

12 Oct 80

Bob,

I am enclosing a couple of recent articles from the L.A. Times which may be of some interest to you.

Last week William F. Buckley Jr. spoke at a local university. He criticized the progressive income tax and supported Reagan's proposed tax cuts. Afterwards, I asked him the following question:

"According to classical economic analysis, the production of wealth occurs when human exertion, either in the form of labor or capital (or both), is applied to land, which is not a product of human exertion. Do you then support the proposition, most often associated with the 19th century political economist Henry George, that we ought to reduce the taxation of labor and capital while increasing the taxation of incomes derived from the ownership of land?"

Buckley replied by saying that, while George had overstated the case for the taxation of land values, he did offer insights which we would do well to heed. Buckley concluded by stating that "rent is the natural locus of taxation".

I did not receive the summer issue of your journal. If you have a spare copy, please send it to the following address:

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But whether the Dahls and other young people like them get a chance to own a farm of their own and continue the tradition of self-sufficient family farming is very much in doubt. Bob Bergland's 600 acres have been conservatively appraised at \$450,000 today, or \$750 an acre. The value of this land has soared in recent years as buyers compete for farmland, not only for its productive potential, but as a hedge against inflation. The value of American farm assets has tripled since 1960 and doubled in the last six years alone. Many farmers have become rich on the value of their land, but the problem is that only the rich can now acquire the land. Efficient profitable family farms are now being bought out by wealthy landowners and entrepreneurs.

The average farmer today is in his late 50s and for every four farmers who die or retire, only one new one is entering farming. A recent General Accounting Office study warned that a current pattern of farmland acquisition—including rising ownerships by absentee landlords—poses dangers to the nation's traditional family farm economy. As a Minnesota economist described the situation, "Those that got are getting more; those that don't got, aren't going to get."

The Bergland farm is virtually paid for and can provide a nice income, in good years, to the secretary or to his son-in-law as long as Dahl rents it for a modest \$12,000 a year from the trustee who runs the farm in a blind trust for Bergland.

But if Steve Dahl had to buy the farm at current inflated market prices, his profits even in a banner year like 1979 would not even cover the interest payments. Few young men can manage the initial minimum investment of \$500,000 needed to start a competitive farm enterprise.

"There is no way I can buy this farm for what it is worth and what somebody else will pay for it, and earn a living at farming it," Dahl lamented. "I can't compete for land against the established farmer who bought land at \$150 an acre and now can borrow against it at \$700. What is going

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Our political system is stalemated by a complex web of interest groups. The potential losers, he argues, have the power to prevent substantial losses for themselves, even if that prevents overall gains for the society as a whole.

"To implement public policies in the future we are going to have to be able to decide when losers should suffer income losses," he says, "and when losers should be compensated."

#### Urges Job Guarantees

To Thurow, the object should be to achieve a more equitable distribution of income through a "real, open-ended, guaranteed job program" because this would ensure that people who suffer from structural changes will have fresh opportunities.

Other analysts say the role of the government should be to encourage workers to adapt to changing economic forces by supplying incentives to join new industries and by offering major retraining programs.

But to some, particularly major business leaders, the nation has already gone too far in providing benefits to the bottom half of society. James W. McSwiney, chairman of Mead Corp., the forest-products company headquartered in Dayton, is representative of many executives when he attributes the nation's economic problems to "this present system of providing too many benefits, like welfare payments to the indigent, and then imposing business taxes that discourage capital investment, which is just a huge drain on the resources of our corporations."

On the other side, labor leader Ed Fire, a regional director of the International Union of Electrical Workers, sees the working class under attack. "The companies want it all their way," he says. "They

According to economist Thurow of Massachusetts Institute of Technology, the reason for this failure is that any serious economic revitalization effort will create new winners and new losers in our society.