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BY

HOWARD W. L'HOMMEDIEU

AND OTHER WORKS

LAND MONOPOLY

MUST BE DESTROYED!

CRUSH THE INFAMOUS THING!

May 25, 1963

An Open Letter To Mr. Walter W. Heller

Mr. Walter W. Heller, Chairman
Council of Economic Advisers
Executive Office Building
Washington, D. C.

Dear Sir:

You have recently stated that unemployment would rise to 7 % by 1964 if the tax cut proposed by President Kennedy was not forthcoming. Whether or not this is the case, and how lasting the effect, if any, would be, the most important, and unfortunately the characteristic feature of the statement is the fact that no attempt was made to give a scientific explanation of it, and no one seemed to expect one. If an engineer for a railroad asserted that his son's Erector set would support a 2,000 ton freight train everyone would expect to see the test data to prove it. In economics we have been trained to accept bare, unsubstantiated statements and not even an attempt at proof - much less actual proof.

As Secretary of Labor, Mr. W. Willard Wirtz, put it, you want to "release" ten billion dollars in purchasing power so that goods will continue to be bought and unemployment will not increase. Purchasing power, however, is not a side of beef waiting to be released from a hook in the butcher shop, so that the public can consume it. If the government spends as much as before, it must receive as much as before, and the public as a whole will be left with no more to spend than it now has. When government expenditures exceed acknowledged taxation the difference must be made up in the unacknowledged tax of inflation, which appropriates wealth more or less in proportion to one's current assets (or in borrowing, which must eventually be repaid by taxation or wiped out by inflation or cancellation). The idea must therefore be for the government to seize purchasing power, through inflation, from the well-to-do, who are not using all theirs, and, through slight tax reduction, leave a little more to those with low and moderate incomes than it takes away by the same inflation. By printing bonds and forcing banks to buy them, and use them as a basis for extending credit, the government creates "printing press money," as there are no additional goods in the market place to back up this money.

Government borrowing from individual bond sales is not inflation, as is the money which banks create out of nothing - and individual purchasing power is here also taken mainly from those with greater means, as they have the most surplus money to lend. If the bonds are ever paid off by taxing people more or less in proportion to their present bond holdings, they might better have been taxed in the first place, to save the cost of handling the bonds. If the bonds are paid off largely by taxing people of low incomes, it will put more money into the hands of those who often don't spend all their income, and thus induce depressions.

"DELEND A CARTHAGO!" — MARCUS PORCIUS CATO, "THE ELDER"

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

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Recognition of the need for maintaining a balance between the money paid out in production and the money spent to purchase that production was evidenced during the depression by a proposal to tax bank deposits 10 % a year, to force them into use; also by a proposal to pay all the unemployed \$ 200 a month, so long as they showed sales slips for the \$ 200 given them the previous month. The principal stop-gap used - ineffectively - was the large expenditure of government funds, intended to make up for the shortage of private spending. An old English formula for good business was "industry on the part of the poor and lavish spending by the rich." The reason for all this is that the cost of goods, and therefore the selling price of goods is made up of the money paid out in their production. UNLESS ALL THE MONEY PAID OUT IS USED TO PURCHASE THIS PRODUCTION ALL THE GOODS CANNOT BE SOLD, AND UNEMPLOYMENT WILL FOLLOW.

As the concentration of income in the hands of a few is fantastic, and will not be spent for consumer goods or charity, nor can it always be invested to advantage, it is apparent that we shall have periodic depressions. The Ford Foundation alone has 100 men working five days a week, trying to spend constructively half a million dollars a day. An idea of their success may be gathered by the fact that one of their projects was financing the writing of the novel, "Ship of Fools," which seems to have a relevant connotation. Even with the best of intentions and considerable effort the whole idea of receiving and disposing of vast sums of unearned income is unwholesome and unworkable, as is further apparent in the endless stream of nonsensical government projects, such as a study of "Prehispanic Settlement Patterns of Teotihuacan" and the sex life of male rats. Further examples of unchecked power can be found in "The Natural Science of Stupidity," by Paul Tabori.

According to an article in "The Nation," April 10, 1963: "Foundations as a Tax Dodge; Charity Begins at Home," by Fred J. Cook, 534 foundations illegally paid out a total of less than half their income in grants between 1951 and 1960. Their examined income was \$ 1,034,710,518 - 20 % more than the \$ 864,435,000 that the fifty largest banks earned, after taxes. Half the income was either illegally hoarded or illegally used to control or influence large firms (the Rockefeller complex of family foundations, for example, controlling many oil companies), subsidize the formulation of public opinion, as in reactionary publications, promote personal causes, gamble in stocks, engage in proxy fights, compete with private firms, lend in competition with banks - even lend to the donor himself, at low rates. One foundation gave only \$ 5 to charity one year. All this is possible only with the connivance of a corrupt Treasury Dept., whose arbitrary rulings tend to fill up any gaps left by the legislators in favoring monopoly. With numerous personal trusts simply trying to make remunerative investments for private gain, and with corporation executives receiving salaries, bonuses and stock options (plus perquisites) often worth hundreds of thousands of dollars a year, it is obvious that there must be considerable uncertainty as to whether or not these vast sums will be spent or invested, and that much of it periodically will lie idle, creating a miasma of anxiety, frustration and deprivation.

While government spending does compensate for some private funds left idle, the procedure, even if temporarily sufficient, as in wartime, solves nothing. The analogy of "pump priming," which we have heard for thirty years, does not apply. The "pump" doesn't keep working unless expenditures continue to equal the total cost of production - that is, unless everything paid out is spent. If we try to compensate for idle private funds, by government spending, the procedure must continue until money has been inflated into worthlessness, or government debt simply cancelled. THE USUAL PROCEDURE OF ADJUSTMENT IS TO PERMIT A DEPRESSION TO CONTINUE UNTIL THE INABILITY OF PEOPLE TO PAY CURRENT LEASES, AND THE LACK OF INCENTIVE FOR LAND SPECULATORS TO PAY EVEN LOW TAXES ON UNUSED OR LITTLE USED LAND EVENTUALLY CAUSES LAND, FORMERLY HELD AT SPECULATIVE PRICES, TO BE OFFERED AT ITS

TRUE RENTAL OR SUPERIORITY VALUE, WHEREUPON PEOPLE CAN AGAIN USE LAND - BOTH URBAN AND RURAL - FOR ANY TYPE OF BUSINESS, OR FOR RESIDENCE. THIS, COMBINED WITH A GREAT REDUCTION IN UNEARNED INCOME, SO THAT IT WILL ALL BE SPENT ON CONSUMER GOODS AND CHARITY, OR CAN ONCE MORE BE INVESTED TO ADVANTAGE, RESTORES EMPLOYMENT.

If we do not wish these periodic depressions we must assess the full annual ground rent, for the following reasons: 1. It is ethical, as land value, exclusive of improvements, was created by nature and community development, and not by the individual, and should therefore be assessed at its full annual rental value for the support of public services, at the same time lessening the need for taxes on production. 2. It would force land into its best use, in order to pay the assessment, thus permitting people to move off less valuable land, onto more valuable land, now held idle or not fully used, raising the level of marginal production, and so all wages, as all are related to each other, and so related to production on marginal land. 3. By eliminating the principal source of unearned income, in greatly underassessed land value, showing up as retained ground rent, excessive salaries, dividends and bonuses based upon this unearned ground rent (permission to license patents, and other means of eliminating favoritism should, of course, also be undertaken) we should greatly reduce the enormous supply of disposable funds, in excess of personal needs, and concentrated in relatively few hands, and so the great fluctuations in their use, and thus help to stabilize the economy. 4. Such important variations in spending as might occur, from time to time, could be compensated for by starting new businesses on land which would now be available at its true rental value, as this would equalize, for everyone, the cost of this factor of production - competition already making labor and labor products (the other factor of production) available to all producers at approximately the same price. 5. Unlimited opportunities to produce would cause employers to compete for employees, as following the Black Plague in England, when one-third of the population died, and wages doubled, in spite of drastic efforts by the government to hold them down, with penalties for both employers and employees, in the form of fines, imprisonment, seizure of property, whippings - even death. This situation would greatly increase the demand for employees among minority groups, in addition to making it possible for them to support themselves in their own businesses, in any capacity for which they were trained, and irrespective of their economic or social acceptance by the majority - and by so supporting themselves and raising their cultural level, making themselves more readily accepted by the majority.

It was suggested, during the 1930's, that to reduce the apparent large surplus of labor, students should be kept in school until age 28. Poor papa! Poor taxpayer! Poor student! In addition to reducing the working day to six hours, it has recently been suggested that the work week be reduced to 25 hours. Surplus funds extracted from the economy every year, however, would continue periodically to remain idle, and the reduction in working hours would not solve our basic injustice and instability. Another suggestion is to lower the retirement age, but, for the same reason, this also would solve nothing, unless it were lowered to age 40, for example, with students remaining in school until age 40, so that they would retire upon graduation, eliminating completely the present glut in the labor market, and also solving, for all time, the problem of overweight. Another suggestion is to return to the country of their origin all recent immigrants, but as the United States is a relatively young country, this might be interpreted as including all but Indians - which is probably not what the proponents of the plan had in mind.

It should readily be seen that, however involved are the ramifications of each individual business, the fundamentals of economic justice are easily understood, and that a just solution and a workable solution are identical. Our legislators, our Depts. of Commerce, Treasury and Labor should study these problems with scientific thoroughness, and some indication that they have faith in ethical solutions and a working knowledge of third grade arithmetic. If they and our economic ad-

visors and instructors do not accept the thesis here made, they should give a scientific refutation of it and a scientific explanation of their proposed alternative. Failing to do either, and refusing to debate the issue to an objective conclusion, they should admit their unwillingness to solve our economic and social problems, stop drawing salaries at the expense of the people whom they are duping, and resign from their jobs. It is ridiculous to assume that we can reach the moon, and not learn what belongs to whom - land value to the community, and labor products to the producer - and so maintain production and sustain life and freedom.

We have evidence of newspaper interest in the common people by a cartoon showing "O! High Cost O Living," as a funereal character in shabby top hat and tails, striding across the land, or one showing an exploitive "Middle Man" standing between the producer and consumer. We see their interest in slum dwellers by their deploring the fact that visitors desiring to enjoy the beauties of Washington or Chicago, have to pass through such miserable slums on the outskirts of these cities. We also note their frequent proposals for eliminating slums and skid rows, without, of course, suggesting any means for ensuring full employment and the income necessary for people to support themselves in anything but slums. We see their righteous indignation at the pampering of prisoners by a cartoon showing a harrassed warden, as room clerk, trying to see that his bell boy guards answered all peremptory calls for service from their red carpet guests, and by a front page article describing a presumably typical dessert of lemon cream pie. We see phrenologists examining the bumps on prisoners' heads, to discover the reason for their propensity to crime, and psychologists questioning prisoners as to their motivations in life. It is in line with "the white man's burden" theme of colonial powers, whose main interests were to raise the intellectual, cultural, economic and spiritual levels of the peoples whom they were working and starving to death; with H. L. Mencken's random comments that prostitutes were fortunate in that their profession enabled them to contact gentlemen on a cultural level higher than they might otherwise encounter. Russian youth is said to be tired of lies, and anxious to know the truth. It's too bad that we aren't yet sick enough of lies to have any curiosity of our own.

Sweden abolished capital punishment in 1921, has a maximum "life sentence" of 12 years - actually averaging about half that - hands out many sentences of fines or paroles, rather than prison, trains prisoners in constructive work at one-fifth outside pay, some of which must be saved, leaves half its prisoners unguarded, permits several furloughs a year to satisfactory prisoners, has an official who spends all his time looking for flaws in the law or in its administration, and who can enforce changes in the law or its administration, to see that no injustice is done. Denmark has a similar official. Compared to them, we are a bunch of animals.

We cannot wait for another Sir Galahad to solve our problems. The need for economic, social and legal justice is desperate for millions, not only on other continents but in our own country. The knowledge of what to do has long been available, and we need only the will to put these reforms into effect. Another poor English clerk, like Thomas Paine, with no doctor's degree in civics or history, must write another "Common Sense," and inspire his fellow citizens to gain their independence. Some time serving politicians, with no doctor's degree in economics or penology, without prejudice to past achievements, must stand up in the American Congress, and at the risk of being carted off to the political guillotine, propose measures far along the road to social justice, which will enable them to say, with Sydney Carton, "It is a far, far better thing that I do, than I have ever done."

Sincerely,

Howard W. L'Hommedieu