survive very long. He says that even if it takes ten or twenty years to decode the message, merely receiving it would give us great hope.

Sagan suggests that among the first contents of such a message may be detailed prescriptions for the avoidance of technological disaster, and perhaps straightforward solutions, still undiscovered on Earth, to problems of food shortages, population growth, energy supplies, dwindling resources, pollution and war.

Though Sagan's own reading is very broad, apparently he limits his social sciences reading so that the very much discovered solutions have eluded him. It often occurs to me to wonder at what point we can say that something is discovered or known. One of our leading examples is in the motions of our planets around the sun. Copernicus is given credit for the discovery only about five hundred years ago and it took some real heroism along with numerous burnings-at-the-stake to get those facts accepted. Actually, over two thousand years ago, Aristarchus knew those basic motions.

When is a thing really known? When the first person who knows it knows it? When five percent of the people know it? When it is so widely known that no one needs to make any mental effort to learn it? If the latter, then there is not much hope.

Do we need a radio message from another solar system to shake us out of the nonsense that the solution to food shortages is for all of us to pay each other not to produce food? What if that civilization had never had a stage when it burdened itself with our reverse taxation system? If they had never thought to exact the heaviest penalties from their best producers and grant privileges to exploiters, could they even suspect that we need to be warned of the consequences? Couldn't their greediest people have always known that their own best interest lay in permitting rather than stifling improvements?

I once gave a talk about taxation to a local service club. The mood of that time, as it is now, was to commiserate over how hard it is to collect enough to pay legitimate public expenses. I said that if I could be given total tax jurisdiction over just a few (say ten) of the 574 square miles in our county, I could bring in enough to support all of the schools, and roads, and parks, and libraries, and fire protection, and law enforcement in the whole county at a level higher than they are presently supported, AND leave the present occupants of those square miles with a better income than they are now getting. And it wouldn't cost the rest of the county anything.

How can I get more from less? I wouldn't. I would just simply quit getting less from more.

THE FED AND INTEREST RATES

In his Sept. 2 editorial, Norris says much that I want to say, only he says it a lot better. The confusion about the interest rate and inflation and actions of the Federal Reserve Board is not likely to be resolved by anything in the news media nowadays, including the words put out by the Fed. Neither will it be resolved by the partisan voices incriminating the other party. Both parties get the same misinformation from the same textbooks in our institutions of so-called higher learning.

I am no more a lover of the Fed than you are, but let's blame them where they deserve blame instead of for something which is not their fault. The market interest rate is determined by a compromise between the lowest rate that lenders will accept, and the highest rate that borrowers will pay. Lenders will not accept a rate any lower than a few points above the amount that they expect prices to increase next year. They don't need to, because they have the alternative of buying something that will rise in price.

Borrowers will not pay more than they can afford, and that, in the last analysis, depends on the profitability of the business venture which they are borrowing to finance. The Fed cannot influence that rate any more than can any other large borrower (except as will be noted below).

The Fed does not determine the interest rate but only offers a rate on the government debt instruments it wishes to buy or sell. (A minor influence is easing or tightening credit to member banks.) The Fed cannot attempt to deviate very far from the natural market rate without producing drastic changes in the number of treasury bills bought or sold.

Now let's look at a few causes of things and see where blame should fall instead of where it does fall.

When government spends more than it takes in, it has to crank up the money printing presses, or else has to borrow (sell debt instruments). If it simply prints more money and distributes it in some way which does not increase production of goods, then the result is a rise in prices of goods. Then lenders require a higher interest and fewer borrowers can pay it.

But if the deficit is financed by Fed borrowings, the Fed must bid an interest rate a little above market price to attract lenders away from other prospective borrowers. This does not directly increase the money supply, but usually decreases production of goods by crowding out borrowers. The result is still a rise in prices.

Most of the confusion comes from the fact that these connections occur with differing amounts of time delay. In case the Fed offers a lower rate so as to buy back more bonds than it sells, the money and credit supply increases, and the first short range effect is a slightly lower interest rate. If the resulting increased borrowing would be invested productively instead of in production-inhibiting forms of speculation, then prices and interest would both stay down. And net profits would go up and employment would increase and the need for welfare, and prisons and military defense would decrease.

But it doesn't happen that way. The speculative holders of bare land can hold on tighter for a later price rise whenever they see credit easing up. Thus, total production is very much slowed if not stopped.

Result: Easier credit without curtailing land speculation results in no gain where gain is needed.

The Fed's efforts to control the economy are thwarted by failure to take production into account. All of its members and advisers went to college where the facts of production and distribution were not and are not taught correctly, if at all. They studied, and still study, high-flown theories of jugglings of the money supply and not one reference to the relationship between investments in production and investments in anti-production.

Are you saying that you never heard of such a thing and therefore it can't be so? If your library does not contain **PROGRESS AND POVERTY** by Henry George, contact me, and I will place a copy there.

SUPPLY SIDE ECONOMICS

Disputes about causes go on and on. The standard school economists (with whom I disagree) are divided almost every way, but few principal fads hold sway at any one time.

More times than not, the leading fad carries the advice to politicians to inflate the money supply, often by the aid of ploys and guises. Always, at the same time, a voice or two in the wilderness is making some warning cries.

During the 1930's, J. M. Keynes rose to fame with his description of demand and supply, and how at that time they were out of balance with each other. Even though it was well known that total production was at a miserable low, (except possibly for some farm crops), it was felt that the problem lay in a general lack of demand; suppliers really could supply if only there were enough people who could buy.

The Keynes theory resurrected, dusted off, and dressed up an ancient emergency measure of running up a deficit in bad times with the hope of paying it off in good times. It just seems those good years for erasing the deficit have not come yet.

Supply side theory is no newer than demand side theory, but until about the last decade, the standard school economists had not thought that supply was any problem. Apparently, each person, in his role as a consumer, felt he could buy all he needed if only he could, in his role as seller of goods or services, get good enough connections with demanders.

Demand siders kept pumping money into the system and each shot seemed to help a little for a short while. When prices settled at their new higher level, the amount of total distress seemed to return to what it was before the shot of money. They then decided it was necessary to maintain a rate of increase of the money supply to keep unemployment down. They never did agree on a suitable explanation of why people could not just produce goods and services for exchange among themselves without an ever-increasing amount of money being fed into the system. As more and more people got government relief, the line needing relief seemed to get longer. To shorten the story, demand siders were not succeeding. The load on the people paying the bill was getting too heavy.

In about the last decade, a few of the standard school economists (who might be correct once in a blue moon) began to suspect all was not right among suppliers. In case your knee jerked just then, I hasten to assure you that I am neither a supply sider nor a demand sider in the common meanings of the terms.

A monetary strategy grew out of the supply siders' thinking:

A tight control of the money supply, allied with tax cuts and reduced spending, was supposed to boost investment, create new jobs, slash the rate of inflation, and establish a new foundation for sustained economic growth.

Due to my laziness, I did not get into print before the 1980 elections to predict the failure of the supply side strategy as outlined by the candidates. I only did my predicting verbally over the downtown coffee table and no one there remembers it.

On the face of it, supply side economics ought to work. By cutting taxes, corporations and consumers are left with larger net incomes with which to buy more capital and durable goods. This in turn should hire more help and do what the demand siders dreamed of.

Then why doesn't it work? The reason both strategies fail is that both leave the original cause of the distress largely untouched except by accident. And even that accident has a better than even chance of being unfavorable. Just any old tax cut has the same effect as just any old spending program: it leaves more money in the system for people to spend on just any old thing including some very anti-productive forms of speculation.

Probably the most anti-productive form is bare land speculation. If goods and services do not keep pace with the amount of money circulating, the result is high prices, high interest rates, high unemployment, low purchasing power, inadequate public services and whatever problems grow directly and indirectly out of these.

THE DOG AND THE WOLF

I once heard a story about a nice fat town dog who was wandering in the country and met a skinny wolf. Their conversation soon progressed to where the skinny wolf asked the fat dog how it happened that he appeared so well fed. The fat dog explained that his association with the people in the town included regular and generous feedings by a certain family. His bed was also warm and comfortable, while the family seemed to ask nothing in return except his friendship.

The idea appealed to the wolf, who admitted that it was rather tiresome to be hungry most of the time. The dog invited the wolf to come to town and partake of the comforts thereof. The wolf accepted and as they walked along the way, the dog explained further about the joys of town life.

After they had progressed for some distance, the wolf noticed a slightly scuffed spot on the hair of the dog's neck, and so he asked the dog about it. The dog dismissed it as a rather minor result of wear from the collar he sometimes wore.

After a worried silence of some moments, the wolf asked more about the collar. The dog just said that it was needed for his master to attach the leash. Upon learning what was meant by a leash, the wolf made his big decision and turned back to his former home in the wilderness.

Another dog story is about a Russian wolfhound visiting Paris and meeting a French poodle. The poodle asked how things are in Russia. The wolfhound answered that all is fine there: "I get to live in a gold-plated doghouse, and my bed is covered with fine sable, and I am fed caviar on a regular basis."

The poodle then asked him why he would bother to come to Paris. The wolfhound answered: "But I like to bark once in a while."

Both of these dog stories could be misleading because they imply there is a trade-off or conflict between freedom and prosperity. Both stories are commonly told with the intention of illustrating that point. Such a trade-off may be the case in the dog world but not in human political systems. Real freedom and prosperity should not be in conflict. The fact is that one of the principal arguments in favor of freedom is that it is the cause of prosperity. Adam Smith, in his book, *Wealth of Nations*, over two hundred years ago made that very clear and explained it well.

People have misunderstood freedom and prosperity for a long time. When my freedom interferes with your prosperity, questions need to be raised, and time is necessary for working out the gray areas. But we need to start with black-and-white areas.

The words "freedom, liberty, rights, private property" are so much overlapping that it will be easy to catch me using them rather interchangeably.

Talk of freedom has been used to justify some practices which upon close examination do not add up to freedom at all. A famous example is chattel slavery when it was argued that a person should be free to own other people as slaves. Talk of freeing the slaves was taken as a blow to the rights of private property. Of course their arguments break down as soon as we consider the right of other people not to be slaves.

Right today, many of the dominant schools of thought fall sadly short in their discussions of natural rights and freedoms. They fail to consider the differences between the different types of property. Some of those differences were noted centuries ago but are largely lost from attention now.

I am not alone in my opinion that the massive problems which beset the world's economies today are totally unsolvable until some naturally rightful freedoms are treated as such in our public law.

WHY ECONOMISTS FAIL

Thus far, I have been critical of the current teaching of standard school economists. They ought to be the people who study the overall picture and give advice about public policy. Their doctrine is the background of the principal political parties, and also the "liberals" and "conservatives" and the demand-siders, supply-siders, and lovers and haters of the Federal Reserve System—all of these are derived from the same system which is taught in our standard school courses.

All of these factions and thought packages, along with their fiercely recommended and defended remedies suffer from the fatal flaw of not knowing how an economy works when it does work. I suppose a good comparison could be made; if your car is running poorly and you take it to a mechanic who does not know the difference between the workings of a spark plug and a carburetor. He may claim that they are both the same because you need to buy or rent both in order to make the car run.

Something similar happened in the history of economic thinking about the time of Karl Marx and it is hard to say just who is responsible. Before that time, most economists knew the difference between improvements and land, but in most modern textbooks the distinction has been largely lost. They are considered to be the same thing because a person wanting to start up a business has to acquire some of each before he can start.

An economist trying to figure out what is wrong with the economy has a pretty poor chance of success if he can't tell the difference between land and improvements. Each has a market price, but the two do not get their prices from the same cause. And the result of a land price rise and an improvement price rise are vastly different.

The prospective, or the newly inspired, or even the older established business man may not need to care if there is a difference of type between some two of his unavoidable expenses. He only needs to balance out the quantities of those things he needs to buy or rent so as to keep total costs down or sale value up, or both.

Sometimes, and often without his knowing it, the balance he chooses has a damaging effect upon the rest of society while benefitting himself almost none at all. A nation as a whole might suffer very little total harm if only one or two made such choices. But too often public policy arranges the total set of rewards and penalties so that if you benefit other people by building more improvements, you will surely try to stop before your own tax penalty increases faster than your rewards.

All of us as voters, at least in this country, are responsible for our public policy which too often overtaxes people for those actions which benefit other people, and undertaxes us when we damage our community the most.

Most of said voters are not acting from evil intentions. I blame it on the lack of knowledge of what really is beneficial and what is harmful.

ALTERNATIVE ECONOMICS

In the feedback concerning this column in the last few days, I have felt complimented in that I have succeeded in conveying that I have a single point yet to reveal. Actually, I have revealed all of it piecemeal but let me try to do it more concisely this time.

1. There is massive economic distress all over the world including our own country even if you prefer to call it by the name of one of its manifestations such as unemployment, war, every kind of business and trade failure, most treasuries at all levels going or gone broke or incurring intolerable debt, — — etc.

2. A full page of *The Polk Progress* could not contain a complete list of the highly visible groups, factions and political parties who are groping for answers and suggested remedies in the Karl Marxian darkness of the standard teachings of the standard economists in the standard schools. Their efforts are doomed to futility because their analytical system is highly faulty.

3. For a hundred years, an alternate school of analysis has been trying to work its way out of the underworld and into public awareness. (Don't be surprised at the length of time. History provides plenty of similar examples. Have you ever tried to explain the motions of the planets to a person whose collar is smoking from the need to give up his theory of a stationary Earth?)

4. One of the principal consequences of this alternate school is the distinction between incomes derived from service, and incomes derived from exploitation. It advocates a heavy difference in the taxes on the two. The profit motive will cause free enterprise to adjust toward service and away from exploitation. Your own standard of living will be at least doubled, even if your present income is derived totally from exploitation.

5. This alternate school of thought began with the publication of a book by Henry George called *Progress and Poverty*. I have placed one copy in the Polk library and will place more wherever needed. I have found other presentations in my nearly four decades of following the subject, but none clearer nor easier to read. It should be read as an introduction and not as a final piece.

I have at this point done all of the revealing that I know how to do, but there is much, much to explain. To present the entire analysis in *The Polk Progress* in full detail would be both impractical and unnecessary. You now know where to find it. The people who are satisfied with the way they already look at things would not be swayed anyway.

It would make more sense to use future installments of this series to address selected problems from the two points of view for comparison. Every day's newspaper suggests at least one more topic which needs and deserves such treatment.

SCORCHED EARTH POLICY

My mission in this series is to publicize a new framework for economic analysis that is trying to make its way into public awareness. It was introduced by Henry George in his book *Progress and Poverty*.

One of its principal statements is that the things we commonly call property are of two types, vastly differing in the origins of their titles, and the effects of speculating in them and taxing them. If you read it, and your knee jerks as mine did when he talks about public or common property, you may relax when you discover he is talking about taxes; a tax is an assertion that the article for which you are taxed is public property.

To divide property into the two distinct types, one type which we could call improvements (houses, factories, tractors, fences, stores, printing presses) can be built by people and can be said to be what "the economy" is all about.

The other type which we could call land (all natural resources, locations, oil in the ground, sunshine) cannot be built by people, had no original cost of production, became property by conquest, and has no market value at all except what is caused by the neighbors' improvements, or public improvements such as roads and schools and fire protection. Its quantity cannot change except by erosion, deforestation, or other types of mining.

Except for a few rare screwball cases, your improvements are good for me and mine are good for you. Your factory or farm serves me by making goods available for which I can exchange mine. The improvements are the whole difference between a habitable earth and a non-habitable one. The richer you get from improvements, the better off I become. A tax or threat of a tax on improvements has the effect of reducing the amount of improvements.

Land, on the other hand, is vastly different. If I hold vacant a location which has value, I am partly enslaving you by reducing the supply available to you. If you want to build an improvement you must pay my price or move farther out. Since you (plural) compete for locations, my price will be one which throws some of you into the ranks of the unemployed. When you move farther out, my location gains in value and I have not produced anything in exchange for it. It is fairly estimated that nearly half of the valuable lots in this country are held idle or in a very low state of improvement, just for speculative gain in location value. I have no right to that gain without compensating all other people for it in full.

Our whole system of taxing property is a double-barreled scorched earth policy. Taxing improvements reduces improvements. Failing to tax bare land also reduces improvements. The old game of "shift the tax burden" avails nothing. The real issue lies in the decisions we make in response to threats of various taxes, and the effects of those decisions on other people, and yet again, how those effects bounce back to us. I would like to have my taxes increased—if you do it in a way that increases the buying power of the rest of my income.

SYMPTOMS VS. CAUSES

I have mentioned my growing stack of news clippings dealing with the economy. Few of the articles shed any light at all in the way of diagnosis or solutions. Some of the symptoms of a crippled economy are treated as if they are primary causes. A complete list of all of the things which different people consider the cause would be very long. A short list would run the risk of leaving out the one you consider the cause. I shall take that risk.

1. Some people blame the high cost of borrowing money (they call it interest but it is interest plus risk plus inflation.) This cost is only a symptom. The high cost of credit is not in itself a first cause without a cause. It is a result of inflation, which is a result of public (government) policies which increase the money supply without permitting the supply of goods and services to increase correspondingly.

I won't say the high cost of borrowing does not produce plenty of distress for those who need to borrow, but a better question might be: Why do so many need to borrow? What keeps them against the wall and kissing the lenders' feet? (Actually, the interest portion of the cost of borrowing is extremely low right now.)

2. Some people blame low farm product prices or high farming costs or the combination. But that is only a result and not a primary cause. Keep in mind that a sale is half of a trade. When a farmer wants to sell his crop, what he really wants is to trade it for something else. The people who want farm products and who have for sale what farmers want to buy are going broke just as fast as farmers are. The belief that farmers are somehow at a disadvantage compared to other occupations doesn't hold water.

The farm problem is a market problem and the market problem is mostly a non-farm problem.

3. The general over-production theory deserved to die a long time ago. Even in The Great Depression, as now, general production was way down. What looks like surpluses in special areas is actually a production failure in at least one other area, so that a trade cannot be carried on.

The question of foreign trade sort of belongs about here but would be better handled in another essay.

4. Many people blame their economic distress on high labor union wage demands but their case is weak. No matter how much the unions might ease their demands, any savings to the hiring company or to the buyers of their product would gravitate to the same place as it would if the union laborers got it first. In fact, it might even gravitate their sooner—I am referring to the price of land (and I don't mean farmland)—I mean the really expensive locations.

The feedback I have received from this column so far has been most valuable and I welcome more—even debate.

THE SOCIAL SECURITY PROBLEM

Several areas of economic thought need yet to be dealt with in this series of essays. It is not easy to decide which should come first, even if one decides to be guided by the prominence of newspaper headlines.

To people who have never stumbled upon a single pattern, the problems appear to be separate and unrelated. People who can see a single pattern in the apparently separate problems have to worry about sounding like a broken record when they relate each problem back to the pattern.

Today, the problem of social security seems to head the list. Past and present beneficiaries did and will get back more than they paid in. Future beneficiaries will get less than they paid in. Before long, there will be one beneficiary for each two workers paying in. The ones paying in can't stand the load.

When someone suggests the general fund as a source, the answer quickly comes: there is nothing in the general fund; the general fund is already a trillion dollar debt.

When someone suggests that someone else do some paying in, the answer has to be that there is no one else to do the paying in.

It should be no wonder that we cannot come up with the right answers when all the wrong questions are being asked. A much better question would be: Why do so many people end a long work career with so little left to provide for their own old age?

We come up with nonsense when we begin with nonsense. The whole system is fraught with nonsense when we can't see the pattern.

Then let's look at the pattern. What do old people (or anyone else) need? They need (as anyone else does) food, clothing, shelter, transportation, medical and other services - - -

What does it take to produce any of these things? It takes (as it always did) location, equipment and effort. I would challenge anyone to think of anything that can be produced, which needs anything more than those three: location, equipment, and effort. (The old classical economists used to use the terms: land, capital, labor, and no one has yet thought up a fourth factor of production.)

If there is not enough of something produced, then the problem has to lie with a shortage of at least one of those three, or else with the terms that their owners are able to make with each other. Now ask yourself: Which of those does it have to be?

The real estate dealer says: "Buy land. They are not making any more of it. Hold it idle for the maximum price either for sale or lease."

The providers of equipment, (buildings, factories, etc.) and the people who work must bid against themselves and each other to gain access to locations. They set the price of land themselves by bidding everything above a bare survival in order to gain that access. The owners of land need not fear that creators of more land will compete with their supply.

It is hard to see how a scheme such as our social security system can relieve distress by confiscation from some workers at one career stage to support other workers at some other career stage without causing at least as much or even more total distress.

WHO IS "WE"?

I often wish I could manage a two-day instead of a two-week turnaround time for this column following some of those cogent Progress editorials. But in this case (November 18) there is little danger that the Progress distaste for war will be an out-of-style topic two weeks from now.

There are those who suggest that if we stop thinking about war, it won't happen. Now that might be true depending on how many people "we" includes. On high school, (outside the classroom, of course), we had an expression "Who is 'we' Do you have worms?"

Two people, or two million could form a "we" and still fall far short of including the ones who instigate war. But if "we" could include all of the people in the world, then it follows that no one would think about war and no one would remember to attack anyone or hunt for a pretext. But history contains some sad news about nations which didn't think about war, while their "we" did not include the other nation which ended up enslaving them.

War may not be so totally incomprehensible as is suggested by our Progress editorial. There are several places to look for suggested explanations. What is true of most people is that each one has looked in about one place and has come out satisfied that the particular explanation he found there is the one and only complete one. He doesn't care to look in five or six more and try out his mind on the results. Our hope should and does lie in the fact that there are more places to look.

War is an economic phenomenon. Sometimes we are told in church that it is caused by greed—your greed and my greed. I don't buy that. I doubt that greed is always present—ignorance always is. The greediest person who ever had the power to make war could have served himself several times better by using peace than by using war.

All of the major countries and most of the others today are staggering along with crippled economies, and have been for centuries. The standard school economists (of whom I remain critical) have long been in a state of confusion as to why war or inflating the currency seems to give a momentary spur to an economy. Inflation has been the attempted remedy of choice for the last few years but it no longer stimulates anything—and they don't know why. Some are now advising war because it seemed to work in 1941. Some legislators actually want the MX missiles in their home state; it will create jobs! All of this could add up to a real hotbed for germinating a war.

The building of weapons is actually just a last stage and not a primary cause. A much earlier cause is a world full of crippled economies. And a fully sufficient cause of that is the scorched-earth methods of taxation used virtually everywhere.

THE WORST AND BEST TAX

The property tax is the worst tax in the world—and the best. The reason for this is that it is actually two different taxes—a tax on buildings and a tax on land values.

Insofar as the property tax falls on buildings, it penalizes new construction and makes the maintenance of older buildings more expensive. As it happens, the building tax is a major disincentive.

Suppose you improve your property by putting on a new roof, porch, or something at a cost of \$4,000. In most communities, that will boost your assessment by more than half that amount. At the current tax rate, your improvement will cost about \$150 each year. If we estimate the long-term interest rate to be 10%, then those yearly property tax payments will cost you the equivalent of \$1500 now or more than 37% of your original cost. This is equal to a punishing sales tax—37%—which falls only on a basic necessity of life.

But insofar as the property tax falls on land values, it encourages the more efficient use of land, for who would keep land out of use, or only partial use, if he had to pay a heavier tax on its value? The property tax on land values encourages land owners to develop their sites in accord with market demand. No matter how high the tax on land, it cannot possibly diminish the supply of land, whereas taxes on labor and labor products eventually diminish the supply of those desirable things. A land tax can only boost economic incentive.

The foregoing remarks, lifted (paraphrased) from a Philadelphia paper may seem to apply only to city affairs and have little interest for us out here in farm country. But the "seeming" may lead to mistakes. No part of our country, or even the world, is really insulated from the rest in a true economic sense, as long as even one person can move from one place to another to better his lot. Also, nearly every person uses products from nearly every part of the world.

We have been lamenting the fact that our family farm way of life is fading away from us. I am old enough to remember when a very ordinary square mile of farm ground supported about four families. It won't any more, and the collapsing farmsteads are not a pretty sight if we realize what they mean.

It is not only that fewer young people take up farming; many apparently established farmers have thrown in the towel even when they had no really good alternative. People in cities simply cannot buy the

The farmer words it differently. He says that he cannot sell all of his product, and his picture of it is that all other farmers (not I!) are producing too much. Not enough people understand that buying the farm product is really a matter of producing (manufacturing) something else that the farmer wishes to trade his product for.

The farm problem is a market problem; the market problem is a city problem, and the city problem should jolly well concern us or there won't be any solution.

The above-mentioned newspaper article proceeds to tell of some cities in Pennsylvania and larger areas of Australia which tax improvements at a lower rate than land. The resulting increases in new construction should be of interest to all of us. Maybe before I lose that article in my pile of papers, I will find room in this column for some of the figures.

HERE'S THE EVIDENCE

About this time I am pressed for the figures I promised last week. The subject was the property tax problem that the followers of my own persuasion believe is largely responsible for the economic stagnation of the cities and therefore the lack of markets for farm products.

Philadelphia presently taxes buildings and land at the same rate. A study authorized by their City Council and co-sponsored by the Henry George School shows that if building taxes were lowered 6 percent, and the land portion raised to 9.11 percent, most homeowners would pay less in taxes. Most income-yielding properties would pay very slightly more. And speculative holders of bare land would pay enough to want to get out of it.

Of course, the main purpose of a two-rate property tax is to encourage economic development. The available evidence gives good reason to expect that it would do so.

In Australia's state of Victoria, all 25 of the localities which switched to taxing only land values (they have no other tax) experienced a building boom in the years following the switch. The construction increases far exceeded whatever increases there were in surrounding and comparable localities.

Five cities in Pennsylvania already tax buildings less than land. Pittsburgh, for instance, had been taxing buildings less than land since 1914, but in 1979 and again in 1980, it jumped its land-tax rate by 2.5 times. It currently taxes buildings at 3.2 percent and land at 13.3 percent.

Immediately after the first land tax increase in 1979, its new construction jumped 14 percent as compared to the average of the previous two years. Then the next year it jumped 312 percent and the year after that 590 percent. These figures average about six times the national average for those three years. It is possible that other factors were responsible for Pittsburgh's recent renaissance although no one has pinpointed anything yet.

Other Pennsylvania cities—Scranton, Harrisburg, McKeesport, and New Castle—have made similar moves with similar results but in different years. So it is hard to claim that the results only reflected some kind of national trend.

It would be pointless to try to decide whether building or farming is the most basic and important part of the total economy. The reason could be that if you look at it thoughtfully, you could conclude that they are merely minor variations of the same thing. So the health of the building industry is very much the just concern of people racking their brains over the farm problem.

No product is fully produced until it has gone through all of the steps including delivery to the final consumer. Most of the steps, after the raw crop leaves the farm are carried out in towns and cities where each productive step has closer access to related services and supplies. This is the reason why land in the cities has so much higher market value than does farm land.

Well over a hundred years ago, economists knew that the price of land is a serious drag on the rest of the economy. Modern economists seem to have forgotten that. They don't seem to know what comes with prosperity but what cancels prosperity.

Why are scholars so seldom attracted to Henry George's philosophy as an area for study? Karl Marx seems to command much more attention among them.

Some argue that Marx has had more impact upon world events than George. But again, why? Marx wrote an almost unreadable book, *Das Kapital*, and I doubt that more than a tiny fraction of those who call themselves "Marxists" have attempted to wade through it. The appeal of communists to the masses seldom makes use of any of the convolutions of Marxian theory, but is rather on a primitive level: "They have; you have not. We take from them and give to you." But the catch is, who is "we"? When they take over it's too late for second thoughts.

George formulated his theories not only from extensive reading but from wide-ranging practical experiences and he was always engaged in the affairs of the world. Marx ensconced himself in the British Museum library and spun his dialectics there. Maybe this more on the wavelength of scholars?

Marx has been wrong on almost everything - on the exploitation of labor by capital (neglecting to distinguish between land and capital) - on the disappearance of capitalism - on the appearance of communism in the most advanced countries (it has appeared in the least developed countries) - on the realities of life under communism, etc. This does not deter scholars from studying all phases of Marxism.

George, on the other hand, made an analysis that holds up - that improves living standards even when applied to a small extent - that coordinates with the longing of mankind for liberty - that has inferences and aspects that point to a fruitful philosophy of society and of life - that is based on love rather than hate.

Why do all these treasures remain untouched? One consideration not to be overlooked is that scholars, like others, seldom break new ground but usually "follow the leader". Scholarly papers have been written on such-and-such a theme, so more will be forthcoming.

Happily, there are exceptions. Charles and Mary Beard, in their monumental work *The American Spirit*, wrote a considerable appreciation of George's conception of civilization as expounded in his last work, *The Science of Political Economy*. When more scholars eventually decide to dig into the Georgist philosophy, they will find "wonderful things."

Perhaps the bitterness in the ongoing world-wide quarrel over Karl Marx and the things he talked about, lies in the inability of both (or more) sides to distinguish between a beneficial economic function and an exploitive one. Marx himself suffered from that shortcoming.

Each factor looks at only part of the picture. One side sees obviously beneficial functions becoming more and more illegal and hates to see the baby thrown out. The other side sees evidence of exploitation and is weary of keeping bath water.

One side insists that both baby and bath water ought to be kept. The other insists that both should be thrown out. If either side had an argument worthy to be called scientific, it would seem that argument ought to be characterized by at least some attempt to distinguish between baby and bath water.

No one need be surprised that such a controversy could persist. Virtually every important addition to human knowledge has come by a similar painful process. It took more than a hundred years for a mass belief in a stationary earth to give way to general acceptance of a moving earth. The great established professors did not bring about that revolution of thinking. The decisive blows against the old accepted views had to be delivered from outside the "respectable" academic fold.

In economics, we really need to be thinking of a thought revolution as fundamental as that. The necessary change in belief is just as simple, and just as hard to believe because of its very simplicity. That revolution will eventually be forced upon our institutions of higher learning; it will probably not come from them.

Right now, it is not only possible, it is virtually universal, for a student of economics to go clear through to a doctor's degree and never once encounter the suggestion of a tax formula which favors beneficial functions over exploitation. At that rate, only some kind of a freak event, or hard work on the part of outsiders, can forestall our collapse.

MYTH AND FACT

Some famous person said: "Let me write a nation's songs and I care not who writes its laws."

Then later, someone else said something that I think comes a whole lot closer to the truth. He said: "Let me write a nation's superstitions and I care not who writes either its laws or its songs."

The combination of that statement and the reading of the newspapers every day could inspire one to write one of those MYTH-FACT columns, even though my dictionary defines 'myth' and 'superstition' not quite the same.

We see political factions engaged in quarrels over policy, and both sides are reasoning out their stands on the basis of mythology. It might be worth a few installments of this column to list some of our leading myths and their counter fact. Some could be shocking.

MYTH (concerning foreign trade): Exports are more desirable than imports. Exports benefit more people by creating more jobs. Our nation is made richer by exporting more and importing less. Imports cause domestic employment.

FACT: That myth grows out of a comparison with an individual merchant (or store or tradesman) in the town, the failure to include his whole picture, and then the extension of the inadequate reasoning to the whole nation. It is no secret that the merchant needs to sell (take in money) as much as he can, and buy (pay out money) as little as he can. People then reason the same way for the nation. So far so good. But they overlook the whole reason why the merchant even needs a store and needs money income in excess of money outgo. The very purpose of the store is so that his net income can be used to buy products (and services) of other stores (and tradesmen). In that area he is a net importer and it is to his advantage to import as much as he can.

Actually, it is to his total advantage to maximize his net imports compared to his net exports. Would you get angry at a grocer who wants to give you an extra can of peas for your price? A whole nation is better off with more imports and less exports, just as you are when you can get more product for what you have to pay out.

Of course, our merchant is not at his happiest when an outsider wants to start up another store selling the same product. But the people of the town are served best if competition is not prohibited. Similarly, a whole industry may dislike the idea of foreign competition. But again, the consumers are best served by competition between sellers from whatever country.

The argument against spending our money outside of our own country and failing to employ our own people is so weak as to be totally without substance; our money spent in a foreign country is worthless to them until it is spent right back here. There is no loss of employment at all from that cause. Unemployment is entirely attributable to other causes.

THE SENATOR X SOLUTION

I have before me a long article (not Reader's Digest) written by a certain senator. Let's call him Senator X from Pennsylvucky because his personal identity has no bearing on the point of this essay. His errors in reasoning are no worse than those of vast numbers of the voting population.

Senator X is critical of the conclusions (and therefore proposals) reached by the Social Security Reform Commission. To his credit, Senator X regrets to say these proposals reflect a total absence of creativity and imagination—and worse still, a total lack of understanding of where they would lead the American economy. Also to the Senator's credit, he correctly identifies some evils of the present system and also some evils under the Commission's proposals.

Our Senator X then proceeds to outline (in my opinion, unclearly) his own plan which he claims will not reduce any promised benefits to anyone and will not raise Social Security taxes in the future. In fact, it repeals the scheduled increases which are already in the present law.

Senator X may be able to promote great public interest in his plan, but it still will not work. People will like his idea of keeping the present rate of benefits along with all of the present rate of scheduled increases, along with no increases in the present rate of paying in. But the loss has to be made up from somewhere even if only from printing press money. And printing press money only dilutes the buying power of all money unless it is somehow accompanied by an increase in the amount of goods to be bought with it.

Both our Senator X and the Reform Commission fail, as most other people do, to raise the really important basic questions of why so many people cannot provide for their own retirement years and where so many people get the idea that their money comes back increased if they send it to Washington first. He also fails to recognize that the payroll tax method of obtaining the money for the disbursed benefits actually produces more total distress than that amount of money can relieve.

Senator X says that no system of taxes can improve real benefits to Americans because taxes are not productive. His statement exposes his ignorance of the various effects of various tax formulas.

Quantity of tax is of relatively small importance. The important element of any tax formula is the condition under which the tax is exacted. Every tax acts as a penalty even if not intended to do so. And every penalty or perceived penalty modifies the decisions of people in some way. Anti-productive decisions could be brought very nearly to zero by the public collection of the proceeds of such. The problems and quarrels surrounding Social Security and most other social problems would then become trivial.

LATIN AMERICAN PROBLEMS

Our president realizes that our national security may very directly hinge on the fate of Central America, but asserts that we will not send combat troops even though Nicaragua is a very convenient base for the military actions of Russia, Cuba and East Germany. The president feels that it is enough just to leave the police state government of Nicaragua to fall by the anger of its own people.

At least one modern columnist argues that we must send troops into Nicaragua because the unarmed anger of the people has no chance against the present police state bolstered by foreign powers.

This humble(?) writer takes a slightly different view from either that of our president or the columnist under discussion. The masses of people may be worse off than they were before the police state took over, but they probably don't know it yet. If we would hint at overthrowing their Communist-dominated government, they would automatically assume that we want to restore the misery they had before. What other logic should we expect of them? They have never been told of a third alternative. If they had looked at the government and economic system of the United States in search of a pattern, they would not have found it basically different from what they had—too many people left out of a share in the goodies.

The present Latin American problems are only the fruit of a couple hundred years of oppression by their own aristocratic families. The Communists have had no big problem persuading enough of the chronically dispossessed people and their sympathizers to overthrow and take charge. Suddenly, jarred awake, we expect to counteract the whole process with a few months of military activity. It won't work. We can't kill off enough of the rebels to leave a majority who want to restore the former aristocrats to power.

We may as well count all of Central America as already lost. The cause has gone on for too many years while we slept or just poked fun at political antics of the "banana republics." We believed those "social philosophers" who assured us that real justice is somehow outside the reach of practical governmental processes. Now if our chickens come home to roost, we have ourselves to blame.

TEN PERSONS, NINE JOBS

Every day's newspaper brings at least one article which exposes a serious error in popular mass belief. Such errors may lead us to take actions which either damage us, or give us a false sense of having accomplished something.

Here is one in particular about a young chap who just emerged from jail after serving a few months for burgling a neighbor's house. Our young chap wonders where to find the programs which are supposed to get him a job and a place to live and some transportation. He is bitter. He has no good idea of what to do other than to return to burglary to provide for himself.

The columnist, who is telling us about the case, says: "Dear me. Has society been remiss? Naughty us. Where are the PROGRAMS?"

Then she proceeds to tell us about the truly remarkable program known as free public education. It provides training for every kind of a job and recreation. It also provides psychologists and social workers to listen and suggest ways for you to work out any problems you might have if only you will ask. She assures us that this goes on all the way through twelve grades.

What she does not say is that in those twelve grades, or even in four or eight more, the school has no suggestion at all for the tenth person where there are only nine jobs for every ten people able and willing to work.

It should not be and is not necessary for the school to tell us that in order to be one of the nine, we have to do something better, or have better luck than the tenth one. Have you ever played musical chairs?

All of us need to play an additional role beyond the task of filling a niche in the network of commerce and industry. We need to be citizens and raise questions of why there are not ten or even more jobs for every ten workers.

Yes, I have heard those old chestnuts about there being a job for anyone willing to work. But you know that there are not enough jobs for all of them, and many will be forced onto some kind of relief rolls.

I also hear about those people who would rather collect for not working. But I can't believe there are many who would not rather have a decent job. And besides, unemployment long preceded the various dole programs.

Don't misunderstand me. I am not defending our young chap for his burglary career. What I hope to say is that our columnist has a fine suggestion which will work for as many people as there are jobs. The school may also show a few people how to "make" a job, but it doesn't account for whole periods of time when the number of job losses far exceeds the number of new jobs.

Explanations for such overall stagnation are at hand but not in the curriculum of most public schools. Mostly outside of the academic system is an entire method of analysis that is trying to gain wider attention. If you want on our mailing list, all I need is your name and address.

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