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ECONOMICS

LAND-MONOPOLY

AND

MUST BE DESTROYED!

WORLD LEPROSY

BY

CRUSH THE INFAMOUS THING!

HOWARD W. L'HONGMEDIU

AND OTHER WORKS

COMMENTS ON PRESIDENT LYNDON B. JOHNSON'S ANNUAL ECONOMIC REPORT TO CONGRESS, OF JANUARY 20, 1964

How to increase earned income, without decreasing unearned income.

The report, presumably written, in the main, by Doctor Walter W. Heller and his Council of Economic Advisers, is a grossly misleading compilation of statistics and erroneous conclusions, entirely devoid of underlying principles, characteristic of what passes for economics in our schools, and the obvious product of hypocritical charlatans being paid to talk interminably, without even trying to prove anything in a scientific manner. The mandate of the employment act of 1946, "to promote maximum employment, production, and purchasing power" within the framework of "free competitive enterprise," has certainly been ignored. Production, to begin with, is purchasing power, as all business is trade. This cuts the aims of the act down to two, money being only a claim on the wealth produced, a means of making an exact and delayed exchange, and not an independent factor in the economy. "Maximum employment" is 100%, which would be attained if the economy were "freely competitive" - that is, if the costs of the two factors of production (land and labor) were the same to all - as they are not, and as everyone in power is trying to prevent them from becoming.

"Wasting potential - men ("our precious human potential"), machines, and materials that... could readily add about 30 billion dollars more to our 600 billion dollar GNP." This grouping indicates that people are regarded as a means for the impersonal objective of raising the gross national product, which evidently does not affect employment, the level of real wages, or the happiness of monopolists, who receive most of the surplus production. It is reminiscent of the last stages of our progress in Ralph Barton's satire, "God's Country," where we produce merely to be producing, or giving the impression of producing: warehouses full of bust developers, then warehouses full of empty cartons labeled "Bust Developers." We must reverse our attitude, and regard the resources of nature and community development as the potential for obtaining human satisfactions - and see that these resources are equally accessible to all, by making land, exclusive of improvements, if any (the factor of production unaffected by all our anti-monopoly laws), available at its true annual rental, or superiority over marginal land - and no longer at some highly speculative price which many would-be producers and home builders can't afford.

After giving lip service to "free enterprise," the report proposes to keep it "free" with the help of numerous puppet strings - crop subsidies, idle land subsidies, crop quotas, minimum wage laws, higher overtime penalties, regulation of automation (as a stop-gap before prohibiting any future labor saving devices, and drowning every tenth girl baby), "fiscal and monetary policies designed to promote recovery, accelerate expansion, and encourage business and consumer confidence;" "...the interest equalization tax"..."rising federal purchases, new tax incentives to investments, and continued credit ease..." "...Rising federal purchases... accounted directly for 11 per cent of the growth in GNP, quite apart from their substantial indirect effects..." This is impossible, as a purchase is only a round-a-bout trade, and not a creation of something out of nothing. Increasing or decreasing the percentage of total production appropriated by the government does not change the total. Other objectives: regulation of the work week, help expand profits, to keep our capital at home, rebuild decaying cities and expand public housing.

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"DELEND EST CARTRAGO!" — MARCUS PORCIUS CATO, "THE ELDER"

"ECHASSEZ L'INFAME!" (PERSECUTING AND PRIVILEGED AUTHORITY) — VOLTAIRE

With equal costs of the factors of production, people could work as much or as little as they wished, and their income would be exactly what they produced, as determined by what others would pay for it in a free market. How did houses ever get built before the federal government dispossessed thousands of people, turned land over to developers at a fraction of its worth, then partially subsidized the new tenants? The report shows no indication whatever of the idea that there is a natural way of doing anything. One is reminded of the lady gushing over the "naturalness" of a painting by Whistler, to which the artist dryly replied, "Yes, madam, nature is catching up." When will "free enterprise" catch up to what we are doing?

5-1/2 per cent unemployment, after a 30 billion dollar increase in our GNP last year. A similar anticipated increase this year, from the new tax cut, will presumably result in a similar decrease in unemployment - that is, none. "Taking into account the added workers (why not fewer workers?) who seek employment as jobs become more plentiful, we would need at least two million more jobs today just to get rid of stubborn excess unemployment." (would need ... today?) This is apparently a clumsy attempt to work in the impression that we are already solving our present unemployment problem (as we certainly are not), so that we can think of the hopefully more palatable figure of only two million jobs we are supposed to need soon, because of increased automation and population growth. To the unemployed, all unemployment is "excess" - even if not to those in comfortable circumstances. Dr. Heller has a habit of personalizing "stubborn excess unemployment," as though it were a recalcitrant boy, for whom economists and the government are not responsible.

They do, however, like to take credit. "The 100 billion dollar rise in output in 2-3/4 years knows no parallel in our peacetime economic annals." And so on, and so on, for several paragraphs, in a model of self-effacement and deception. The rise is a mere periodic swing (usually of 1-1/2 to 3 years' duration), affected somewhat by a larger population, improving efficiency, and a give-away program which also knows no parallel - and which will inevitably be followed by a downswing - neither swing being caused by the army of useless statistics gatherers. The net income of farms is up because of subsidies wrung from the country as a whole, the use of better seed and fertilizer, and less use of poor land. "... real income of nonfarm workers has risen \$345 a year," or \$7.00 a week. Unorganized workers have had no general increase, so the unconstitutional violence, or threat of violence by organized workers must have accounted for most of it. The government is taking credit for its inability and unwillingness to prevent violence - not to say its encouragement of it as a means of diverting attention from the elimination of monopoly - the only action which would raise the real wages of all producers.

It does not seem to have occurred to anyone to ask (publicly, at least) why the lower taxes we used to have did not prevent periodic recessions throughout our history. We have also apparently forgotten the fears we had, after World War II and the Korean War, that lower government spending would result in a recession. "The tax cut will give a sustained lift, year in and year out, to the American economy." ... "By mid 1965 it (the optimistic "sustained lift") will have outlasted even that expansion (1933 to 1937)." Consider the unmitigated gall of taking credit, in advance, for another year-and-a-half of "sustained lift." This is like a golfer's conceding himself a 30-foot putt. But why be so modest about a "sustained lift?" "By mid 1999, etc.. etc.." (What is in this pipe that gives one such a lift?) And imagine calling a partial climb from the business depths of 1933 "expansion!" Have we forgotten Herbert Hoover's 1928 campaign speeches, referring to the "broad plateau" of prosperity, from which we should never fall? Yet the presumed stream of endless interacting benefits resulting from the catalytic action of the tax cut (with absolutely no overall mathematical basis whatever) resembles the unstoppable flood induced by the Sorcerer's Apprentice. The reiterative verbosity of the report, in fact, would put to shame two dozen lawyers and a ladies' kaffee klatsch. It appears that one has only to claim that certain aims will be accomplished (at least in economic matters) to satisfy many people that the means proposed for accomplishing them have some scientific value.

(The tax cut) "Will provide a net fiscal stimulus, taking both expenditures and tax cut into account, that will be three times as great in 1964 as in any of the years 1961, 1962 and 1963;"... " ... to jobs (110% employment, perhaps?), production, income and profits..." Income consists of consumer production, and profit is merely a margin of safety, or contingent income, so the four are cut down to two, but that is only part of the rambling nonsense. What, exactly, is three times what; and exactly how is this brought about? No matter. "Three times!" Imagine! It brings to mind a ten-year-old's somewhat exuberant, if unrealistic "million trillion" times. The real question, however, is not what temporary stimulus these manipulators and jugglers might apply but what constant retardation is caused by the withholding of economic

justice. No one with fundamental common sense would expect to promote worthwhile reform without justice - yet there is absolutely no mention of justice in the entire report - no awareness of the need for just means to attain just ends.

It will be seen that the mathematics of justice and stability go hand in hand. The total amount of money paid out during production comprises both the cost and selling price of goods - the bookkeeping profit (not to be confused with monopoly income, wherever it may exist) being only a margin of safety, or contingent wage. This total of money paid out must therefore be spent, in order to purchase that production. Those who earn their money will spend it for consumer goods and investments. The fantastic sums of unearned money, however, will not be spent for consumer goods, and will periodically lie idle, when not invested or disposed of in bequests. IT IS THEREFORE NECESSARY TO ELIMINATE MONOPOLY, NOT ONLY FOR THE SAKE OF JUSTICE - WHICH IS SUFFICIENT REASON - BUT ALSO FOR THE SAKE OF BUSINESS STABILITY AND FULL EMPLOYMENT. THE PRINCIPAL SOURCE OF UNEARNED INCOME IS THE ANNUAL RENTAL VALUE OF LAND - CREATED BY NATURE AND COMMUNITY GROWTH - WHICH SOCIETY AS A WHOLE IS ENTITLED TO ENJOY, IN THE FORM OF PUBLIC SERVICES, BUT WHICH OUR NATIONAL GOVERNMENT OVERLOOKS ENTIRELY, AND WHICH OUR LOCAL GOVERNMENTS FAIL TO ASSESS AT ANYTHING LIKE ITS ACTUAL VALUE. This unearned income appears not only as uncollected ground rent but as excessive salaries and bonuses, capital gains, and numerous and enormous personal trusts. The assessment of this land value, wherever and to the extent that it has been applied, has eliminated unemployment, housing shortages and slums, provided a great stimulus to business and savings, and considerably leveled that vast gulf between unusable luxury and the direst misery and depravity.

Mr. C. Douglas Dillon, Secretary of the Treasury, also claims (with the customary lack of proof) that the tax cut will solve our economic problems, and says, furthermore, that the budget cannot be balanced until 1967. Inasmuch as government expenditures correspondingly reduce private spending, in any case, it is only necessary to levy acknowledged taxes, instead of the unacknowledged tax of inflation, to balance the budget, without affecting the total real income of the general public.

When land value assessment was first proposed to Lloyd George he asked, "What should we do with all the money?" His Liberal Party then tried to assess this value, before World War I, as did the Labor Party in the early 30's, but both were thwarted by the Conservatives. To continue: "distributes fairly the fruits of economic growth among consumers and producers, workers, and employers;" If consumers don't produce, to what are they entitled? Employ means to use, and the success of a business depends mainly upon its management. The four are thus cut to "producers," and we can ignore the cornucopia, "fruits of economic growth," held out as a will-o'-the-wisp to the hopeless. Under conditions of equal costs, the automatic distribution of our present production would be more than adequate, although production would actually increase greatly. Juggling the incomes of different groups of producers, like juggling the same number of jobs between whites and non-whites, is unethical and solves nothing. There is a natural way for everyone to get that to which he is "fairly" entitled: to equalize the costs of production and eliminate monopoly, which is based entirely upon government favoritism of one kind or another. As Socrates noted, the proper function of government is to administer justice. Our government makes monopolies possible, then tries to ameliorate their terrible effects with paternalistic manipulations and charity - with no chance of success.

The same assessment of the full ground rent, which would eliminate the chief source of unearned income, and thus stabilize the economy, would also open up for use the tremendous tracts of land now being held for speculation, as no one could afford to keep title unless he used the land to best advantage, so as to earn the assessment. The sale price of land would drop to a nominal value, there being no unearned income left to provide a basis for appreciable price. It could be rented at its actual superiority value over marginal land, or bought for very little, while paying the rental value as an annual assessment. Vast farming, grazing, mining, oil and lumber producing, industrial, merchandising and residential sites would be available for use by many times our present population, and the problem of finding jobs and uncrowded homesites would not exist. Australia and New Zealand broke up their enormous speculative estates with a slight application of land value assessment, and their local communities and those of western Canada support themselves mainly from this source of revenue, as have many other large and small areas, both in modern times and as far back as ancient China. Denmark was the first country to obtain such revenue for national purposes. These countries have benefited, in the elimination of unemployment and slums. Pittsburgh experienced a great building expansion when it halved its improvement taxes, eliminated per-

sonal property taxes, and shifted more of its revenue collections to land value, as was the case with Scranton, and also with Houston during the short period it was permitted to move in that direction. Erie and Jamaica (a portion of the latter having already experienced these benefits) are now considering the proposal. New York City solved its severe housing shortage within two years (1920 - 1922), when it placed a 10-year moratorium on improvement taxes of one- and two-family residences built within those two years.

SO LONG AS THERE ARE UNEMPLOYED, THE PRESSURE FOR JOBS WILL HOLD THE BASIC WAGE OF THE LEAST SKILLED AT OR BELOW THE SUBSISTENCE LEVEL. The same pressure causes those who would employ themselves or others to bid all they can afford to bid for a site on which to work, thus leaving them also with a stairway of wages, the lowest rung of which is at the subsistence level. This is why THE ELIMINATION OR REDUCTION OF ANY TAX OR ANY MONOPOLY OR OTHER RACKET, EXCEPT LAND MONOPOLY, HAS ONLY A MOMENTARY EFFECT UPON AVERAGE INCOMES. IT SHIFTS MONOPOLY INCOME, BY ENHANCING THE RENT WHICH PEOPLE, COMPETING FOR AN ARTIFICIAL SCARCITY OF LAND, HELD OUT OF USE FOR SPECULATION, CAN AFFORD TO PAY, AND THUS THE UNEARNED INCOME OF LANDHOLDERS. ADDING TO THE NUMBER OF TAXES, MONOPOLIES OR RACKETS REVERSES THE PROCESS, BY REDUCING THE RENT WHICH PEOPLE CAN AFFORD TO PAY, LIKEWISE LEAVING NET INCOME, ON THE AVERAGE, UNAFFECTED. As for the number of jobs available, each increment of population automatically provides an equal increment of needs. The individual, in effect, is the market for his own or equivalent production. The problem is therefore not population but equal access to sites on which to satisfy these needs.

It is appalling to think that 190 million people should have their economic and social welfare regulated by those who could write the foregoing report and those whose financial interests dictate such idiocy. A kept school system, kept press and kept Congress must free themselves sufficiently to stop denying to our people equal access to this earth upon which we must all live and work. We cannot remain forever heartless and indifferent to the sufferings of those existing in hovels, lacking proper food, clothing and medical attention, even rudimentary education. We especially cannot forever deny to people THEIR NATURAL RIGHT TO EXPRESS THEMSELVES AND PROVIDE FOR THEMSELVES, ACCORDING TO THEIR CAPACITY AND INCLINATION, BY HAVING THE COST OF THE TWO FACTORS OF PRODUCTION (LAND AND LABOR) EQUALIZED FOR EVERYONE. WE MUST REORIENT OUR THINKING, TO EMPHASIZE EQUAL COSTS, RATHER THAN WHOLESALE CHARITY, BOTH AT HOME AND ABROAD. COMPETITION KEEPS LABOR AND LABOR PRODUCTS FAIRLY WELL IN LINE. ONLY THE ASSESSMENT OF THE FULL GROUND RENT CAN BRING THE COST OF LAND DOWN TO ITS TRUE ANNUAL RENTAL VALUE. A report on the importance of land value assessment would be worth reading to Congress and the nation.

It has been arbitrarily asserted that about 40 percent of the unemployed are unemployable, because of illiteracy, alcoholism or sickness. This is a stupid reversal of cause and effect. The other 60 percent are presumably unemployed for some combination of two dozen other reasons, all offered as an excuse for not eliminating monopoly, on the assumption that it wouldn't do any good. THE GOVERNMENT, HOWEVER, HAS AN OBLIGATION TO ESTABLISH JUSTICE, IRRESPECTIVE OF ANYONE'S PREDICTIONS AS TO ITS UTILITY. Mr. Dillon dismisses tax reform (meaning the closing of certain well publicized loopholes) as a moral issue of little fiscal importance. The rarely mentioned loophole of unassessed ground rent is a moral and fiscal issue of such transcendent importance that it makes the annual economic report, with its contrived confusion and complete ignorance of ethical means, seem like a bad dream. When we abandon the pseudo mathematics of the soap box, and freely pursue the study of economics, as we do other subjects, to demonstrably scientific conclusions, to which all must agree, we shall prove that we really want to solve these problems.