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Menill's Maxims. ~~Prescript~~, guidelines, theorem, postulate, saw's,
rule, canon,

1. Everyone will live somewhere.

2. Everywhere is owned by somebody.

As soon as one becomes known for a particular viewpoint, & achieves some status, people begin telling you what they think you want to hear.

Now, in 1959, I am just beginning to notice it.

So as an objective observer of events I am finished! Once "I was a Camera." No longer! But how lucky for me I was nobody for so long.

And how lucky I can gain my impressions of the world from reading, and talking with strangers.

"Time in Economics"

Book title.

Article:

How to tell a recession from a real bust.

(in '31 e.g. Bogart still thought it was a little ~~less~~ recession.)

The ~~gains~~ theoretical apparatus to discuss div. of gains from trade.

1. Mill.

- a Country with strongest, most elastic demand; & weakest, least elastic supply; got the advantage more. For it got its imports at the lowest price c.f. to former internal price; & ~~paid~~ sold its exports for practically what they brought in for. country before. It would be this country in which terms were changed most. In other, little change of terms.

(Later writers would certainly not consider gain solely according to terms)

Criticism - which applies to all, not just Mill: recip. demand concept is a combination of s&d, abstracts from m. But some of most relevant phen. involve m: e.g. change of price level to reconcile unequal s&d. Ship. t. Mill not guilty ~~anyway~~.

- b Imports is gain, at lower price. Criticizes Smith for saying gain was 'a vent for surpluses' - resents ass. that economy is so rigid, & necessitated to for. trade. By lower imp. p. he means also higher p. for exps, so is ok. - but then so is Smith, & interpreted so.

c Indirect gains: specialization, internat. goodwill, stimulus to backward.

- d After trying to analyze s&d separately he finally ~~subsumes~~ ^{subsumes} s analysis ⁱⁿ recip. demand. ~~again~~.

e. - Cause of gains: ~~the~~ taking advantage of lowest c.f. costs.

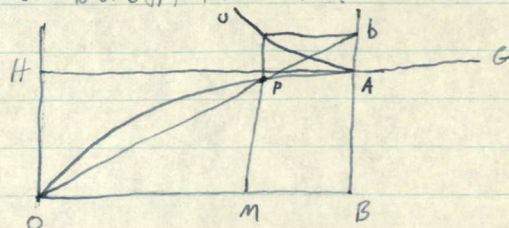
- f ~~Was. Fended~~ Tended to stress commodity terms; but where a prod. caused terms to fall, did not conclude this hurt nation as a whole, & was vague.

g Recognized that interference with trade can improve gains - ^{2 ways.} as have all others. But was skeptical.

Added curves to make Mill ~~explicit~~ graphic.

Marshall: When terms improve, said A cost of exp. commodities reduced gain - (this is true or false depending on what you say it was reduced from) is subsumed in my method.

'Net benefit in I.T.'



A is final price. You pay BA for OB. But you would have paid PM for OM, or b^B/OB . D. Revenue is b^A/OB . Construct AU in this manner. Area under it above AA is surplus.

Viner objects that inc. effect of all or nothing bargain not considered. I minimize that, object that he is not c.f.ing present with no int. trade, but

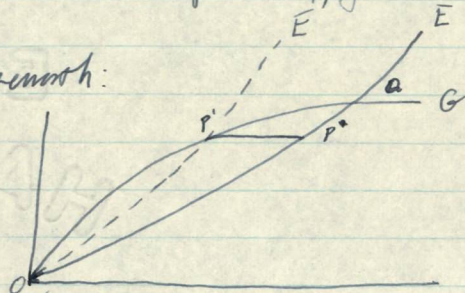
Marshall ok, with due regard for Vinur's criticism, but he doesn't make explicit the relation of the gains to previous domestic producers - & as this is a vital element, it should be done. He starts as tho from zero on demand curve, when really you start with domestic producers. His method subsumes domestic producers, if interpreted that way, but I don't know if he meant it so.

with no production at all. I introduce my method then.

Vinur objects that underlying utilities, rather than objective price manifestations, should be considered. & new utility relationships can never be elicited with old, no way of eliciting precisely.

Edg. goes with Marsh. in using rent as measure of gain. Rent is maximized, on any one curve, the further from origin it is crossed by other. - this is ok as long as curve is concave upwards, & perhaps as long as it is straight, but when it turns down, look out. Corresponds to a regular supply curve if which turns down, rent lost.

Edgeworth:



Vinur objects that E. never considers case where your terms improve with a decline of your demand, but net gain declines anyway.

He says at best, P' is as good a position for E as P, & P worse than Q. Actually P' is much better than P, for E is giving less & getting the same. The terms are also better than at Q, if they are to measure gain. E's case where shift of your demand curve is due to tax by 3rd party, is true, P' no better than P - but then he shouldn't claim OE' is recip. dem. curve of E, it is only the curve as seen by G. To analyze effects on E, should have drawn OG' , as it now appears to E. Then he would have found E worse off the legitimate way, by a reduction in G's demand as seen by E.

What he calls must, is least favorable.

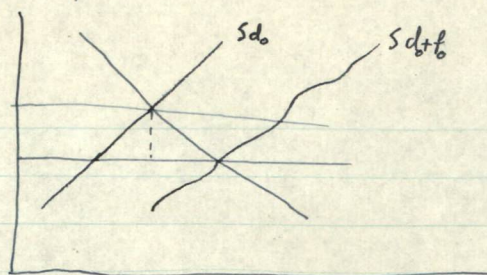
Having made this crude error in his simplest case, where both elastic, his more complex cases need not be taken seriously esp. as he presents them briefly as logical corollaries of above. Indeed, from an impediment such as he postulates both parties must always suffer but he has them benefiting from impediment when for. demand is inelastic. - which I can show to be wrong, since it should be drawn as a decline of the for. demand. ~~He gets wrong result by drawing it as decline of demand.~~

Tavris: Cross border terms - concept designed to show 2dary burden of unilateral payments. But he might better have just shown the goods terms as affected by the unilat. payment. give numerical example. He sticks with this concept in 'internat. trade'.

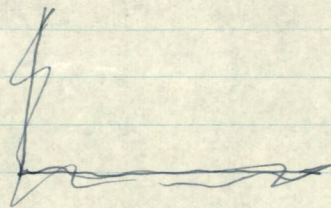
Considers 'hedonistic' terms, if your demand is, they don't see turn as you. Analyzes only changes in div. of gain, not div. itself.

Ohlin: Gain is from mitigating spatial maldistribution. Inmeasurable, because of qualitative diff. Only small changes measurable.

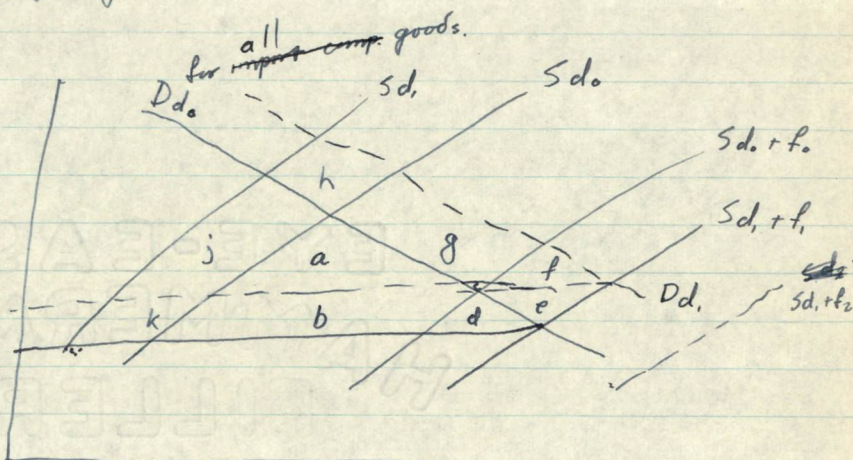
Gains from imports



~~Gains from exports~~ Above is simple case, where it is not considered that introduction of trade will, by giving factors opportunities in export industries, shift the curves.



Gain: $a + j + h + g + f$
+ extras added by $S_d + f_2$



Above includes gains from exports as well as from imports, assuming all factors shifted to export industries to have been import competing previously. - i.e. assuming all exp-shifting factors are represented in above shift of S curve to left.

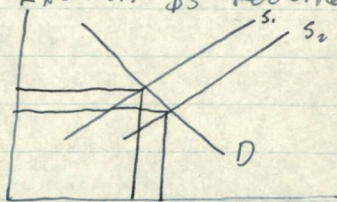
($S_d + f_1$ could be on either side of $S_d + f_0$)

& $S_d + f_2$, due to Δ for p.p.

Then D_d must be drawn higher, representing Δ p.p. - which ~~helps~~ hurts you more than it helps, - it certainly Δ s what you pay & profit by more than Δ in cons. surplus.

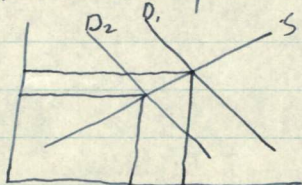
To say gains are ^{inexpressible} immeasurable is merely to say we have not yet perfected means of expressing them. Above chart expresses most - but fails to express Δ prod. power per individual. The only way it can show gain from Δ productivity in exports due to, say, technology, is by shifting S_d further to left - & if tech. Δ in both for. & dom. supply siml, no expression. So it is not intended to show that. Is assuming that unchanged. If it changes due to trade, & if new enterprises of higher opt. size are feasible, if competition sharpened, etc, show otherwise -

Devaluation (\$s being the for. m, & assuming it as constant)
Effect on \$s received. Your exports, in \$s.



Show both terms & balance effects.

Effect on \$s spent



El.'s change over time. May get greater, but not nec, for have inv. spec. right off, & end of cap. flight, & subsequent competitive deval.

hence temptation to direct controls of imp.s, get both.

Definitely spend fewer.

Shows gain from deval. is from reducing demand for imp.s primarily. Is exercising monopoly more monopoly less, & will help terms of things & money, will help balance amount of local m - why analyzes imp.s in terms of local m - but this may rise in terms of it - but this leaves us confused.

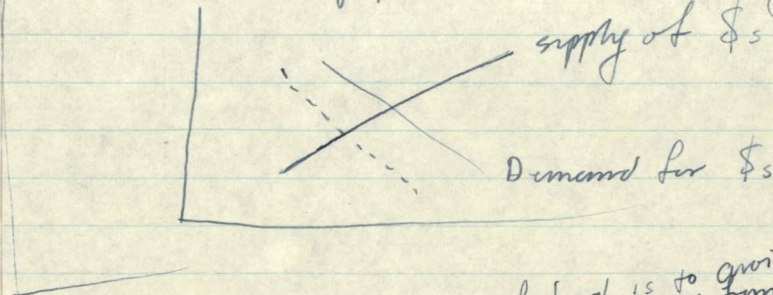
Superior to JRob, who shifts between currencies reaches no definitive conclusions.

Show influence of elasticities, in all combinations. (Price el. of the imp. thing) In case our demand for ~~the~~ foreign goods is inelastic, we want an incl. for. supply, & our demand for ~~the~~ \$s will be unity. Which includes incl. for. demand for their exp.s.

D. distinguish demand for for. goods from demand for for. exch.

Do it all on one graph, too.

Should supply of \$s be held const?



Omit

supply of \$s

Demand for \$s

Mult. first.

As a purpose of deval. is to guide inc. effects, it is unlikely that any would be allowed to follow it.

& primary effects all offset, or most none happened anyway.

Inc. el. - ~~much~~ of dubious relevance, since inc. controlled by govt, else deval. not nec. But some stress, e.g. in explaining x for problem, that these primary inc. effects are the imp. ones. Such as they are: before deval, country was losing m, hence income - a leakage. So deval. means ~~more inc.~~ ^{inc. ceases to fall, in local m} - assuming it reduces m exp. This ~~stops decline of~~ ^{increases} demand for exp. imp.s. ~~The decline of inc. stopped.~~ ^{growth of inc. stopped.} But neither of these should be regarded as reverse movements. It is simply that an adjustment thru p levels proved too painful, & they decided to devalue instead. If the devaluing country does allow inc. (& esp. p) to rise, it will develop a new problem.

If all changes are neutralized, very unlikely that any deval. will reach new eq., so payments must be balanced with imp. restrictions.

The for. trade mult. depends on inc. el. If none, then none.

The 'for. trade mult.' is el. of imp.s to Δ inc.

using it, mentally the door is open to all manner of bizarre results, as Metzler showed.

"Multiplier" I like to state into meaningful terms before using. Metzler's general point is good, that under different domestic conditions of velocity & prop. to imp., you get differing results from an imbalance. - he was discussing the problem, but will do for present discussion, too.

The imbalance preceding der. will have 'mult' effects, & inc. effects, but der., by curing imbalance, means no such effects, except by ending those that already existed. Some claim they could be very large; & Nourse describes tendency toward new eq., thru imp. mult. But, in fact, if mult effects were large, the imbalance would have ended itself thru inc. changes.

Mult = $\frac{1}{1-D}$, where D is prop. to spend at home, which may be reduced to $\frac{1}{m}$, when all m not used for imp.s is spent at home. m is also inc. el. of imports, or related. - m being absolute, ^{ratio} inc. el. proport. ratio.

If we followed the mult. idea, ~~dis-regarding~~ for country with exp. balance had reached a higher inc. level, dependent on recurrent Δ M. But its inc. loss will be small, as much Δ s were being hoarded anyway. Other country will gain little, as its losses ~~were~~ ^{are} being worked home been hoarded anyway - tho not nec., as they were cons. So its inc. will cease to fall. But that of other won't cease to rise, for it wasn't ^{same} for usual a priori bias to defl postulated by mult. rising. Nor will it fall much more than worked home - or will fall, as you please.

Different imp. prop.s make diff., & different reactions to Δ inc. Let mult analysis precede inc. el., for later depends on inc. Δ . Country of exp. balance must have had a low mult., else it would have had large Δ inc. & stopped imbalance. V.V. for m lower.

A mult. theorist will tell you that in country losing m, the reg. mult. will operate, so it won't lose much inc., as m would all have been hoarded anyway. Not so - this is result of assuming as a fact what is only a means of expression, that all causation is in many units. In fact, what has been assumed is an a priori bias to defl., so country losing m will go ahead having -ΔV.

2. mult. theory, devel. country would have been failing to deflate because of smallness of mult., - m would have been hoarded anyway. But this not reason. & other country would have failed to inflate because of smallness of mult. - which is true reason either partly, but sterilization etc.

In this manner mult. explains situation preceding dev. & thereby results of dev.: imbalance ceasing, there is nothing to multiply. So no further effects.

Taking unreal ass.s about mult & inc. el. one can get any b. same results he wants, ala Metzler; but fact that inc. changes are stopped puts quietus on such speculation.

As to inc. el., it must be dragged in by saying if devel. fails to reach balance, it will continue to operate - & may bring balance all by itself, ala Nourse. - if it were allowed to operate, i.e. - & Nourse spoke of imp. mult., which is same idea in abs. ratio, not prop. ratio.

Outline after price elast. - esp. as purpose of dev. to prevent ΔV.

1. Deval. stops ΔV, hence no mult. nor inc. el.
2. But if it moves, inc. el., as Nourse, may bring balance.
3. Or it may, as Metzler, combine with mult. for infinite balance

Write up with def. of Mults, contrast m mrs inc. el., etc.

optimal. results - but in realism, if it didn't before, it probly won't now. Nor would it ever anyway. This explosive mult. is a methodological myth. & if M or m had been big, world would have gotten balance by Nourse.

4. Mult. gives little basis for prediction, but for infinite spec. - is another way of supposing all kinds of ΔV. But all unlikely.
5. One aspect of mult. that will be involved - for dev. country the 'neg mult', i.e. object to.
6. Dev. country must not allow ΔV & ΔP
7. If all ~~can~~ neutralized, no dev. brings net balance, must use imp. rationing. But if Alternative is allow Nourse process - which is g.s. balancing in new words - to work.

Outline of Projected Article on International Problems.

¶ We used to be able to get along w/o internat. govt, because of free trade, such as it was.

Now it is gone & will not return: because govt's learned to use monop. power. Socialism has made the old export ideology unnecessary for the unemployed are cut in on benefits of exporters. (besides, they always could work in domestic industry anyway)

This is the more dangerous because they often do not explicitly recognize what they do. They are backed by the all-justifying rationalization "It is for the masses". & from the view of each socialist nation, it is.

This forces ~~other~~ free nations, in self defense, to follow suit, & use their monop. powers. Except as long as other nations have export ideologies they will welcome exploitation by socialists. (So the old ~~boish~~ export ideology was a good thing, ^{it promoted} monop. ~~was~~)

Only solution: a world govt. with power to forbid any in free trade.

This would mean substantial abandonment of national control over socialism. "Exposing national economy to vicissitudes of world chaos" is current isolationist jargon.

Free migration is gone, too. Because labor has come to power &, recognizing its vested interest in national land, prohibited immigration. & in some enslaved places, emigration is prohibited.

World govt. is necess. to restore migration

But then only persons with interest in improving localities are landowners, & entrenched groups, & military. So we get either no local improvements, or improvements for special interests

Problem is to build an ec. climate in which local people will act in world interest.

Some things we can prevent by simple prohibitions: Trade barriers. (a use of monopsony power, incidentally, ~~the~~ the old tariff, the perhaps that not object - the one argument for it was to tax foreigners)

A worldwide currency another good item. & prohibitions to all barriers to movement, of capital & labor.

Then we can make local govt's work for world by various means:

1. Leave land private

2. Let current voting generation collect rents they create.
3. Limit local ~~improvements~~ to govts to transitory functions - police, fire, etc. Let permanent improvements be federal, & all land As from them be collected by them.

(If no private landowners, who has anywhere near as ~~int~~ personal an interest in efficient govt? Even their interest is general enough so they neglect it often. If all interests were labor - - - but if the fund not used for expenses were returned to all equally, all would have a strong interest in efficiency & economy. - generally. Local problems, e.g. local shops, would be less interesting.

Is it hopeless, then? The best way to hit vested interests is thru inheritance. We might say that, as of the next generation, Japs can come here - & make it binding on our children.

& Capital export is another solution, reducing differences of natural endowment. ^{But movement to countries of most resources is more common? Well, most dense labor too, labor complements cap.}

But how to stop socialism is a power. ^{Let Europe wallow in it, while we unite with S.A., Japan, Philippines etc.}

You could inaugurate lvt, redistributing whole proceeds among current U.S. citizens. Then allow immigration. As wages fell, rent disbursements would rise, no loss to current generation. As they died, rent could be used for public purposes, obviating other taxes gradually. ^{of world govt.}

You would then have world govt collecting rent, & the battery of problems caused to local govt. But here is solution to all such problems. Let current generation in every political entity get shares in As in ec. rent occurring in their times; & at death of each individual the rent goes to the state world govt. ^{too.} World have to adjust so people would build for future generations too.

Must be world govt, else people will migrate unduly to areas of high rent.

Lvt doesn't come into this article. Subject is merely the one of world federation. U.S. federation has worked w/o lvt. So can world fed. Migration, the 2d problem, brings up question of land-labor ratio, & of reconciling labor to it, & how A to land value taken for labor might do it. Migration of capital is another subject. Here we have no desire to exclude, per se. - & it is a good way of evening up resources

This argument that price inelasticities makes devaluation inadequate to prevent loss of reserves is, I think, wrongly presented, and is in fact most unlikely.

Suppose Mexico is supporting the peso at 5 to a \$. This means more pesos are offered for \$ at 5 than can be satisfied with the \$ offered at that price, so the mex. govt makes up difference with its \$ & gold. Now suppose, tiring of this, it says it must be given 6 pesos per \$. Pesos that were being satisfied there move to the exchanges, where they bid up the \$. Now suppose mex. demand for foreign goods is almost absolutely inelastic. (This is conceivable, for as against all foreign goods, domestic goods are a relatively small part of total, the world as a whole is a monopolist to the Mexican. But wait, if so demand will be unitary, for the mex. has nothing from which to stop his demand to turn it abroad. So international demand will be inelastic more for a country with small % imports -- for inelastic demand implies taking m from other uses, which must therefore have a very inelastic demand. But as between local and foreign products, I should guess demand for local to be ~~more~~ ~~less~~ less elastic, being more necessary and accustomed. Hence this assumption is unlikely. However if you had suppressed inflation with idle balances kicking around you might get pretty inelastic demand for foreign goods -- maybe this is what happened, in Eng etc) Then when \$ etc are bid up, more pesos will be forthcoming. However this in itself does not mean that the unfilled gap will be as great as ever, or greater. For at the higher price of \$ the greater number of pesos coming on the mkt will be taken off by the same number of \$ as took off the smaller number before. -- assuming we have the same number of \$, for the moment. So, even if demand is absolutely inelastic, the unfilled gap is no greater. We will have a larger number of pesos coming to govt for redemption -- $\$ / \beta$ $6/5$ as many, if price was raised to 6 -- but they will require only the same amount of \$ to redeem as before. Now, suppose demand were just a little bit elastic: we would get fewer pesos left on the gap for the govt than before.

What the govt was doing was to depress the price of \$ by throwing its supply on the mkt, thus turning terms of trade against others. But this is not a wrong, since to acquire them in primo they had to give pesos for them, doing just opposite.

Now the assumption that you would get the same amount of foreign currencies is assuming foreign demand for mex products to be unit elastic. So with unit elasticity of foreigners, and complete inelasticity of mex, you get no change; with any greater inelasticity you get an increase of the ~~payment~~ ~~ex~~ reserves taken; with smaller, a decrease. So it would be possible to have both demands inelastic, up to some amount, and still help the situation -- this could be formulated precisely.

But to avoid the bother, how likely is it that world demand for mex products will be inelastic? I see no possibility. Advocates of the inelasticity argument have at this point started to talk about inelastic supply by mex, but that seems irrelevant.

(If devaluation would in fact have brought more pesos to mkt & fewer other m, the peso would have, when freed, as it was, have shot down to 0. As it did not do so, it is clear the mkt was finally balanced with fewer pesos, more \$

Now, what of the future. Can countries use their monop. positions now?

Overvaluation has its drawbacks. It can be used temporarily, until the reserves run out. And this is enough for many administrations, who will use the reserves built up by previous administrations for that purpose. Or will borrow \$ from U.S.

But there are other means of overvaluation, using exchange control. With it, local people are forbidden to offer their m to foreigners below a certain price. This is a means of raising the prices of all export industries together, as a monop. would. And it can permanently prevent them from lowering them, by keeping internal price level up. And it must then take some account of the marginals who drop out. If it has other employments for the labor & cap. thus liberated, it will be under no political pressure to increase exports to give employment, and can get away with it. (note, incidentally, how the idea that it is good to export has prevented nations from making use of this monop. power potential. But once the export industries are unionized, the labor can come to terms with the industries somehow, and if the unemployed are cared for in armies, relief, etc, or cut in somehow on the monop. gains, nation can get away with it, will do it)

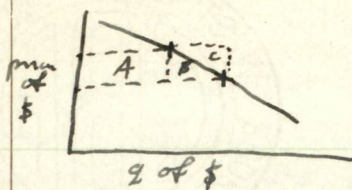
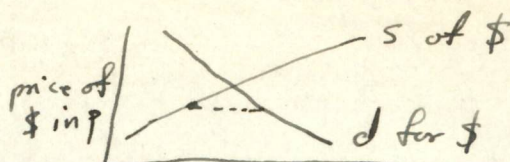
Then with tariffs & quotas they can use their monopsony position, get better terms that way, too. After all, why should the members of one nation compete against each other to the benefit of other nations? The state will prevent it.

The state may not even know what it is doing, may not think of it as using a monop. position. For instance, the British think of themselves as poor prone martyrs, and they say "If we lower our prices we won't sell so much more, and we'll get fewer dollars in toto." Now nobody has an inelastic demand except a monopolist.

You might say, why don't British industries lower prices in Ls? Answer: the state controls the internal price level, and wage levels, etc.

Yet I'll bet that no Britisher thinks of the country's policy as that of exploiting a monop. position. They think of "you can't let people work for low wages", etc etc.

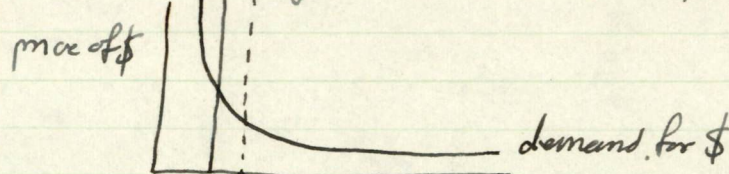
With the growth of socialism, this sort of thing is saddled on the world for sure. Every state will control its foreign trade, and consider its monop. position.



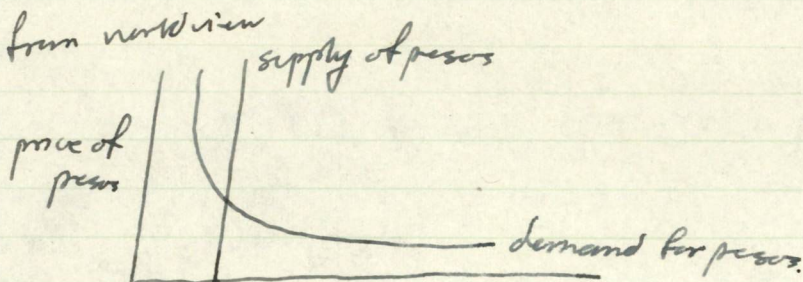
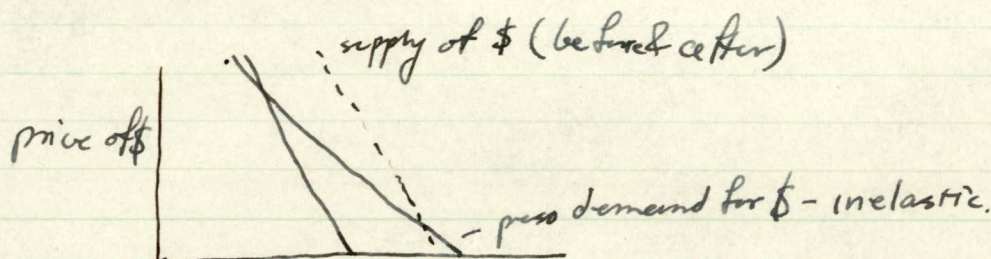
By buying pesos with \$, Mex. govt is losing B for itself but gaining A for 113 citizens.

or B+C, for it could have sold to world ~~government~~
Prodez. Is it so? If so, they should subsidize industries with elastic demands abroad - Ag, Au - get \$, keep this up

from Mex. view supply of \$



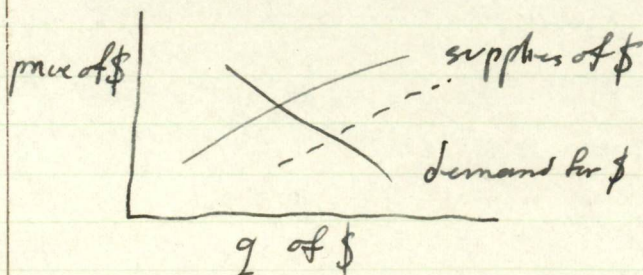
from world view



Possible equilibrium with perviously elastic S of \$ & inelastic demand for \$.

With situation like above, nation can do itself good by overvaluing, adding to S of \$. This may be a net gain, if it acquired \$ in time of different elasticities.

Probable situations



(Incidentally, the amount of exports, barring capital movements, equals the amount of pesos spent by Mexicans abroad; the amount of imports equals the same thing because that equals the amount of \$ spent by foreigners for pesos. The higher mex. drive the price of \$ with their inelastic demand, ~~and the~~ the more they export (this statement is independent of what happens to the \$ supply); the lower foreigners drive the peso with their inelastic demand, the less Mex import. But all this has nothing to do with the balance.

If Mex industries are not able to expand, this simply means that the demand for pesos will be even less elastic, since the peso is becoming worth less as more is supplied and its price falls.

As to inflation, this is certainly an inflationary policy, true. For previously some pesos that would have gone to foreigners and then been spent on imports were being paid for gold and, presumably, destroyed -- tho I have my doubts, and that is crucial. But this is the only reason it would be inflationary. It is not true that the increased demand for exports is inflationary, for this demand replaces a domestic demand that was taken off when the pesos were spent for imports. In fact, the longer circulation period of m in foreign trade probably makes it deflationary. The fact that foreign goods cost more is inflationary in a sense. But only because the govt is now no longer supplying some of the foreign goods from its own stocks by selling gold. --this only true if it destroyed the pesos. etc.

And there is a general disadvantage to Mexico because she is no longer taking advantage of her monopoly position. With exchange control she could have continued to.--reducing the supply of pesos to foreigners by directly forbidding mex to supply them, rather than by buying them off.

The increase in exports would be as valued in pesos. As valued in \$ it would be less. In real terms, much more.

The decline of imports would be as valued in \$, and in real terms. As valued in pesos, imports would have increased tremendously.

For in pesos, imports must equal exports. And in \$ also. And in real terms also.

In actual practice we need not consider the possibility of inelasticities so great as to be explosive.

What of the assertion, then, that devaluation is no solution because of inelasticities? We will get a new equilibrium. Our exports will increase if our demand for foreign goods is inelastic, decrease if it is elastic --- save for the equivalent of the annual outflow of gold, which will be added to exports. ~~Or~~ This is assuming a constant supply of other m, which is wrong of course, One must scan whole situation before saying.

If we were not setting the currency free, but devaluing to another definite par, would we be ~~so~~ running any greater risk? I mean, would we increase the necessary gold exports? Only in the event that the gap were larger, and this is just as unlikely as the explosive situation with free rates.

Elaine seems to think it is necessary to increase exports and reduce imports, that unless the movement does this it has failed. But at the new ratio of exchange, the same physical balance that was before an import balance is now an even or an export balance. ? No, no, it would be even more of an import balance.

The fact is, it doesn't matter about movements of goods. If you import more than you export, ~~that~~ and are not losing reserves, that means you are getting credit, that's all. That is no "problem" that the import balance country need solve. As soon as foreign banks etc are tired of accepting more pesos the peso will fall a little further as the demand for pesos declines --and it is natural that after a devaluation foreign banks would want to build their peso balances, since the probably disgorged them completely when devaluation was anticipated----and your imports will decline to equal your exports.

The first thing that makes your imports decline when you devalue is not that you offer fewer pesos, but those you do offer buy fewer foreign goods. And your exports increase because the \$ foreigners offer buy more of y ur goods.

Barring capital movements, it is inevitable that either your exports increase or your imports decline, or both.

Elaine's general attitude is that if this fails to happen it is a problem that the govt. must do something about. I say it just shows capital movements. She also says it shows inelasticities. I say that with inelasticities your exports would boom, for you would supply foreigners with many pesos; and your imports would decline, for you would get fewer dollars.--tho in terms of pesos they would not decline, but increase, as mentioned before.

Thus she has created a problem where there is none; and failed to see what is a problem: that govts now know how to use their power over exchange rates to use the rational monop. & monopsony power.

Present theoretical arguments not as criticisms, but reasons for disagreement.

Elaine is concerned with effect of fixing peso on trade balance.
- unnecessarily, in this case, but it's interesting.

1st, those pesos that were being turned in for gold etc will now be demanding foreign m - except insofar as it was flight m. Suppose some of it was not - which ~~is~~ was true, for was a genuine imbalance. This goes to buy for. m & s. we start right out with a peso Δ on exch. Pesos formerly used to buy gold from govt now used to buy for. m & hence goods, presumably. Now this might give impression of inelastic demand for inputs, when really they are just being d. heavily paid for. Speculators with for. m, on other hand, - mainly those whose cap just fled - will be gradually proving for. m m, giving impression of more elastic demand for pesos than is real. ~~On balance~~ On balance, ending of cap. flight demand for \$ should be first dominant, & only a small imbalance appear on exchanges. Hence we should first expect net imports of goods etc to increase, for cap. flight is cap. export.

etc.

Raising the price of something, say shoes or \$, does not clear the market primarily by bringing on more shoes and less pesos; but making the given number of pesos and shoes exchange at a different ratio, consuming more pesos to buy a given number of shoes. So if we raise the price of shoes and the same number of pesos is offered for the same number of shoes anyway, that is demand is unitary and supply is absolutely inelastic (a strange asymmetry in definition) the market will be cleared altho s & d haven't changed: same number of each is offered.

Now the new price will clear the old amounts. And if we assume unit demand and inelastic supply, these are the same as the new amounts. This will end the matter. Exports, measured in pesos, will be greater by the amount of the reduction of gold exports; imports, measured in pesos, will be smaller, for each peso now buys fewer \$.

Now suppose slightly inelastic demand for \$, and a perversely elastic supply of \$. When we reach the price that would clear the old amounts, we still have a surplus of pesos. This will further raise the price of \$ and at the new clearing point bring another surplus of pesos. --this is just a mechanical means of describing a fluid process. If, at each successive clearing price (hypothetical), the surplus is smaller than before, it will rapidly become infinitesimal and an equilibrium price reached. If it becomes larger, the price of the peso will fall to zero. As this has not happened, it is clear that a clearing price exists, lower than the former price.

Such a price can exist ~~independently~~ despite inelasticity of ~~both supply~~ demand, and perverse elasticity of supply, together. But only up to a point. Presently I shall calculate the point.

If such were indeed the case, it would mean a tremendous increase in exports and a small decline of imports. Because foreigners would get many more pesos, mex get many fewer \$.

Since this has not happened, it ~~suggests that~~ must be that these elasticities are not real.

What overvaluing countries are doing, fundamentally
is exploiting men. ^{Berkeley} ^{permanently} ^{of} ^{nation.} Once they've
learned this, & other socialistic measures make employ-
ment creation no argument for undervaluation, free trade
is ^{done} ^{at} ⁶ ^{o'clock} ¹⁹

For Maec Gaffney Room No. _____
_____ called to see you.

In leaving these
old slams and
lab work in
case you might
want to work
out some problems

Have a nice
Summer & I'll
See you!

This money position
being achieved by Flaming
undervaluation, it also involves splurging it all
reserves of for. m. &, as foreigners won't accept your
m, what m do you trade with?
The country that takes initiative is

Informator.

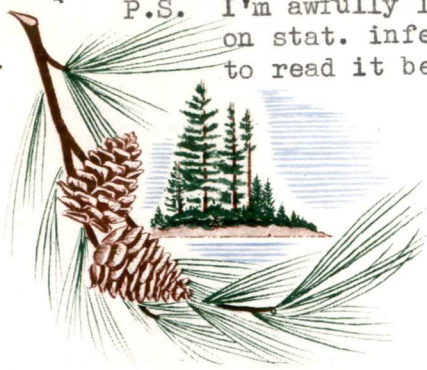
reducing its exports gets monop. advantage.
The one taking initiative in reducing imports
gets monopolistic, taxes foreigners.

We, too, encourage monop. in export
industries: Webb-Pennine.

So only hope for world traders
world govt. Would make a good book:
why we cannot get along without
world govt as we need it. Or article.
Get done in course next year, write it up.

Key process is overvaluation: govt. main-
tains it by redeeming its m in foreign m at the
rate. Local people hatch on in govt's reserves,
it allowed, hence import balance. Once that
source of f.p. is gone, no more imp. balance.
So can this method last? With further controls
perhaps. Thus we get exch. control, etc. I am fl.
would do it, too. With tariffs & overvaluation you
are exploiting your monop & monop. positions
simult. This will last - they will speak of
crises & inevitability, but this is crux.

P.S. I'm awfully late in sending you this booklet on stat. inference but maybe you'll have time to read it before school begins.



156 S. W. Kingston
Portland 1, Oregon
August 26, 1949

Dear Mace:

The stationery is lovely, isn't it? Certainly hope the scent arrives intact. It was most thoughtful of you to remember my birthday--I was impressed!

I'm taking advantage of my boss's absence this morning to write this long overdue letter. Dad is in Tacoma for the Company's rate hearing and things are really dead. There isn't a thing I can do on the brief until he returns. John and I finished everything except a supplement devoted to the state of the American economy (indicating that depression is not imminent and hence there is no excuse for not raising wages on that account). We have that in the rough but Dad hasn't read it yet. Meanwhile, Mable is on vacation so I must hold the fort and find whatever I can to keep things popping.

This has been a wonderful summer, Mace--if you have had as nice a one, you will be as reluctant as I to return to I House and school. Used to think working was miserable, but now I find there's a glorious sense of freedom about it. It's terrific to know you can actually go out five nights a week if you like and not really suffer in your conscience on the following day!

John has been a fine person to work with. Have really learned lots of economics talking things over with him. The other evening he showed me how to do tracings with India ink. It's fascinating and I'm determined to find some excuse to do such drawings for my thesis. Already have a ~~xxx~~ T square and bottle of ink --now for a drawing board and some pens!

John mentioned that you were concerned about having written to me about the article. How I laughed, remembering your worry over Bob Gray and the fact that you had severely criticized a paper of his. ~~xxxx~~ As a matter of fact, I was delighted with your nice long letter and the subsequent one. Intended to reply promptly, but the summer has been so full of things--from the wonderful days working on the brief to the even
~~in~~

She resented my criticism. Her attitude shows it - she's not giving an inch.

better ones relaxing for hours at a time at the Reed pool-- that I have ~~had~~ almost no time to really sit down and quietly reply.

Now to turn to your very stimulating comments on my article. Hope I can reply to them to your satisfaction! I hope that you have kept a carbon copy of your letter, for I should like to deal with its contents step by step. Since you have done me the complement of being very frank, may I be just as frank with you?

Maybe I was wrong to criticize her for not doing as I would have done. But she should not use others' theories unless she feels competent herself.

I don't ask for abstraction, but correctness

X

First, a word should be said about the appropriate approach to an economic problem such as Mexico's. The article is not, from your point of view, original. The fact that you have so reacted is not hard to understand, for I well know your penchant for theory. You have overlooked the fact that I am dealing with a specific factual situation, from which a high level of abstraction is not possible. The orderly economic theory which you enjoy and like to create is a form of abstraction which, while at very bottom resting upon fact, is really very far removed from any specific factual situation. In other words, from many different situations, generalizations are drawn; from these generalizations, more generalizations are drawn until one has ultimately constructed a framework of theory, whose postulates are the generalizations drawn from many factual situations. Recognizing that these are only generalizations, theorists have called them assumptions. Unfortunately, because they have evolved from real situations, the mistake is often made that the higher level of generalization, the "basic assumptions" are true descriptions of reality. Some of them may well be, but others have little basis in what I call true reality--the specific situation in which people find themselves.

But that is just what she did, in part she accepted false theories

So when applied to a factual situation, economic theory must be chosen with care. The facts should never be crammed into a theoretical framework which may well have been developed from quite different factual situations. The reason for my not developing what you would call an economic theory is not that I considered myself too inexperienced to do so, but because I did not believe it was my function to do so. My attempt was to learn the facts of the Mexican situation as far as possible. My sources could only be statistical data and statements--combined of fact and opinion--by those close to the situation, students of it and those directly involved in the politics of it. And of course, there were the official acts themselves to interpret. I don't believe I took the acts or the statements at face value--I tried to read in them what the situationx really was, as much as what the authors said it was. By and large, I studied this factual material before approaching the economic theory which relates to the matter of depreciation and then I tried to use the concepts employed by some of the theorists where those concepts seemed to be appropriate to the factual situation as I saw it. In other words, using factual data when I could get it (granted I had to use much judgment as to what constituted

i.e., she used theory of others, where she wanted to

it does indeed, to do well. I am not criticizing her for not being broad, but not being original. The very facts she looked for were determined by theory she started with.

2.

"fact") and using concepts derived from economic theory "where it seemed appropriate," I attempted to bring order out of a chaos of many variables and countless problems and conflicting points of view. In my view, this requires as much "originality" as the creation of a broad economic theory--though of a different sort. To you it is a criticism that I have "adapted arguments made by others to (my) own purposes." To me it is the only sensible method to employ in studying a specific factual situation.

To attempt to do what you have done in your letter would have been folly. *Not sensible if the borrowed theory is wrong.*

This is an old oyster of the leftwingers. They think all criticism of them comes from those who don't adjust to the facts. Comment theoretically but not relevant.

not so who This is my chief criticism of your letter. You have approached the article with a certain theoretical framework in mind--one far more appropriate to British-American trade relations in the nineteenth century than to Mexican-American trade relations in the 20th. As a result you have been blinded to the facts of the situation as I tried to present them. Your letter does not reveal that you have been enlightened in any respect as to the facts. For example, in no place in your letter do you mention the central theme of the article--~~the problems created~~ that Mexico's attempt at industrial development has created these problems and the solution to them lies in her fiscal policy. *True - I couldn't discuss most things, chose only a few.*

not the same First, you make the statement that Mexico wants an import balance because an import balance is an import of capital. You are correct in the sense that Mexico would like to continue to import as much as possible, both industrial equipment and consumer goods. That is what I meant by pointing out that Mexico's demand for imports is ~~is~~ inelastic. But this does not contradict the statement that an objective of devaluation was to reduce the import balance. In the first place, you are wrong in saying that an import balance is an import of capital. This is only true under the condition that the foreign exporters to Mexico are willing to build up balances of pesos. But you should have realized from the article that this is a ~~fix~~ foolish assumption. Mexico is not Britain in the last century and people in this country are just not building up peso balances in Mexican banks. No. Mexico like every other country in the world today almost always has to pay with dollars for its imports from America. During the war Mexico did acquire dollars from holding an export balance with this country. But this situation is over. As you know, there are three ways of paying for imports--with exports, with money (gold or dollars today) and by borrowing. You assume that the import balance can be financed by the latter way--in that sense only would an import balance be an import of capital. Please see p. 7 where I indicate the extent to which Mexico has paid for her import balance with gold and dollars.

she missed my point here, which was that Mexico could not have an import balance unless she was getting credit, & she couldn't get it she wouldn't have it, no problem, it solves itself.

Secondly, I quarrel with your comment that the fact that Mexico may not correct its import balance through depreciation does not constitute a problem. You add that this is only a problem when your currency is redeemable and you are losing reserves. As I pointed out, ~~that that was the problem that~~ in the first few pages of the article, that was the problem that produced the crisis. The peso was redeemable and the central bank was losing reserves. Now, a stabilized rate is considered essential for orderly trade and tourist relations between Mexico and this country. Very shortly after the devaluation the Bank of Mexico again entered the market to iron out minor fluctuations. But permanent stabilization is impossible ~~without~~ with a continued import balance of trade. (The peso fell further this spring to almost 9.00--it has been officially stabilized at 8.65 and a stabilization agreement signed with the U. S. in June)

So stabilize
at another
rate.

XXXXXX

Rather ingenuous of her to take a hypothesis as a statement of fact

As for your statement that foreigners are accepting for goods more pesos than they spend for Mexican goods, well, as I pointed out above, that simply is not so. I feel confident ~~that~~ that there are very few American banks who have ever carried peso balances beyond the minimum requirements. ~~for~~ You have to understand, Mace, Mexicans will always accept American currency--it is practically as negotiable as their own. As for buying Mexican securities, would you? Mexicans themselves refuse to buy them, as I pointed out in the article, and certainly few Americans will do so unless they have a direct interest in the company. I understand that a couple of years ago a Mexican company managed to have its stock listed on the N. Y. exchange--there was a great outcry that at last Mexican industry had come into its own. But I understand that the event has not recurred nor is it likely to in the near future.

In the literature of the Mexican devaluation, the terms depreciation and devaluation are used interchangeably. As I understand it, depreciation refers to a decline in value of a currency with respect to another currency whereas devaluation connotes reduction in value, usually by an official act, of a currency with respect to its gold content. In this case I see no reason for not using the terms interchangeably inasmuch as the dollar has been pegged to gold and therefore depreciating the peso with respect to the dollar was in effect a devaluation. In any case I think the important matter is to know how it was accomplished--that is, the government did not officially devalue; it simply withdrew from the exchange market and allowed the peso to depreciate.

Not so, for I have no such belief. I only mentioned it as a possibility. She assumes great knowledge of my mental processes.

that the more inelastic is Mexico's demand for imports the more exports will be expanded)
Your next criticism again stems from your mistaken belief that Mexico pays for its imports with pesos--that pesos are as good as dollars. ~~Don't you see, Mace, the Americans' pesos just are not so good~~ But they are not and Mexico has to pay for imports with goods or gold or dollars. For the reasons discussed in the

They have to buy the \$ with pesos, who ever finances trade. I don't think it will make any diff. who does, but figure it out.
if so, & they are limited, how can demand be inelastic?

Then they will cost more in pesos, increase in 3, that sense.

article there is no reason to believe that exports of goods will immediately expand simply because pesos are cheaper to us. You ask why I am sure U. S. demand for Mexican exports is so inelastic. I'm not sure of that. I pointed out that it was not possible for me to make a study of all the relevant elasticities. In any case I am extremely doubtful as to the validity of applying to this situation elasticity coefficients worked out

from historical data. I have suggested that, for the reasons mentioned, U. S. demand for many of Mexico's raw material exports is not likely to be highly elastic. You are right of course that demand for some of them is elastic. As you say, demand for gold and silver, and I might add, probably petroleum and certain other minerals, is elastic. However, just because demand for certain exports is elastic is no guarantee that these exports will be much increased in the near future for the reason that Mexico may not be able to expand production of these commodities significantly. Industrial equipment is much needed and the problem of obtaining it is increased by devaluation. Moreover, domestic requirements of many ~~of these~~ commodities has increased. (For example, Mexico now badly needs equipment for her petroleum industry and as you know negotiations with this country have broken down. In the 1920s Mexico exported 80% of her oil production--today she exports only 20%, so greatly has domestic consumption expanded-- It has been said that if Mexico could bring her oil production and export back to the peak level of 1921 she would ~~have~~ bring in enough dollar exchnage to solve her present difficulties. In other words in many respects Mexico's problem is one of retrogression in international trade)

In the discussions of the elasticities, Mace, all I was really trying to say is that there are so many complicated considerations ~~that~~ (which the economists have termed elasticities and which sound automatic but which are not) that one cannot assume a priori the results of devaluation. It's a warning against blind acceptance of panaceas. Of course, after years have elapsed, exports will be expanded (elasticity of supply is a function of time) and a trade balance will be worked out--of necessity if the country is not to go bankrupt, given present conditions of foreign investment--but then, who is to say that exchange depreciation has accomplished it?

Of course, Mexico could let the peso drop to any level it desired. My point was simply that Mexico could not hope to stabilize the peso at the hoped-for level of about 7.00 while still pursuing the sort of financial policies it has followed in the past few years. The peso has since fallen further, as I ~~said~~ mentioned above. Stabilization ~~of the peso~~ requires a near balance of trade and tourism, for Mexico cannot hope for much investment from this country--save governmental loans such as those which have thus far helped her along. In sum, a continued large import ~~balance~~ balance must mean, ultimately, further declines in the peso value.

Then
monies

?



no, no imp. balance. She looks on it as cause, 1 as effect. w/o some form
no, no imp. balance. no imp. balance.

So long as Mexico pursues a policy of deficit financing of public works and industrial development, won't you agree that there will tend to be an import balance, due to the inflationary effects of such fiscal policy and to the fact that ^{Mexico} does not seem to be able to enforce trade restrictions? Even aside from the effects upon incomes and consumption, the industrialization policy means a tremendous demand for imports of investment goods.

Incidentally, it was in that light that I discussed exchange control. I don't see how you could have assumed that I "defended" ~~exchange~~ control--I am well aware of its effects upon international trade and the welfare of peoples in other countries. I have dealt with it only as an alternative which might be better employed than depreciation if Mexico is bent upon continuing her inflationary fiscal policies, and doesn't care what ~~tax~~ effect ~~exchange~~ control has upon foreign private investment. (It would probably forever close a door which at least is open tho' unused) In other words, given the goal and without any ethical judgments regarding it, I simply ask myself, what is the best way to achieve that goal. In the abstract, exchange control, well used, might be better than depreciation, but I'm sure it would not be well used in Mexico. ~~Their~~ business and political ethic of that country is far different from ours--regulations of any sort are most ineffective.

I agree with you that it is a sad fact that nations are selfishly concerned with the welfare only of their own people. But it is a fact and we must recognize it and try to cope with it--not simply try to change the fact when it is virtually an impossible ~~task~~. (You must feel the same way about, say, monopolies. Having studied them as much as you have, do you believe there is any hope for wiping them out? Or is it not better to find ways of regulating them for the best interest of all?)

But Mace, do you really blame Mexican governmental officials for not thinking first of the repercussions of their actions on the world? So long as prosperous people in this country have little regard for ~~their~~ welfare of their neighbors, you can hardly ~~be~~ a people which, from our standards, is starving, to be condemned ~~only~~ with ~~themselves~~. To me the really tragic situation is the lack of concern which well-to-do Mexicans themselves have for the plight of their underprivileged. I do not believe you can conceive of the contempt which wealthy Mexicans hold for their own indigent. The depth of that contempt is very evident to those who have lived in the country. This lack of concern for their own people and community, "local pride", along with an income distribution carried over from feudal Mexico of 50 years ago, has affected Mexican investment habits. As I tried to point out, the preference of moneyed Mexicans for investing ~~abroad~~, in real estate and in luxuries is one of the fundamental reasons for the present situation. Practically everything has to be done by the government, which is then roundly abused ~~by~~ by propertied Mexicans. To recognize sociological facts such as these is as much ~~an~~ part of scholarship as the proper use of economic "theory."



I think this touches all your points--and leaves you lots of room to challenge me. This could go on forever, but as you say, we really should have a chat. I do appreciate your writing at so great length and hope this lengthy answer doesn't weary you. It has been lots of fun to try to answer your question and remarks--and most of all, to try to analyze the philosophy underlying

them. Writing to you brings I House and Cal pretty close all of a sudden, almost as close as having lunch with Bobby McClung the other day. That gal knows all about everyone in the house--but less about you than I knew. That pleased me no end so I told her impressively that you were writing a couple of articles at your retreat in the Vermont woods. She became quite lyrical over it so you may have an exuberant post card from her.

Must close now--think of the stationery I've consumed! Thank you again for making it such pretty stationery. See you in about three weeks.

Yours,

Elaine

P. S. Thank you for the reference on the Mormon book--haven't looked it up yet but hope to one of these noon hours. I'm using them all for shopping while Wili still has her job at Meier & Franks. She gets a 15% discount on her purchases! She has been working in the millinery and hates people! However tomorrow is the last day ~~xxx~~ of the college style show in which she appears (as the Reed college member of the College Board!) and then it's all over. I can't tell you how much fun it has been to watch Wili clerk--she is so efficient and so sweet to the customers though you can feel her sizzling underneath.

? paragraphs too long.
Only non-technical reference is Mex.

Sequence of IP

1. Mex depreciate ~~devalue~~ free exch, it falls.
2. Subsequent history
3. Caused by import balance. previous threats.
4. All SA the same. War exports & infl.
5. Postwar, U.S. could export, got import balances, \$ shortage.
6. Special reason for Mex. infl.: deficit finance
- 7.

CALIFORNIA AND

Mission Pak

*combine
to send you
rare and
delicious
fruit*



which brings joy and appreciation to the recipient, and a deep sense of satisfaction to the sender.

We know you will enjoy this Mission Pak because every item in it is the selection of experts whose standards of quality are rigid and unimpeachable.

AVOCADOS This delightful fruit first became known in 1519. Later it was widely cultivated in tropical America but it was not until 1900 that the Avocado gained real attention in the United States.

It was around 1910 that California began giving the Avocado its

true distinction and now Mission Pak presents this delicious delicacy in its finest form to garnish a cooling salad or to serve on the half shell and in a wide variety of ways.

ORANGES The romantic history of this immensely popular fruit dates back to the 12th century. It was about 1565 that Spanish Colonists introduced oranges in the United States. Then in 1769 with the found-



ing of the first of the Franciscan Missions, by Father Junipero Serra, at San Diego, the growth and development of this healthful fruit was started. Today California oranges must measure up to strict state standards. The vitamin C content averages 54 mg. per 100 gr. of juice.

FIGS are the oldest known fruit still grown. Fossils have been found in rock strata laid down 25 million years ago in Asia, the Orient and even the Arctic.



Figs nourished man from earliest recorded

history. They were regarded as a "Brain Food" that fostered thinking power. Plato depended on them during the years of his great teachings. They fed Caesar's armies.

And today, the sweet, soft-seed varieties grown only in California are still a favorite fruit—abundant in natural sugars for quick energy and rich in vitamins and minerals essential for good health.

DATES The date palm is probably the oldest cultivated tree known to humanity. Directions for its culture

are recorded on sun-baked bricks made over 5,000 years ago. It is believed that California's first date



palms were planted by the Mission Fathers. The choicest of all dates is known as the Deglet Noor or "Date of Life." Like all other fruits included in Mission Pak Gifts from California, only the finest are selected.

The Romance of MISSION PAKS

Histories of fruits etc. wd make good reading.

OUR POLICY: *We desire to so conduct our affairs that all who deal with us will feel ...*



SATISFIED with their purchase; will be pleased with our methods and retain a feeling of friendliness for us; will trade with us repeatedly and will be pleased to express their satisfaction to others.

MISSION PAK

Perhaps you would like to know more about this Mission Pak which you have just received, and other Mission Paks which have gained such wide renown for their beauty and good taste. There is romance and charm, abundant deliciousness, and profound dignity in every pak.

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is famous for its sunshine, luscious fruits, and delicious nuts. Mission Pak cannot send the sunshine but California's beneficent orchards and fertile soils combined with the distinctive treatment we give each Mission Pak has resulted in delivering, over a period of 35 years, a kind of gift package

Article:

"How depression might
come to U.S."

Thus discuss possibilities
w/o claiming to predict.

Wd. be unacceptable to
AER etc, + my afcs
direct.

5532 Redman, John C. "Ec. Aspects of the Farm Woodland
Enterprise." JFE 38(4): 901-10. Nov '56.

Redm has yield figs, p. 904. Uses S & L gets fantastically
long rotation - I don't see how. Figure right, send note to
J.F.E. See Dick King

✓ He distinguishes bd-ft from cu-ft yields. Former hold up better, much.
Is this quality Δ? Check w Bryant. Maybe this is why I get
such short rot-ns?

Redman gives no Co figs.

Article for Land Economics
or J.F. or Maki's pub.

Critiquing Forest Service
data:

- a, on evaluation of practices
- b on concentration

Thesis excerpts to send around for nibbles.

1. Ch. 1, pp 15 - 42
2. ch 2 pp 71 - 8; 19 - 99
3. ch 3 pp 41 - 72. Many corrections needed.
4. ch. 4 Too scarce. Only 2 copies. Only send with complete MS
5. ch 5. Only 3 copies. pp. 44 - 58
6. ch 6. Good to send along, to give unity of thesis, & idea of its serious aspects

Before writ'g, get names, of directors of presses. Try to learn something of their idiosyncracies, from:

- a. Orpha
- b. Observ-n of works publ.
- c. Hickers
- d. Gordon
- e. Ralph - he has scored w. UC press.

General thought: Thesis was written under supervision, is $\therefore$ Mummy.
Don't devote too much effort to gett'g it published as is.

Recreation resources.

(like water, this is prosperity
ec. More than water, in
fact, for water projects by
Fed. may blossom in depression)

Distrib. systems

Have mimeo ~~last pp of~~

+ the good pp. of ch. 4, send around.

They are good.

"Ec. of outdoor recreation."

Fun gathering data.

Land ec., land mngmt, etc.

Popular subject.

7. | Grad. princ. Begin w. short, single-idea notes.
| Later take on complex issues, e.g. predict depression.
~~rich projects.~~ | Thus get
~~than seribonds~~ | more publ.-ns,
| & wear out
| fewer readers.
|

Be ready to sum up
finite series of fields; get
formula:

George's idea has strength. The students get it, tho they fumble other ideas. One needn't sell it -- it sells itself. One need only let the student know what it is.

So write a brief exposition of H.G., for college circulation. Don't try to sell -- just present.

"twister" - good description
of Ellis.

Article:

Rehabilitate subsidy to
decr. cost ind-y. argument.

Ellis & Fellner try to
destroy it, by criticizing
Marshall & Pigou who
made it. Review their
article, Vickrey etc. in
the field, refute them.
They twist it, miss
main arguments.

Ellis-Fellner article
reprinted in AEA Rdgs
Price theory, so stands as
classic.

They object (incidentally)
(over)

Extended benefits --
another big link in my
free trade argument.

&

link between it &
Weeks, & BR studies, &
local govt studies, public
works studies.

I have many original
contributions here -- v.
file on ext. ben., & cf. crude
Ellis-Fellner, & crude
Pigou.

Best approach to lvt
may be thru decr. cost
ind-y argument.

Ec. texts, most treat
l.v.t. quite respectfully. ^{Even use strong words.} So
don't fear prof. censure. Don't
pussy-foot. Come out for
it - strong.

Lampoon. "What thieves
have stolen, let no honest
official ~~try to recover.~~
repossess."

My ultimate aim is to write for popular
consumption.

This suggests international, as that
is most popular subject for writing.

Length:

~~39 pp, of which 5 need expanding.~~

~~c. 80-100 words/pp. $40 \times 100 = 4000$ words.~~

A & A reprints, length:

Ave. ~~25 pp.~~ $\frac{504}{24} = \frac{500}{25} = 20$ pp. Some run to 40.

400 words a page. $20 \times 400 = 8000$. So I'm well within the limit. Good. Keep it short, even so.

A & J. articles run a bit shorter.

Approach for article:

Show how desire to hold down tax rates leads communities into stupid, self-defeating courses.

E.g. build's things at home, forcing them there, so can tax them.

Hl power rates.

Bad schools - waste 12 years of kids' lives.

Another possible
subject: failure of
Col. Basin Anti-Spec.
Act. From travel
thru area it clearly
has failed. Scattered
settlement, & immense
canals w. no settlement
under them.

Mention - to Weeks,
as future project, if
get located in West.

Directions for research planned with use of uncommitted res. funds, 1956-57
Boundaries, outlines,
1 Area of Research

~~See outline in indivisibility file.~~

Outline of project for 1956-57 (also rough idea of later years)

1. Series of studies on ^{effects of credit rationing on alloc. of land.} ~~aspects of land mkt.~~
2. " " " " alloc-n of water resources.

- 1
 - a. ^{aaa & MP. Space as element in Δ costs} ~~Prod-n eg. reexam. of concept of effie.~~ in ^{land use,} ~~fm~~, in terms of mgmt analysis of land.
 - b. ^{Valuation, effect on alloc.} ~~Time relations.~~ Concept of indivisibility in time. Tax cap-n. Effect of taxes on scale of fm.
 - c. ^{Opt. distrib. of outputs in time.} Dynamics
- Land spec. as factor in bus. cycles
Trend of ^{effect of exp-n, time-dimension} ~~tray~~ }
" " conc. }

Forecast's, effect of on alloc. of land.

Goal: Integrate land ec. into mainstream. &

1.
 - a. Application of mgmt analysis to
studies to det. ~~MP~~ of land, by diff. hld'gs & tenures
Develop theoretical apparatus beyond present primitive level state.

b.

Res. will be in subjects, ~~long of~~ carry forward long term ~~and~~ program of res. & intell. dev't.

Funds to be used for research in sense of accum. & org. knowledge; also present's, expound'g. & integr's w. mainstream, ^{make results comprehensible & interest'g, signif. to other ec. sts} Repl're provincialism in narrow speciality.

Integrate, is keynote.

1. Land ec. - integrate w. ~~some~~ other dev'ts; esp. in 2 fields

a. Prod'n ec.

Mention integr'n

b. Time ec.; intertemporal ec. relations

- i. Time dimension of land is poorly dim'ed
~~Indicis on time~~ effect on alloc'n of land. } ^{Time} Opt. dist. of outputs
~~Money~~ ^{cap.} Mkts. as solution. Tax'n, effect on alloc'n. & bus affects alloc'n, new th'y of cap'n. } They as time divider. ~~and~~
- ii. Opt time distrib. of output
- iii. Dynamics

Is not expected to exhaust all in one yr.

**SCANNED
AS
FOUND**

Peter F. Drucker

*Emphasizes water &
teachers. So my fields should blossom*

Eleven Coming Issues in Politics

America's next twenty years, part iv

While both parties are still squabbling over
the battles of the last generation, a
new set of issues is emerging. . . .
They probably will fix the shape of
American politics for the next two decades.

THE PAST twelve months should long be remembered as a watershed in American politics. This was the year, as the 1954 election showed, in which the New Deal finally passed into history—codified, consolidated, and accepted. It was also the year in which the economic and social problems which will dominate the next two decades first took shape. Their appearance was foreshadowed by President Eisenhower's State of the Union message of last January and by the many Presidential proposals on major policies—transportation, water use, medical care, tariff policy, and so on—which followed during winter and spring, a steady stream of legislative requests unprecedented since Franklin D. Roosevelt's "First Hundred Days." The lack of surprise which greeted these proposals—almost all of which would have seemed revolutionary a few years ago—showed that we were indeed entering a New Era of public policy.

The preceding three installments in this series have addressed themselves mainly to the demands the future will make on the management of

business, on union leadership, and on higher education. This concluding article is concerned with the political meaning of these developments. Again, as in the series so far, the theme will be "the future that has already happened."

The starting point of this analysis, and its central fact, is, of course, the growth of our population and the changes in its structure. Equally important is its shift in geographic distribution. Twenty years ago, when it was commonly believed that America's population had ceased to grow, it was also widely held that our people had lost their traditional mobility. "The days of the frontier are forever gone," and so on. The past ten or fifteen years have proved this false. The largest migration in our history began during World War II; and it has continued ever since with undiminished momentum.

This is a migration both of people and of industry. Three areas in particular have grown as fast as any on this Continent ever did in the past: the Far West, the Southwest, and—just north of the border but intimately linked with the United States—Southern Ontario. To be sure, the spectacular growth of California—from fifth in size of population in 1940 to second in size in 1950—shows signs of slowing down. But even so, California will be the most populous state by 1965, if not by 1960. And Texas, New Mexico, Nevada, Oregon, and Florida are now growing at boom speed. Just across the border, southern Ontario since the end of the war has become one

In the vague, rustling emptiness with every bush watching her and maybe concealing something, she had nothing to grip on to, nothing but the thought of the little children she had come to teach and to know. Sunday after Sunday she had found them waiting for her. Surely they had grown to love her in their own way and no harm would come to her among them. It had been a foolish and mad thing to run away from the Native leader, for she had thus accepted his charge of wrong, of untruth and twisting. And in one minute of fear she had lost the children and undone the work and the first mission of her young life. How could she explain it? If she were to set right her mistake she must go back and face the black people, whatever the consequences, whatever the danger and threat to her life itself. There was no other way.

"O Lord God, help me," she prayed.

THE WAY back was easy to find. She simply turned and followed the path, going neither to right nor left. But at each step, at each sound from the bush, her courage sagged. Then, after what seemed a long time, she heard a murmur of human voices somewhere ahead, and she had to stop to let her heart slow down. The voices became louder as she continued.

At last she reached the edge of the clearing near the woodseller's fenced-in yard and peered out from among the foliage. Where she had taken her Sunday school class, under the same sheltering tree, the secretary was holding a meeting. He spoke slowly and expressively in a language she did not understand and hundreds of people in the yard responded to him with rumbling voices or with a sigh. They had their backs to her. The Native leader had turned her cowardly running away into a success for himself. On the edge of the crowd were the children, her children. They were not listening but seemed drawn by the stir and passion among their elders.

Slowly she walked out across the sand into the full sunlight. They noticed her at once. A murmur came from them and hundreds of dark faces turned toward her. The secretary stopped in the middle of his speech. Some of the children started talking excitedly but their elders hushed them.

She came near the children and opened her mouth but her throat was dry and no sound emerged.

Again she tried and said huskily, "Children,

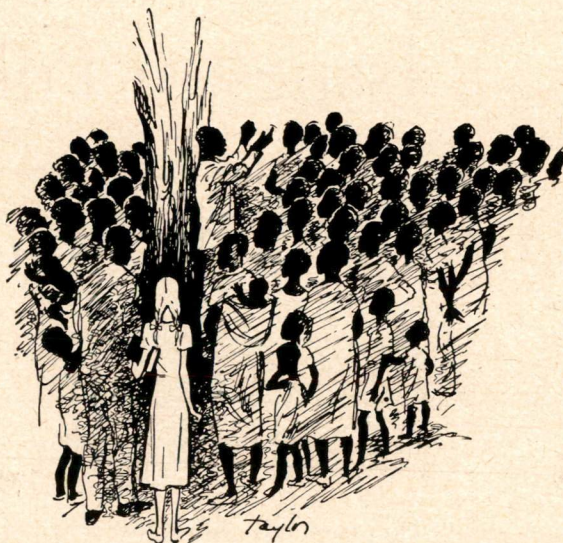
I have one more thing to say and one hymn to sing with you before I go today. . . ."

She did not know how to continue and there was a silence.

Then she said, "Will you listen to me, my children?"

A small boy hiding behind a companion piped up, "No!" A faint rustle like a deep breath rose from the crowd.

"Gracie, will you listen to me?" Angelina appealed.



The people had their backs to her . . .

A little black girl with her crimply hair done in a dozen plaits said softly, "*Ja, my nonnatjie.*" "No!" shouted another shrill voice.

Then one of the children picked up a wood chip and tossed it at the white girl. It grazed her sunburnt leg and left a slight scratch and a bead of blood. Another chip followed and another until in a moment they were all pelting her as hard as they could, laughing and jeering at her. Some chips hit her and some flew past. They did not hurt her; she could not feel them. But the wound they made was deep in her breast. She stood there in the sunlight and bowed her head and began to cry.

Benjamin Segode rushed from his place at the tree and stopped the children throwing wood chips. "Hail!" he hissed at them furiously. "What is this—are you hooligans?"

The children shrank back among the people and the whole crowd fell quite silent. Some watched and some turned away their eyes while the white girl stood there and cried, shaken with long choking sobs, and the tears ran down her small face and dropped in the hot sand.

of the major industrial areas of the world; and the opening of the St. Lawrence Seaway should bring another tremendous expansion to Canada's industrial center.

The new migration is an urban one. California is already one of the most highly urbanized states in the Union; and southern Ontario is hardly less urban, despite all attempts by the Canadian government to direct into farming the "New Canadians" from Europe. Internal migration from the farm to the city is also changing the character of the Old South. Fifteen years ago the states that once formed the Confederacy were predominantly agricultural; only one out of every four people employed held a non-farm job. Today half the Southern population makes its living away from the farm. And, significantly, the Southern Negro seems to have become urbanized even faster than the Southern white.

Already, in other words, the Americans are a *metropolitan* people. Almost two-thirds of us live and work in the one hundred and sixty-eight areas the Census recognizes as metropolitan. The country can in fact be best envisaged as a galaxy of urban solar systems. And while, within itself, every one of the metropolitan systems tends to decentralize—as people move to the suburbs—the country as a whole tends steadily to centralize. It is the push of people toward the metropolis that causes it to expand into the semi-urban countryside.

The basic issues of domestic policy in the next twenty years will therefore be those of a densely populated, industrial country in which the metropolitan area is the basic unit. There will no longer be major regional differences in basic population patterns. Even in Colorado, Utah, and Arizona, well over half the population is already metropolitan. Above all, the basic difference between the agrarian South and the industrial or commercial North—which has shaped so much of American history and culture—will tend to disappear. Concretely, eleven issues will be in the foreground—all difficult, all controversial, all requiring broad national as well as local or regional resolution.

NEW ISSUE: WATER

THE GEOGRAPHY textbooks have it that the United States is favored above all nations with natural resources. It is certainly true that our food-producing capacity is so great that we will be able to feed even the

very much larger population of 1975 out of domestic resources—and at a higher standard of nutrition. And while, twenty years hence, the United States will be a net importer of most industrial raw materials on a gigantic scale, it will still produce a much larger share of its basic needs than other Western countries. But there is one natural resource in which the United States, compared to Western Europe, has always been badly supplied. It is a basic one: *water*. Not only is rainfall over large parts of the country deficient, and abundant rainfall limited to small areas in the northwest and southeast; but because of geography, geology, or soil structure far too much of the rainfall we get seems to be lost in run-off rather than stored up in the subterranean water table for future use. ✓

During the past fifteen years the signs have multiplied that we are living off our water capital—running the risk of repeating with our water resources the orgy of destruction we indulged in with our soil. Water tables, once depleted, are even more difficult to restore than eroded and depleted soil. Yet we continuously pour new population and new industries into areas of marginal water supply, inviting disasters that we should have experience enough to forestall.

During the next twenty years the need for water will sharply increase—partly because of population growth, but mainly because the new and growing industries typically need water at an ever-increasing rate. A mad scramble for water resources among metropolitan areas, states, and regions is already going full tilt—between New York and Philadelphia in the East, for example; between California, Oregon, Nevada, Arizona, New Mexico, and Colorado in the West. There will be so many of these fights for a larger share of an inadequate water supply—and they will be so bitter—that federal water allocation is certain to be demanded and heatedly discussed. ✓

The conservation of water will be a more novel—and certainly a hotter—political issue. Twenty years hence, in many parts of the United States, the users of water (especially industrial ones) will have to re-use it and to return it, cleaned and cooled, to the underground water table—an expensive process. State laws or local ordinances on water conservation should therefore be the hottest of political hot potatoes nearly everywhere in the country from now on.

The same will apply to conservation of all kinds: soil and forests; grazing lands and petroleum; clean, unpolluted air and clean, un-

polluted water; scenic beauty and open spaces—all will be more desirable, more expensive, and more difficult to secure—and hence they will become even more prominent as political issues for national and local governments alike.

POWER, TRANSPORTATION, AND HOUSING

THE POPULATION pattern will also push into the foreground our national policies on all three of these basic facilities: power, transportation, and housing.

Our power needs will grow even faster than our water needs. Broadly speaking, technology is now moving from the age of mechanical industry into that of chemicals (where, for instance, atomic energy belongs). Electric power is the basic raw material of most chemical industries; and our present power supply, despite the tremendous building of new stations in the past ten years, is already inadequate. Not only will need continue to grow faster than supply, but most of the accessible sources of water-generated power have been used up. From now on we will have to depend increasingly on thermal generation.

Already this issue has arisen over the large governmental power systems like TVA or Bonneville. They can only keep up with demand if they add thermal generating facilities. And, whether they do this by building their own generating stations or by going into "partnership" with private companies, they are bound to arouse antagonism and debate. That much, at least, the Dixon-Yates contract can be said to prove.

At the same time, however, as atomic power reactors are being developed, the basic technology of thermal power generation is changing. This will raise an even touchier political issue. The Atomic Energy Act of 1954, a major landmark in the relationship of government to private business, decided for the private development of the new resource. It did so, however, not merely by applying to atomic power the traditional and uniquely American principle of close regulation of private industry by public authority. It also—for the first time—established "partnership" between public bodies and private industry—and inevitably so, since atomic power cannot be wholly divorced from atomic-war material. Even if the 1954 act were a clearer and less ambiguous document than it is, these twin features (regulation and partnership) would by themselves insure that the status of the power

industry in relation to government will for years remain a source of contention.

Transportation needs, too, are fast outgrowing their facilities—the present state of our highways is only the most glaring result of an outmoded transportation policy. Railroad regulation still assumes a transportation monopoly of the railroads, for instance, where the actual conditions of monopoly have long since disappeared. And there is no co-ordination of policy—even less, of regulating agencies—between rail, highway, and airway transportation. It has been obvious since the mid-thirties that the creation of a unified Department of Transportation at cabinet level would make good sense. Even more necessary—and more controversial—are national programs for building and maintaining a transport system adequate to our population and industry.

Finally, housing will be a major political issue—nationally as well as locally. We are at present building in the new industrial areas some of the worst slums this country has ever seen—in and around Los Angeles, for example, and in the new industrial cities of the South. These new slums are expensive, but the fact that a tar-paper shack costs \$14,000 does not make it any less of a shack.

The housing need, moreover, will grow mightily before it lessens. As every suburban home owner knows, we live today off the housing inheritance of our grandparents. Few middle-class families could afford to build the kind of house they are now able to live in, thanks to the lower building costs of thirty years ago. But these houses are rapidly deteriorating. Within the next twenty years most of them will have to be replaced. Together, these older houses constitute the bulk of our available, and practically all our good, housing. But they are rarely to be found, unfortunately, in the areas of maximum population growth, where we will need large numbers of new houses. These had better be reasonably decent, reasonably cheap, and reasonably well-built houses—and we will want to get them without state or federal entry, except for slum-clearance, into the housing business.

PRESSURE ON THE SCHOOLS

ANOTHER area of constant concern, at all levels of government, will be education. Today we are at least seventy-five thousand classrooms short of the minimum needs of our children in primary and secondary school. This means that a million and a half children cannot

be properly educated—half of them are on double or triple sessions; half go to school in temporary barracks, unused garages, or church basements. Of the school buildings now in existence, one-fifth are fire traps long past their maximum life span.

We are building fifty thousand new classrooms a year, but that is less than we need to take care of the yearly growth in school population. The deficit is not being reduced; it grows by ten or twenty thousand classrooms a year. And in the mid-sixties, barely ten years away, another huge increase in school population will overtake us.

THE COLLEGE situation is even more desperate. In this country today there are colleges with five times the enrollment for which their plants were originally built. And yet, within the next twenty years, enrollment may increase three- or four-fold. Again, we are doing nothing to anticipate the future; we are not even keeping pace with the past. Within the next ten years we will need more new college plants than we built in the three hundred years since the founding of Harvard. We should build college facilities for an additional five hundred thousand students a year for at least the next ten years. Instead, we are building for about fifty to a hundred thousand more each year.

I have space only to mention, with a kind of horrified fascination, the further question of teachers. We will need more—many, many more—on all levels: kindergarten, elementary school, junior and senior high school, undergraduate and graduate colleges. Yet, instead of training more teachers, we are training fewer than we did fifteen or twenty years ago.

We seem to have accepted the thesis that every young American with the capacity for college education should be able to have it. But who is going to pay for this, and in what form? How can we maintain the freedom of the colleges if government foots the bill?

Nor will the question be confined to money. Educational policy and curriculum—especially in the colleges—promise to become hot issues. At present there is little left of the fervent interest in education that characterized the thirties; but now is the very moment when the pressure of numbers on the colleges should force them into experiments with new methods, new subjects, and new educational policies. The more going to college becomes the normal thing for the young American to do, moreover, the more cru-

cial becomes the question of harmonizing academic freedom with education for citizenship—a problem by no means as easy to solve as it appears to either liberal or reactionary.

DECLINE OF THE UNIONS?

DURING the next two decades we will also have to decide how to make medical and hospital care available to everyone. Already we have begun to tackle this problem through voluntary community co-operation; Blue Cross and Blue Shield are the obvious examples. We have yet to extend this system to the self-employed, the farmers, the very poor, and the aged. Above all, we have to extend it to cover “major medical expenses” or “catastrophic illness” expenses—the most serious medical costs for all but the very rich. The proposal of the Eisenhower Administration to re-insure “catastrophic illness” insurance by co-operatives and private companies—and thus make it available to those who cannot be covered today—is thus a major step in the right direction.

There is also the question of providing for medical education. We do not even train enough doctors today to take care of an expanding population at our present standard. Any extension of medical-cost insurance, to make adequate medical care more easily available, would create a *real* doctor shortage. Yet, medical education is so expensive that it puts medical-school expansion beyond the reach of even the few rich universities. A good case can be made out for considering the cost of medical education as a long-term capital investment, which the doctor's higher earning power should enable him to repay over the years. Even such self-financing of medical education, however, might require some form of public re-insurance of the risk; and though the amounts would be fairly small, they are not going to be easy to find.

Nor are the next twenty years likely to be years of industrial peace. On the contrary, all signs point to labor ferment: the rapid rise of total population without an accompanying rise of working population; the major technological shifts which will change large numbers of jobs from unskilled work to highly skilled; the resulting need for radical change in concepts of seniority and training; and the rapid growth of industry in sparsely unionized areas. Unrest may not arise merely between management and labor but fully as much, perhaps even more, between

labor and the public, and within labor itself.

There is today a large area of agreement on the rights and limitations of trade unions throughout the country—far larger than the shrill battle cries of small minorities on either side would lead you to suspect. But there are four unresolved issues—each a basic one. There is the strike that imperils national welfare. There is the conflict between union security and the “right to work.” There are the union restrictions of access to a craft. And finally there is the fight over the unionization of employees who are not industrial workers—salaried employees, clerks, engineers, and so on. Since the work population will before long be dominated by white-collar employees, their acceptance or rejection of unionization will determine whether the labor union will continue to be a power in industrial society, or become just another pressure group—and a rather insulated and rapidly aging one, at that.

DEMAND FOR EQUALITY

WE CAN expect the status of the Negro minority, during the next two decades, to change fairly drastically. Twenty years hence, the rapid industrialization of the South—combined with the continuous emigration of Negroes from the South—should mean that the traditional Southern pattern of rural and small-town segregation, except for a few isolated areas, will be a thing of the past. Instead, the problems of race relations will be those of industrial centers, and especially of northern industrial centers.

Within the next twenty years, we can also expect the Negro's fight for equal opportunity and fair treatment to shift from a demand for equal employment opportunities to a demand for equal opportunities for advancement. While this would represent a tremendous achievement—nothing less than the attainment of economic equality for the American Negro—it would also encounter more resistance. Certainly a national policy, focused on the steady and courageous pursuit of Negro equality—and based upon a firm insistence on the Negroes' civil and economic rights—will be badly needed during this period.

The economic forces which determine the employment of older workers—that is, over sixty-five—will pull in the opposite direction. Wherever industry shifts to Automation, they will be under pressure to get out. This is not only the easiest way to take care of reductions in employ-

ment, it will be more “efficient”; the old worker will have the greatest difficulty in “re-learning” and acquiring new skills. But elsewhere, in the absence of Automation, the shortage of labor will tend to force business to employ old people as long as they are able and willing to work. We will see pressure, therefore, toward better provisions and legislation to prevent “discrimination” against the older worker. Since the older people will steadily grow in numbers and proportion—at least 12 if not 15 per cent of the population will be over sixty-five by 1975—they may well achieve highly organized and powerful pressure. It would certainly be no more than prudent for both management and union leaders to prepare immediately to determine which of the older people are capable of work, how to place them in jobs they can carry, and how to treat them with respect to lay-offs and promotion. In several states, unions are already clamoring for a “Fair Employment Practices Act” to forbid discrimination in both hiring and retirement on grounds of age.

NEW IDEAS ABOUT MONEY

THESE are certainly not going to be years of low government spending—even if armaments expenditures, God willing, should become less necessary. There will be no “withering-away of the state,” whether Republicans or Democrats control the federal and state governments. Yet our notions of fiscal policy are still based largely on the assumption that high expenditure belongs only in an “emergency.” How, therefore, are we to combine the needs of the government for large revenue with the needs of an expanding economy for investment capital? Perhaps we may even have to give up the oldest principle of business taxation: the legal distinction between income on fixed capital—which is considered a “cost,” and thus deductible from business profits—and the income on venture capital, which is “profit” and taxed. For under the present high corporation tax rates one dollar paid out in interest costs a company only fifty cents, while a dollar dividend to the stockholder actually costs it two dollars. The result of this four-fold disproportion is an increased dependence on fixed capital, a decreasing supply of venture capital and a decreasing revenue therefrom—that is, both economic and fiscal decay.

Another unresolved conflict in fiscal policy lies

state government. A metropolitan people cut across the boundary lines of cities, counties, and states. The truly admirable system of parkways built by New Jersey, for instance, has only added to the traffic problems of New York, Pennsylvania, and Maryland. The best planning New Jersey can do has been largely nullified, in turn, by the lack of co-ordination with neighboring states. Similarly, Westchester County shows that schools can no longer be planned within the historical unit of the school district. One of the few communities in Westchester that planned ahead for tomorrow's school needs is Pleasantville. But the main effect of Pleasantville's foresight has been an influx of people from the surrounding towns, which has quickly rendered Pleasantville's careful plans inadequate.

Local and state governments, our oldest civic institutions, have remained basically unchanged since the Northwest Ordinance of 1787. But somehow we are going to have to invent and develop new ones that cut across existing jurisdictions. Leonard D. White of the University of Chicago has recently shown (in his three books *The Federalists*, *The Jeffersonians*, and *The Jacksonians*) how important the administrative foundations laid in the early years of the Republic were for the survival and growth of the United States, and how much courage and imagination went into their design. The creative skill required to build the regional institutions needed now will hardly be of a lesser order.

OUR GEOGRAPHIC ideas also need revision in the matter of atomic dispersal—a subject that has occasioned more confused talk than action. We now know, at last, that the largest theoretically possible bomb is limited both in its area of immediate danger and of total destruction. We know, too, that there is no “defense” against atomic attack; there is only early warning—and even this is problematical with guided intercontinental missiles. Finally we know—though it is highly secret information—what are the critical products and processes on which our ability to maintain an industrial economy really depends.

We know what we need to know, in other words, to escape paralysis from the first all-out attack. It should be emphasized that dispersal is not “defense.” It is only a safeguard against being knocked out in the first round. And it is not something we have actually done. In fact we may be more vulnerable today than we were

ten years ago. Forty per cent of the American population and 56 per cent of all manufacturing are concentrated in forty metropolitan areas. The remaining 120 sizable cities contain only 16 per cent of the population and 19 per cent of the manufacturing facilities. In other words, we are so highly concentrated as to invite attack. If we had a national dispersal policy, we could use the internal migration of population and industry (which goes on anyway) to change this pattern fairly rapidly and with a minimum of cost and dislocation. If we had only had such a policy during the past ten years we might by now be in a position to survive even a massive attack. The next ten years offer an equal opportunity. But we will have to do more about dispersal than we have done so far—which is chiefly to discuss it.

A HAVE-NOT COUNTRY

IN INTERNATIONAL economics America has almost adjusted to the unfamiliar role of richest nation. During the past ten years we have successfully made the shift from debtor to creditor policies. But now we have to make an even greater one—from having enjoyed in all our history a raw-materials surplus, we will come to the new experience of a raw-materials shortage, becoming for the first time a “have-not” nation. The much-publicized “dollar gap,” the chronic and apparently incurable shortage of dollars in the outside world, may well be replaced by a shortage of foreign currency in American hands to cover the purchases we want to make abroad. This, at least, was the opinion of the Paley Commission, which President Truman appointed five years ago to study United States raw-materials requirements.

The American economy and the world economy will in any event become more interdependent than they are today. “When America sneezes, the world catches pneumonia.” The past two years proved this European saying of the 1940s to be false; Europe experienced its biggest boom while America went through the recession of 1953-54. Yet it will certainly be true that the outside world's economic health will increasingly depend on America's purchases of raw materials. And America's economic health will increasingly depend on our ability to export enough manufactured goods to pay for our import needs.

Two conclusions follow that at first sight may appear both paradoxical and mutually exclusive.

Apply to second grants?

between the realities of modern governmental life, which require planned long-term capital expenditures, and the constitutional requirement that Congress appropriate money on an annual basis. That any one Congress cannot commit a future Congress is sound doctrine. But much of the expenditure of modern government is meaningless unless it is considered in long-range terms. Actually, by refusing to accept the reality of a "capital budget," Congress may well be sacrificing its control over its expenditures. But how such problems as these should be resolved, let alone how they can be resolved, we are clearly not going to know for some time to come.

FOOTNOTE ON INFLATION

ON ONE issue of fiscal policy, public opinion rather than government action may make the greatest difference. That is inflation.

Public opinion in economic matters is still deeply influenced by the depression psychology; it sees in unemployment the major threat and in full employment the earthly paradise. As a result, we have created defenses in depth against the last depression. We are committed to immediate governmental action the moment there is significant unemployment. And we have such a tremendous backlog of public works—not to mention armaments—that we could immediately mobilize the entire economy should the real threat of unemployment appear.

But the next depression is most unlikely to be an unemployment-depression. One of our greatest economists, the late Joseph Schumpeter of Harvard, pointed out in his last paper—read to the American Economic Association in December, 1949, only a few days before his death—that it is inflation rather than unemployment that destroys stability in the twentieth century. Schumpeter based his pessimistic appraisal of America's chances to survive as a free society on his belief that American public opinion did not understand the danger of inflation, and would not permit adequate safeguards against it.

Inflation is not only an impersonal and general danger to society—the breeder of class hatred and the destroyer of the middle class. In an economy where the great mass of people have become long-term creditors (through their insurance and pension holdings) and where as much as half of the employed population is on fixed salaries which

do not readily adjust to changes in money values, inflation may cause more individual suffering than even widespread unemployment. This statement—obvious to any German, Frenchman, Italian, or Austrian (not to mention the people behind the Iron Curtain)—is still totally incomprehensible to most Americans. While we will not—and should not—forget the danger of an unemployment-depression, we will have to learn that it is a major duty of government in our economy to safeguard monetary stability. And this requires, above all, a vigilant public opinion.

Whatever policies we adopt in these eleven basic policy areas, their total impact on our national life will be enormous—greater even than that of the New Deal. Certainly—and deservedly—we will debate each one of them, will disagree about them, will engage in bitter partisan fights. But it is very doubtful, to say the least, whether the answers adequate to our needs can be developed entirely through the give and take of political battle. What we should have are fundamental state papers on the economic and social policies of an industrial society—papers comparable, perhaps, to Jefferson's "Notes on the State of Virginia," Hamilton's "Report on Manufacturers," Henry Clay's "American System," or John Wesley Powell's papers on the management of the Western lands. President Truman made a start in this task by appointing Commissions on Water Policy and on Raw Material Resources. The present Administration has tackled the job of highway modernization, of government re-insurance against catastrophic illness, and of a national transportation policy. But these are only beginnings.

REDRAWING THE MAP

THE FEDERAL government is the proper agency to develop broad policies in most of these eleven areas. But the federal government simply cannot do the detailed job in any one of them. Much of the actual work will have to be done by local governments—municipal, state, regional. In most areas it will have to be done in close co-operation with private industry. It will have to take account of local or regional needs and circumstances, and the administration will have to be local. Yet existing local and state governments are patently unequal to the task.

The national population no longer corresponds to the traditional distinctions between local and

Prepare for reformer's opp. in
coming depression.

Write telling ways out.

People will read then, as
they read George & Keynes

are in depr. but treat's
free goods as if were scarce.

These are all intensely interesting.

Priority

Most likely topics to write on for summer, 1955. (List does not include all later possibilities, e.g. cap. frtn)

1. 1. Decline of SF. Pro: local, short, ties in w. Moore, pro lvt, 2. popular, makes ec. interesting, makes me interesting, draws on thesis, outside narrow groove. Con: no faculty member interested?
2. 2. Western water problems. Probably one would be.
Programming flows. - work w. Doorman, programming mem. Consult Koopke, how does it. It. art. w. Cleon? Work in multi-purpose project, reconcile various benefits. Publish in Frontier? Argonaut? Chronicle? Municipal myopia, municipal messbackism.
- Do on return to N.C., 1st. (4) 3. Land speculation and business cycles. Pro: work with Gordon, timely, draws on thesis, popular, makes ec. interesting, ties with Moore, promotes lvt, ties with Weeks, might go into bolstering up thesis. Is more theoretical, less personal than SF study. Hard to finish quickly. Not unique to west. Perhaps too academic to be popular. Not much outside theoretical groove. Find something on stock systems elsewhere.
3. Keep short, do fast 4. When to cut tree. Boulding. Also work in conservation as investment outlet. Paradox of low mr, little conservation per acre. Check w. Forestry people at Cal. Maybe Bldg is still at Stamford.
- 6 5. Sound around pol science dept., try to work into something on fed-state relationships. Instead of just going off on own toot with local vs federal interests. This cd. be frustrating - but is nonetheless important.
- 8 6. Indirect benefits from public works, & their taxation. Weeks once recommended study. Works in with Neuberger maybe.
- 7 7. Conc. in fring: its implications for industrial mngy. Cd make a quickie of this.
- 11 8. Tax cap-n. Bring in diff. mas. Perhaps thus rehabilitate Fillebrown arg. i.e., show that landholder's low n. return is due to his own position, not taxes on impr., so he pays no tax. Show e.g. of Modesto, Clark Col. Discuss w. Davisson, get to know him.
- 14 9. Can free ec. survive? Brings in much, makes good book?
- 5 10. ^{sources.} Dry up tax revenues. Great potentialities. Timely. Historical, & current. Pro lvt. Talk to Rolph, Davisson. Turn this out before depression & left wing reaction, appeals to "businessmen" types.
- 12 11. Church - idealism & ec. Wage peace thru free trade.
- 13 12. Pro lvt, in light of modern theory.
- 13 13. Speed of l.s. factors affecting. Draws on Weeks, Cal. ID, & thesis. Requires too much work, I lack the time for it. Might work in some w. l.s. & bus. cycle.
- Do on return to N.C. Gather some w-n data on in-migration, too. 14. Migration of cap. (from N.E., from S.F., etc) This gets quicker to root of things than does good "decline" of area. Works into cap. frtn. Drying up tax sources.

All projects satisfy 1, 2, 3, 5,

Scribenda

In deciding what to write next, first consider what are my motives?

- All projects satisfy these*
1. To establish self professionally.
 2. To promote certain policies, esp. of course lvt.
 3. To promote understanding of and faith in process of thinking.
 4. To make money directly from what I write. I.e. est. self professionally not merely academically, but as good popular writer.
 5. To make economics and social problems seem interesting to large numbers of people. Fascinating I should say, entrancing. No boredom.
 6. To develop myself as interesting person, and gain reputation for being interesting, thus attract interesting companions, overcome the terrible loneliness of my present position.
 7. To do something I can finish quickly, because main energy will be devoted to finishing thesis, other will be side issue.
 8. Something peculiar to California or west, use unique research facilities there available.
 9. Something that can draw on what I've already done in thesis.
 10. Something timely. Also placely -- certain regions have more literate populations, and are of greater interest to people outside them, hence make better material.
 11. Try to balance, do some academic stuff, some popular stuff. For coming year, thesis is the academic stuff. Write popular other stuff.
 10. To be timely, on academic stuff, scan literature first, take up with currently popular themes
 11. Work with key faculty members at Cal., thus get in. Gordon a good bet. This would suggest something on cycles. Write something on land speculation & business cycles, under his direction, if he shows any interest. But recall that he hasn't, altho I sent him stuff.
 12. Get outside narrow theoretical groove. Interview key people, run around town a bit, see other sides of life, get other viewpoints. Thus make self more interesting writer, person. One can waste away in theoretical concepts, forget humanity, & forget to look at the world.

10. Does "timely" mean on the bandwagon? E.g. anti-labor union?

Criteria for priority.

1. Place — let it be something calling on local research facilities, local faculty. ~~This~~ Only 1 & 2 are local. 3 uses local talent
2. Timeliness? Harder to apply, hard to know.
1 & 2.
3. Popularity — this is to be plunge in pop. writg. Thesis is academic venture.
4. Relation to thesis. Popularize thesis? Trouble w that is, doesn't call on Cal's peculiar facilities
5. Relation to Moore, or Newberger.

File

Article:

Increments to cap. values:

a ^{glaring} ~~major~~ deficiency in
N. 1. data & analysis.

(Soften title, just
make pts w/o antagonizg.)

Also, re depletion)

Wants est.s of 15-50,000/yr
for 5 yrs from dept.

By Sat.

Publications:

Pub. in process

Research in process — not too
close to last time.

Rockefeller will match
anything Ford gives up to
\$250,000

Achievements:

Inst. of Stat.

Cox. Tap Ford Fdtn.

3 way decision making; Ec, Ag Ec,
& Dept. of Experimental Stat.

Sloan Fdtn decided not int.
in State supported fdtm.

Miss Cox worked on Tern Carroll
of Ford, but he was replaced by
Lloyd Reynolds, who is taking
individ. tack. Will be
subsidizing individ. research.

Cox now wants data on
people, rather than subjects.

Background info, Mason Gaffney

p. 1

Research in process.

1. an economic evaluation of western water law. Have devoted several weeks to interviews, study, and organization of ideas, and am about to begin writing.

2. ~~Some comments on~~ a critical analysis of Prof. Boulding's "optimum period of production". a brief note is planned amending Boulding's recent chapter on the subject, and testing points of conflict over theory by reference to experience with timber culture.

3. Tax capitalization reconsidered in ~~the light of~~ a world of divergent individual interest rates.

An extension of the conclusion to my thesis. Proposes the hypothesis that property taxes are only in small part capitalized into lower land prices, due to their influence on allocation of land. Primarily theoretical, ready to be written.

4. Land speculation as an element in the construction cycle.

An extension of chapter one of my thesis. Requires more research.

5. The persistence of farm tenancy. a brief refutation of the common opinion that farm tenancy ~~is~~ has declined sharply since 1940. Derived directly from chapter 2 of my thesis, is already half written.

6. What is "efficient" farming? a criticism of the misuse of the word "efficiency" by farm economists. an application of marginal analysis to resolve the confusion. From my thesis, all ready to be re-written.

7. Effect of interest rates on the composition of assets.
From my thesis.

Negative minds stress overproduction &
Malthus in reacting to non-restrictive suggestions.
So one is tempted to refute those 2 ideas. But
since one would then only have convinced the
negative minds, who are no good anyway, why
bother? One might sway many honest
doubters & reassure allies.

Ride with the times: "Unemployment" was a prewar problem, & not going to attract much attention again for a long time. So time has come to de-emphasize that, stress international.

Money now a problem from inflationary viewpoint -- here is cause for supporting nat. land tax.

'Unemployment' fear still one reason

nations want monetary autonomy --
so my study of it will be useful.

Ec thy. is fine, fun, & can be rigorous. But real fun, & utility, is in practical application. But there is gap. Rigorous, abstract minded theorists shy away --- leaving them to those w/o theoretical minds.

A good compromise
among my various interests
& emotions. I want to
be near farms; but probly
avoid ~~ugliness~~ drudgery
aspect, & loneliness, &
stability --- like to move
around, some, but still be
linked with my past, be in
a group. Share joys of small rooms,
roominess. Make friends.

Check with Weeks, &
BR, right away, for when
is good time to apply ...
BR not taking people all
the time.

Another thesis angle:

Administrative questions of BR,
relations with local govt, etc.

Defects: depend on one
dept for living, if don't get
~~em~~ along politically, tough.

to keep up alternatives ---

esp. by working on writing. But
in big expansion of irrigation,
should ~~be~~ be opp.

Academic alternatives.

Or go into banking. Or

various adm. positions ---

experience & accomplishment
in any field is transferable.

Article: ec. dev-nt as
hist. of bypassing parasites.
a continuous process.

Write an ec. hist. w + this as
the unify'g theme.

New & ptn routes; new
commercial entrepots; new
products; new political units
etc. etc. ad inf. Gold
discoveries, & bank's dev-nts
due to costly gold. Reformat.
ion due to costly priests.

Possible thesis:

Financing Public Education in U.S.

Would combine interest in local govt. as monop;
property taxation; & inheritance & public education.

Article:

Do lo i.r. promote
conservation?

Benefits to local landholders
of tax's selves - see
outline in "Local govt &
gnrl int."

Article:

Is the property tax
regressive?

Since all taxes but
lvt have excess burden,
lvt is best for landholders.

Except for inertia, & mpy.
But even truer due to
compl-ty.

Dorset article on

lot being in interest of land-
holders. File in "self-seeking
city" when find. But
consider separate, shorter article

yet been harnessed by ^{any} social invention to serve us, society, people; but, like ^{raging flood} ~~an~~ ^{unharnessed} ~~river~~, destroys (home & workplace) with the same power that ^{might} ~~could~~ create (more)

to each of
inferior ~~persons~~, ~~misusers~~, & ~~abusers~~.

It will ^{pay} ^{probe} ^{blockading} ^{clumsy} power, which evidently
profit us to examine this powerful
nebulous ex. force, for it has evidently not (over)

esp. large investment ^{to} it
an accident that Col. is
famous for them?

"Taxation of natural
resources" - thesis
"Incentive to invest" ?

Purpose of thesis:

Get published, advance career & ideas. Either by big sales, or prestige

(Prepare for some job? No) (at least, subsidiary. But could bring BR in on land spec. provisions; & on organizing public works in general int.)

Practice Writing

Get degree

Familiarize self with investments? (to study capital markets -- bring that in)

" " " current scene -- (& try to give it historical perspective) This argues for stressing current position of SF, e.g.

This satisfies desire for gregariousness & contact with current scene. & makes for more popular writing.

CREIGHTON SCHWAN
1124 ORDWAY ST,
CA-5-7359

Marie Chapman
2419 Durant

B. J. R., Mrs. Bower,
Lib. Annex 376
Mr. Th. Blaisdell

Free Trade vs Land
Ec. as career.

As long as land question
unsettled, have all kinds of
reasons for interfering with
Trade --- e.g. to shift to
labor intensive industry, prevent
export of raw materials,
discourage undesirable export
industries like cotton.

5111
v. 2

v. 2: p 56:¹ "I wish to abate the pwr of the ~~enemy~~ in aristocracy in their strongholds. Our enemy is as subtle as powerful, & I fear some of us have not duly weighed the difficulties of our task. The aristocracy are afraid of nothing but systematic org & step-by-step progress. They know that the only advantage we of the stirring class have over them is in habits of persevering labor. They fear nothing but the application of these qualities to the business of political agitation.public mtgs ... which do not tend to systematic work ... will be viewed by the aristocracy with ~~the~~ complacency as the harmless blowing off of the steam."

p57-8: "We have the labor of Hercules in hand to abate the power of the aristocracy & their allies, the snobs of the towns. I have faith in (nothing but) slow & heavy toil, & I shall lose all hope if we cannot encourage every effort that aims at curtailing the power & privileges of the common enemy."

As H. G. S.S.S. is important --- slow, methodical organization & education.

Cobden

Scriblanda — this one
looks really good.

Study of how gov'ts have
folded thru tax sources
drying up, thru wrong kinds
of taxes.

Timely.

Tentatively, it seems to me that in advocating unilateral free trade, one can come to a simple & striking conclusion, of utmost practical immediate significance.

While in studying relations of fed. & local govt in BR, one comes to limited conclusions, is limited by Weeks' limitations, etc. Study would be something like this: Why a BR? Why is local

govt inadequate? Water mobility; monop.

tendencies of local; need for very big projects; benefits
to non-local people.

A city is a ~~ya~~ great cooperative enterprise, made possible by the cooperation made possible by the ~~great access~~ easy access of large numbers of people to each other, and to large numbers of materials.

A city is a strategic location from which ~~can~~ its people can perform ~~of~~ services for the outside world. Beyond that, it is a great cooperative enterprise, the cooperation made possible by the congregation of large numbers of people in a small space where they have easy access to one another, and to each others' goods. The cooperation may be conscious and disciplined, as ~~with~~ the work of laborers under a foreman; or it may be unconscious, as the merchant, pursuing his own self interest, cooperates with his customers by providing what they need, and unwittingly cooperates with neighboring merchants by attracting customers to the shopping center.

And in this cooperation is titanic ~~strength~~ productive power, as it lets specialization go to greater and greater lengths, as it allows enterprisers a greater and greater number of elements to combine in productive ways, and as ~~competition~~ the broad urban market permits of keener competition among the different sellers and thus incites them to more and more rapid use of the new possibilities offered by growing markets and progressing technology.

~~But sometimes things go awry.~~

Many a city has discovered these secrets. And many has found that, upon reaching a certain size, it could continue to grow larger by merely exploiting the new possibilities for cooperation that its size presented. In such cities optimistic spirit etc.

But sometimes things go awry. Sometimes a great city turns backwards and starts back downhill. Northern Italy, Antwerp, Amsterdam, Bristol Sometimes, the region declines. But it is also possible for a city to decline in the midst of a thriving region. That is the achievement of San Francisco, fate of. Let us take this as case study. How, in the midst of the fastest growing state of the union, has S.F. managed to lose business & pop etc etc.?

A city is also heart of free enterprise system: mkt, communication. But when downtown degenerates to movies, burlesque, jewelry stores, nerve center has moved elsewhere.

Parable:

Once there lived a man named Adam. He built a large house with many rooms and doors. While he lived, he delighted in showing friends thru the house, and when he died he left it as a community center. The people enjoyed the center, and learned a great deal from examining its construction, and they built a great community around it.

But selfish people fastened themselves to Adam's house, and gradually turned it into their own. They made it the HQ of a machine, and they corrupted the community, and lived off it. The people were apathetic at first. Then new leaders rose to inspire them. Some said ~~xxxx~~ "We will drive the crooks from Adam's House, and restore the community center."

The crooks wanted Adam's House, not for its own sake, but for its authority. For many of the people were superstitious, and they did not ask "Who said this", or "What did he say", but "By whose authority did he speak?" "What Gods does he invoke?" The crooks issued their statements from Adam's House, and thus commanded a large following.

Gradually the people sensed something awry. They found the statements from Adam's House often seemed against their interests. A few spoke up against the men in Adams House. But the men in Adams House were clever. They lost their identity, they merged it with Adams House. They saw to it that University Professors ridiculed students who tried to distinguish Adams House from the people in it.

(make Adam's House a bridge, or airport, something essential to the community.)

A few people who thought for themselves saw that Adam's Bridge could be freed to help the people. They tried to tell the people. But the people laughed at them. They were bored with ~~xxxxxx~~ pests who asked them to think; that is hard work. The crooks provided them with movies, where they could relax in soft chairs and look at pretty girls. There they learned that Adam's Bridge was the same as the people running it. The people knew what they saw in the movies was true -- "One picture is worth a thousand words", they said. The crooks also gave ~~xxxxxxxxxxxx~~ statistics which the people could quote to each other. "Figures don't lie", the wise men nodded to each other. There were novels to read. Those who had read more than others were thought very intellectual. "Fiction is the true mirror of life", they said, and the crooks rubbed their hands.

The crooks knew they needed support. They could not fool all the people. The more intelligent ones tried to help the others for a time but, growing disillusioned, took care of themselves. The crooks offered to sell them positions on the bridge. The newcomers accepted. Sometimes the crooks charged so much for spots on the bridge that few could buy. Then the newcomers

complained. The crooks' government then arranged loans to the newcomers, at low interest rates. This process was called "social reform".

Next time someone complained about the crooks on the bridge, and asked by what right they preyed on the people, they replied: "See, people have saved to buy spots on the bridge. They are capital, they deserve a return. The origin of these rights is lost in misty antiquity. We cannot question that now. People have paid money for them. The innocent purchasers must be protected."

*Someone suggested annual tax on strategic positions.
Arguments pro. The lesser men who now were sheltered called
in public relations counselor. Ridicule. Call them whingle-
dinglers. Fallacy of whingle-dinglism. Eby methods, parody.
change language
Learned economists.*

And thus it was that Adam's country became weakened and corrupt. All the people were corrupted, as they all got vested interests in the corrupt system. And when the outside enemy attacked, all within was like paper before their steel, soft flesh for their fangs. And thus it is that the people of Adamsia now do menial tasks in the empire of their neighbors, are spat upon on the street

Parable:

Once there lived a man named Smith. He was ~~an extraordinary~~ a good, plain man, much like me and you in many ways. He gave to charity, he voted, he served in the army. He was also open to temptation, like you or me, and knew avarice, pride, folly and ostentation.

Smith lived on a narrow isthmus. He bought the place because it was a nice homesite, near his business, and good water. But in the back of his mind was also the thought that someday the government might want it for a canal. That was why he scraped all his money together and strained his bank connections to the limit to outbid his neighbor & friend Matthews for the land. It was closer to Matthews' business, and Matthews liked the view better, and Matthews had as much or more income as Smith to pay for it. But Matthews lacked capital and bank connections, so he couldn't bid as high as Smith, even tho he was up & coming. It was the thought of that canal that made the difference. Matthews foresaw it, too, but he couldn't increase his bid much for a possibility that far in the future. Matthews was a productive man, and he used his capital vigorously, so it brought him 10%-15%/yr. He looked at his compound interest tables and saw that he could do better by using his money in his business, than by gambling in future canals. So when the isthmus was up for auction, he stopped after Smith said "\$34,000".

Smith was a bit stodgy. He inherited his money, and his business today was just drifting along. His manager did most of the work, and Smith just dropped in to collect his profits now and then. He didn't really know what to do with some of them. He was not much of a hand with money, and he couldn't count on getting 3% for his efforts ~~at investing~~ in business. So he decided to buy land. When he looked at his compound interest tables, he looked in the 3% column, while Matthews looked in the 12% column. That canal looked much bigger to Smith than it did to Matthews.

After 50 yrs had passed, it so happened that Smith's fondest anticipations came true. He was lucky -- often they don't, for men like him. But many people with many ships lived on both sides of the isthmus, and wanted to cross. They decided to dig a canal. Smith rubbed his hands. He made some calculations. Canal transportation would be about half as costly to the users as overland. He wondered why they had not dug the canal earlier. But that is the way people are, they never support essential public works until about 50 years too late. Anyway ..

Smith figures total gain, makes that value of his land. Every year. Discounts futures at no% first, backs down from infinity to 1%. Wide dispute over %, value changing immensely. Some ask why not take at precanal value. Republican bluster. Dispute continues for 15 yrs. Still going on, so far as I know.

... So Smith got out his well thumbed table of compound interest. He looked to see what it wd be worth. Automatically he followed down the 3% column, ... eye wandered to 4%, shuddered .. light dawned, looked to 2%. Why not 1%? Why not 0%. He faltered.. there was no 0% column. Why, why? Let's see, if land lasts forever, & no discount ah, yes, why its value is inifnite. He jumped with joy. He was truly rich.

Scribenda.

(& see #1. Might do both together)

1. Necessary -- Land Spec.

(Attack it at Achilles heel, absenteeism. Thruout hist, reform movements have been vs. that -- e.g. French feudal lords who were exprop. because 'non-functional'; present Indian reform; etc. etc.)

2. Thesis.

Keep 2 major projects going over next year ... thesis, whatever it turns out to be, & land speculation. But for summer, try some others.

also good in depression ✓
when Russ pulling ahead. ✓

3. Capital formation ... good now, while thy. fresh, & much prep. ready.

v.36

4. Popular book ... from time to time, as spirit moves you, write for it.

- ✓ 5. San Francisco decline. (&/or New England, old Eng, etc) ^{China, Rome, Byzantium, Egypt, etc} (which involves study of growth, as contrast) Rise & fall of economies. "How we, too, can stagnate" Good to take a specific case ... gives me real stuff, good for me, test theories. Get new angles & perspective.
- ✓ 6. U.S. comm. policy. Nation as mmpy, & future of ~~the~~ world trade.

1-7. Conservation & severance tax. Opt rate of depletion, severance tax assuring it. As well as breaking mmpies, improving allocation. Today's renewed interest in conservation makes popular possibilities. But I'm not sure of own thoughts yet.

8. Making competition work. 'Creating a free economy'. 'Planning for freedom' or '... for competition'. My main new contribution here would be land business -- so do that first. also reconciling anarchism & socialism, need to create channels for comp. I have less background in this, should wait. Subject not currently popular.

8½. Determinants of Optimum size.

9. Socialism vs free enterprise. (differs from 8 in that socialism & its problems & shortcomings are analyzed at length.) Is not a general question; but rather how much socialism, & what kind.

10. How should governments raise money?

What kind of Taxes?

Case for L.V.T.

Depends on our purposes. Mine are: - - -

Yours may differ. Given my objects, which ~~are~~ majority shares, at least lip service, how achieve them.

Taxing production vs taxing existing assets.

- ✓ 11. Economizing & using water resources. (for frontier, e.g.) Read Garnsey, ^{Netboy comment.}
 Subject of growing interest everywhere. But sea water & bridium presage developments that will make it so abundant that not worth economizing on? Eventually, but meantime, tremendous development with water of some cost, makes it a very big subject. Good to become known in it.
12. Inheritance; public education; I'm not ready to write on this yet.
- ✓ 12½ Popular book: ~~Ec. Interp. of Relations Between the Sexes: An Ec. Interpretation.~~
 Or Ec. for Ladies -- check Shaw. *Try a short flyer, test reactions.*
- ✓ 13. Relations of Central to local govt. Local govt. & general interest.
- 3 / 14. Money supply. Pro a cash balance & Vel. analysis. Effect on empl. ^{vs.} ~~M~~ fiscal policy. A stock & a rate of flow --- Keynes is all flow.
- ✓ 3 / 15. Employment. Need of complements. Fear of saving. Unions.
 Will unempl. recur? Yes. Will those employed by govt find jobs in private industry?
 Not always --- restrictions the cause. This leads to socialism. Unions lead there also by requiring govt strike intervention.
- 5-16. Correlate bonded debt & rate of growth. Establish a picture of normal evolution from youth to senility, due to rise of land values & parasites. Contrast growing, thriving economies vs others.
17. Indirect benefits; complementarity. Perhaps better to just develop ideas on this save for applying to some real problem. It will come up in several I am going to do.
- 8-18. Open-end stock plan for natch mnpus.
- 8-19. Patents
- 15-20. Investment as a factor of production, & an element in bus. cycles.
- ✓ 21. LVT reconsidered in light of modern refinements of ec. theory. ... e.g. 'announcement effects'; 'marg. eff. of cap.', mnpstc competition, neo-mercantilism, stock vs flow, ability-to-pay

- ✓ 22. Economics of (Racial, Religious) Discrimination.
A very live subject, & will continue to be, due to our internat. position, & growing ec. strength of negroes, orientals.
23. Religion & Economics. Send something to social action, e.g. Not ready
24. Electoral Systems, Economic Causes & effects. Not ready.
(Talk to someone in Pol. Sci.)
25. What all should know to deal with life -- e.g. think in different categories, or coordinates. 'Advice to a young man'. Not ready
- 15-26. Are inv. opp. limited? No, can always lower costs. Only landownership has given lowering costs a bad name. (Also has caused improvements to be called 'labor-saving', & feared, rather than 'output-expanding', & desired)
27. Explanation & resolution of modern dilemmas: ~~based on~~ explanation, that confused thought comes from effort of evil-doers to identify selves with good system, protect behind it: Landowners with capital; mngts with free enterprise; ~~socialism~~ totalitarians with legit. govt functions, etc etc; maintenance of vested values vs. ~~proper~~ encouraging new production.
Resolution: analyze, treat each as deserves. Success of evil-doers is from reformers accepting the identification, attacking the good front, not the evil behind it.
28. Capital Markets -- which interests me because of its bearing on land allocation & mngt formation, but is quite a subject in own right: Wall St, banking, etc. Ins. co.s. Internat. & interregional inv, effects on trade terms.
29. 'Rehabilitation of Concept of Land Rent'. Remind why was nec. for classics to explain it -- why should someone pay for something that is provided free by nature.... this applies to no other resource. Macro vs. micro.
27. New understanding opened up by distinguishing land from capital & labor. Many seeming dilemmas have easy solutions when this done: catalogue many. This should be subord. to 27-32 --- a key to dénouement --- because as a title it would attract no interest. (v. 36)

Scribenda, 4

30. A mystery novel developing ideas.

31. Philosophical ramblings for Harpers?

✓ 27-32. How ^{losing democracy} Why we are going socialist. (& what to do about it) ^{Collective bny; strong} ~~serious~~ pressure groups or lobbyist heads, must ask govt. to settle. Unemployed wanting govt. empl. etc etc. ^{so only blue ent. goes with depression.} Rope stuff, with land issue added. Examples from all over, including S. f. system of representation from regions involved, which discredits rep. govt. by inactivating & corrupting congress, so only exec. reps general interest. Only exec. can defy landowners even a little.... those in one locality vs others. Take ^{Finer vs Hayek} observe what both missed. ✓ 8. Article: main restraints on comp are imposed by govt. But von Mises etc carry too far --- govt. must plan for comp, too, create channels for it. E.g. a city should be planned so most people have equal access to many sites, so none monopolistic. Cheap transportation, communication. Subsidies or tax reductions to new entrants.

33. Stock & flow in ec. Cash balance stock analysis as ending spiralism, effect of hi wages. Prop tax vs income tax. Disposition of income vs disposition of all assets. ^{Effect of i.r. changes} (I wonder if rejection of stock concept in M analysis resulted from vesteds' pressure destroying it in tax analysis. Those who have vs those who are getting --- & producing. (The prejudice vs nouveaux riches; the Lady Bountifulism of vieux riches) Both left & right argue that hi wages → more demand, when it suits them. Escape important issue, effect on distribution, new inv., etc.

34. The tyranny of noise. Noisiest are least thoughtful --- children & radio players --- & force all down to their level. We are growing gradually out of concept that air & water are free garbage dumps for refuse & excess noise.

✓ ✓ 27-32 Is master subject. Maybe best thesis topic. Includes most every other; is widely interesting. controversial.

Only question: it is very broad maybe I should write smaller ones first -- over summer e.g. --- build up to it. Talk to Ellis.

35. Land Speculation causes great extreme bus. cycles

36. (26) Wage policies: redistributive vs alleged ^{infl.} macro effects. ~~Land~~ vs ~~Sing~~
land incomes vs ~~Sing~~ incentive incomes, for cap. fm. en.

Scribenda, 5

Many of the subjects can be subordinated to or integrated with others. They may be later written up in own right, for particular audience, or as means of putting same material over from new angle.

Even seemingly unique 'water' can be handled under local govt & general interest; & that, in turn, integrated with S. F. decline, & U.S. comm. policy.

I see now 3 master topics that include all. --- almost

1. Land econ. For Am. Jnl
2. Capital formation For Academic Jnls.
3. Local govt. & free economy. For thesis

Of these, #3 seems a natural for thesis --- in some form or other.

& leaving some out:

4. Popular works For any publisher (maybe Schalkentach)
5. Discrimination Put off a year or 2 --- assemble material.
6. Inheritance "
7. Religion "
8. "

Weeks wd. be interested in land spec & bus. cycles -- how slow dev. of existing projects causes 'overproduction' of public works. An aspect I've neglected since Reed thesis.

Files to create:

- ✓ 1. "Economics is Really Easy". & Finally one for each chapter.
 - a. The 'need', 'requirement', 'problem', 'permissible', 'saturated' complex. vs. S&D.
 - b. Why study ec?

✓ 2. ~~Discrimination~~

My files as they stand are pretty good. Main need now is for an active file for the work being written, file for each chap. or section. Draw from existing files for each work.

- ✓ 3. Data from all over on shift from land to improvements. (This is vital to case, for if S.P. is tax on improvements, is no evidence of shift to more restrictive taxes, despite demonstrable shift from prop. tax.)

- ✓ 4. ~~Compensation~~ to landowners, pro & con. Precedents & reasons for expropriating.

- ✓ 5. Land for recreation --- parks, in cities, & national. (Non-mkt, because too expensive to collect mkt price, keep people out, etc. Trespassing for recreation --- defend parks because reduce trespassing elsewhere, lower law enforcement costs, & damage) Access to nat. resources; fire, vandalism hazards involved.

✓ 6. ~~Canada~~ ... elements in its superiority to us. Canada as e.g. of country in growing stage. (& as refuge from madness of U.S. in future)

✓ 7. Labor Union

- ✓ 8. ~~National~~ Terms of Trade argument as subsuming all others?

- ✓ 9. How civilization is declining --- & historical comparisons.

- ✓ 10. ~~Land value maintenance~~ as obstacle to progress, major vested interest (& hence also cause of mpp)

Scribenda, 1

Files to Create, 2

11. ~~Employment~~

12. Superficial Reform, socialist drift, to stop fundamental reform.

✓ 13. ~~Land~~ development causing much of bus. cycles. Excess subdiv.

Can expand land speculation paper now. Having made first points, then go on to

Land speculation	&	monopoly
"	"	& bus cycles
"	"	& cap ftn
"	"	& stagnation

etc etc. This maybe basis for thesis.

Land Spec & conservation

DEPARTMENT OF COMMERCE
BUREAU OF THE CENSUS
WASHINGTON, D. C.

My dinner partner held in his fingers a cube of sugar:
crystalline, sparkling, snowy white. etc.

So ~~xxxxxx~~the impurities were necessary for combustion!
If in the open air, why not also in the human body?

An old memory stirred in the back of my head, and the
front went searching for it. Dr. Jekyll and Mr. Hyde! Of course.
It was the unknown impurities in Dr. Jekyll's chemicals
that produced the result he could never duplicate. Recall the
scene from Stevenson:" ...

Finis: Does Hutchinson have the final answer? Of course
not, no one ever has the final answer. Has he pointed to the
next avenue of progress? The evidence adduced herein strongly
suggests it. There is much research to be done yet, much
hacking of dead wood and conquest of vested interests and
defense against parasites to be accomplished. There is, in
other words, a battle to be fought, as there is in all
social progress. Much of the work to be done will go without
economic reward, no doubt, that is one of the imperfections of
our society. etc etc ad inf. -- I could really elaborate on
this point.

So get the evidence and write it up, much as it happened.

(quote Howard on universities attitudes & value)

DEPARTMENT OF COMMERCE

BUREAU OF THE CENSUS

WASHINGTON 25

IN REPLY REFER TO:

My dinner partner held in his fingers a cube of sugar:
crystalline, sparkling, snowy white, etc.

So ~~xxxxxx~~ the importances were necessary for comparison!
It in the open air, why not also in the house body?
An old memory returned to the back of my head, and the
front went searching for it. Dr. Jekyll and Mr. Hyde! Of course,
it was the unknown importances in Dr. Jekyll's chemicals
that produced the results he could never anticipate. Recall the
scene from "Fever Room": "...

What! Dear Hutchinson gave the final answer? Of course
not, no one ever has the final answer. As he pointed to the
next avenue of research? The evidence advanced (with almost
suspense it). There is much research to be done yet, much
hacking of dead wood and conquest of vested interests and
defense against capitalists to be accomplished. There is, in
other words, a battle to be fought, it there is to win
social justice. Much of the work to be done will be without
economic reward, no doubt, but it is of the importance of
our society, its etc. and etc. -- a collectively important one
this one.

But the evidence and matter is up, which is happened.

(quote Howard on individualized activities & values)

Thesis Subject:

Local govt & general
interest.

Keynote: A. Smith's
'invisible hand' on individuals
acting in gen int., much discussed
in ec. thg.; & nations in world int.

But none has bothered much
with municipalities. I will.

Object: to max. value of
land. Test for social
implications.

Bring in BR relations to
localities; & IT thg. Here is
beauty of it, keeps all irons in
fire.

Locality differs from nation in
mobility of labor & cap. to
rep.s landowners more, & object to
max. l.v.

Some Day I'll want to write something
on all of these.
Proposed thesis subjects:

Coner

1. Capital Creation
2. Anti-monop. policy
3. Land use
4. Tax policy; esp., taxation of natural resources.
5. Water Use
6. Inheritance, security, education, etc. Ec. of sex.
7. Govt. as an instrument of monopoly; or, local govt. & general interest.
- (1) 8. Cap. migration - decline of New Eng., if any
9. Money & private landownership.
10. Regional developments.

11. The case for taxing
land values.

(2) 12. Planning for competition, or
making comp. work. Perhaps
with Edwin Edwards.

13. Socialism (vs. free contract)

14. Characteristics of thriving
communities. Evolution to
decadence.

15. Correlation of bonded debt
& ec. development.

16. Weeks suggests indirect
benefits from public works, &
their taxation. Complementarity,
etc.

17. Pro a c.b. & velocity
analysis of money.

3. Weeks suggests criticism of
anti-spec. features in
Recl. Law

18. Open-end stock plan for
nat. manufs.

* To Next card.

Title

" Concentration in farming,
& [its lessons for]
what it teaches about
industrial monop. "

Thesis possibilities, p. 2

19. Smog

20. Determinants of opt. size

21. Rent, & monop. theory. (i.e.

rent as means of distrib. monopoly gains from tariffs, where is still competition among individual firms)

22. Complementarity --
including investment.

23. Interest Rates, influence
on Economy.

~~My~~ 'Absence Ownership'

-- brief study start with farming, expand to suburban living; stockholding.

Contrast to 'the ^{complete} whole community' & its occupant, the whole man. -- who sees all of life.

Rich suburban child suffers too
--- sees just tearparty side of life,
dull by itself. Domination of
women.

Article: "Economies to scale".

Diseconomy is a, Extending mgmt, but overstressed b, Caring for cap. by people who don't own it. This is what calls for so much supervision.

Economy: one big pt. stressed is ability to borrow cheaper. But is this a social economy? Show diff. mr analysis. So to great extent is not. & but wd lower opt size.

This direc. to scale not just a deus ex machina, to justify free ent, which we want to justify for some other reason. But is reason we dislike soc -

Falla

Thesis:

Mnp in banking. Or, Banking & mnp. For Ellis, who has ideas on this.

→ Bring Ellis into l.s. thing via imperfections in cap. mkt.

Or combine Weeks & Ellis, in 'Banks & land settlement' --- Weeks has some good attitudes too, about same degree of goodness as Ellis.

Bring in internat. too?

"The Flexible Economy"

.. a testament for free
enterprise

Labor unions --
on historical perspective.

(Gilds; waves of producers &
parasites; modern parallels;
Flanders, Holland; stagnation thru
petty vested int.; advice to
idealistic young men. . . .

'The Economics of Discrimination'

... work into land values
& their maintenance.

I attempt to insulate
oneself from competition.

I labor vs landowners

As in all writing, cite facts,
give references, by carload.
There is Estelle's big role in
my writing.

a grain of salt -- unless we find better results by following some other advice. The practical advice of the ec. profession has not been always good. But if it were, public would gain confidence in it.

The pity is that the profession has failed. This is partly because so many go into it to find rationalizations for their emotions.

Every man has economic experience, inevitably. But he also has physical, biological, etc experience, which he doesn't have time to think about & classify, etc.

It is not possible for everyone to spend much time studying economics, social economics i.e.

But it is possible for those who do study economics to arrive at a consensus of opinion, based on deep study, & pass this on to the general public in elementary courses, popular books, speeches, etc. Henry George's ideal of every man his own authority on economics is not practicable. In subjects on which we are not experts, we 'accept authority' -- always with

Possible article:

a group of illustration of false security,
moral that there is no security:

e.g. Inflation

Fed Res & 1929

etc.

Thesis subject:

~~Voting, & economic~~
Ec. causes & effects of electoral
systems.

Write for 'Frontier' on Cal.
water, ~~etc~~ severance tax, stagnation
in S.F.

0 | Look for map of pop. density in Cal, cf. to
land tax policies.

Thesis:

Henry George reconsidered
in light of later developments in
ec theory & institutions.

(~~Drawback -- would come
under Rolph, unsympathetic~~)

e.g. -- tax criteria pointing to
tax with 'no announcement
effect' as perfect. 'Could any
more specific definition of lvt be
given?'

Book Title:

Economics:

The Mechanisms of Morals
or
social Ethics

The Mechanism of Society
social Ethics

Thesis subject:

Bain sympathetic to statistical investigations of how theories work out. Maybe he'd go for an evaluation of lvt in Cal.

Elaine says a theory thesis would make a bigger splash, & I suppose that's right, generally. But I must sound out the dept.

As to theory, generally, I have but to finish figuring out money -- next summer should suffice -- and I'm ready to write.

My thesis should be a book that will have a wide audience. If it is on theory the chances for that are greater perhaps than if on IDs in Cal.

One must choose an approach that makes it obvious that a significant subject is to be followed. The name "IDs in Cal" would not attract wide attention. "Water in Cal" would get much more, locally. Could analyze the whole current controversey. In fact, such a work might really get into hot politics right away. -- I doubt if it will be a dead issue by that time. And what we do here may become the pattern for reclamation thruout the west. If I want to plunge into practical things I can't think of a more promising place to do it. Back east we have property tax questions etc, true; but I know of none in which the flux is such, the issues so undecided, as here in CVP etc. Try to raise taxes on land values in the east and you run into stone walls. Here, the very life of the land, the water, is partly socialized. The very question at issue is the best way of social control. The land question is up for review. And in 1933 the socialist novelist Upton Sinclair was almost elected governor with a plank to tax unused lands and buildings.

Popular book:

Chapter on "The principle of the highest bidder" or such. Showing how to solve problem of rationing limited resource. And present it as such. Here is a problem, society faces, how to solve it? Next solution. Not only does it ration with low administrative costs, but also to best user, w/o politics, & makes money from it, & enriches no one dishonestly.

Next question: should rights be sold to highest bidder for total capital ownership? Or yearly payment? Answer: yearly payment. Reason: different command of capital. Fear that big capital groups will outbid small men -- e.g. Harris the farmer's reaction -- applies to rights sold in perpetuity only. & if rights private, they ARE sold in perpetuity anyway. So yearly selling reduces power of low i.r. people.

I should like to write an educational book, on
what everyone should know to meet life. It
might be autobiographical. esp. thinking in
different categories

Thesis subject:

International River Basin
Cooperation. -- try to
interest someone to finance
it -- FAO, BR, etc.

There is no reason why education cannot be both popular & profitable. It is all a matter of presenting the material well. Our public & subsidized education, with secure teaching positions, has delayed this. I will specialize in it.

All this monop. theory of mine
will come in when I write my book
on socialism, which will follow my thesis on
money. Then comes one on employment, & ways
of reducing hrs.
Then perhaps one on philosophy - a short one.
& one on CVP, or administration of lrt, etc.
Then maybe public finance, if anything remains after
other books. Get land economics in, & complement-
arity - perhaps in other books, perhaps in above.

Outline for article:

In non-mon. terms, is clear supply is demand,
no overproduction, no unempl. problem.

Now comes Keynes & al. to tell us this conclusion
wrong, something in M system makes difference.

Show him wrong. --- essence of article, above is
groundwork, introduction.

Good approach to land
misallocation for jnl. article:

effects of barriers between
borrowers & lenders have been
much discussed as to effect on
aggregate inv. Effect on
allocation neglected.

Then give dope on R & P.

Then: this has aggregate
effects, too. --- indeed, 'full
use of land', like 'full empl.'
means best allocation, too.

In cycle, important, high i.r.
improves allocation.

In develop'g underdev. areas,

high i.r. breaks bond mpy. &
cumulates.

Enriches ec. thy, this new
concept. (2 practical implications)

Aggrec. thy has put much
stress ~~off~~ on cap. mky. Odd
so few have studied them, as one
important improvement in imptate.
Another field, land ec. has studied
this quite a bit. See what it
reveals.

— -- Scribando, various
approaches that may click.

Try to effect a synthesis of various explanations of processes, like cycles etc, on basis that some take the variables of others as constants. Actually all vary at once, it is a question of fact which are the important ones. Also a question of perceiving relationships.

Subject of 'capital
markets' brings in land
allocation, & familiarizes
me with stocks -- ~~but misses~~
international.

How to make the vanquished
forget.

Take Our South.

'Why can't they forget?'

Tariffs, r.r. rates, & discr. in
N. vs immigrant labor from
S.

I.e., to make them forget,
do what wd. have avoided
war in primo.

Thesis or book:

The Economics of Public
Works

(A manual for public
works administrators)

(Relevant to nat-local
adm question, hence to world
govt.)

I ~~may be better prepared to submit things to~~
~~ec. journals now than write popularly.~~

Much to do in theory. 'Rehabilitation of
land rent' possible.

Maybe I should write on economics for ladies,
Ec. is one of those fields the men have made
very esoteric & difficult to keep the ladies impressed, &
themselves entrenched. Ladies have fewer precon-
ceptions now, are easier swayed.

Check Shaw

Things wrong with socialism would be a
good first popular book, to get support of
rich.

I could, most any time, write essays
for Harpers, etc., on something like
'Reflections on some opinions often heard' -
a criticism of trite leftish clichés.

Book:

"Fictions" & trouble they
cause.

just by teaching others
how to think I'd be
doing greatest service,
so they could handle
future problems
themselves.

Which doesn't nec.
argue for a 'theoretical'
thesis. A practical one with
thought would be the
same sort of influence.

Once improvements are
in, producer has extra
incentive to find flat
demand curves — without
having to change improvements.

My contribution in
straightening out
economics might be
great, in practical applic-
ation. Progress in physics
rests on some basic
thinking which few
understand, yet follow &
keep as a religion
almost. ^{e.g. Mike Jato on Darwin} No matter how I
spend my life it won't
be wasted - even if
just battling in ec.
journals. Remember a
thought on how to
think, from Clark fld,
where I decided that

One must not be deluded ever into thinking that the things that engage the attention of most people as important are the ones that really determine the development of society. "Free silver" probably never had influence commensurate with the attention paid to it. The evolution of property taxes, & technology, unbeknownst to most, has shaped the future, and still will. So one does not necessarily need to write for a large audience to shape the future, nor does writing for a large audience assure shaping it. All this wasted verbiage in monetary theory probly has little effect. In fact, ec. theory mainly takes the basic underlying ec. institutions, & even the current changes that are occurring in them, as inevitable, & monkeys around with the remaining superficialities.

One must get rid of the idea that what must be done must be done within a few years. If that is true, it never will be done.

Article:

Who is forcing socialism
on U.S.?

Give eg. of villainy of
vested interests, who claim to
believe in free ent.

Constructive conclusions.

Popular titles

"Is Monop. inevitable?"

"Must we choose between
monopoly & socialism?"

To Capital:

You ally with land thinking you need their help vs confiscation. In fact, if break with them & allow confiscation, will safeguard capital. But if maintain alliance, will go down with them, as in China.

Blurb:

Comprehensive & comprehensible.

Possible subject:

"Interest rates influence on ec."

subjects included:

1. Effect of high i.r. ^{in demand rate} in turning land to productive uses, employing more labor. (stemming from "what would happen if no more demand for cons." idea.)
2. Low i.r. ^{in supply rate} improves competition by causing more inv. in future good will. (but hurts it by slowing depletion)
3. Differential i.r. & land allocation.
4. (a facet of (1), perhaps) Capital withdrawn from primary areas in depression, causes more land exploitation there by higher i.r., less in metropolitan areas by lower -- hence terms turns primary.

5. Changing anticipations of
future -- & changing i.r. --
the two are hard to distinguish --
-- causing cycles.

~~6. (1?) Effect of differential
i.r. on land allocation.~~

~~6. ~~Effect~~ Effect on Velocity, & on
M, under various institutions.
Cross out Keynes~~

Jnl article:

Tax cap-n.

(Sheaf in file on Taxes)

Scribenda:

Can free ec. survive?

Show land causing mergers,
mining banks, etc., obvious
conclusion.

Next thing to write?

Study of how govts have fallen
from lack of tax revenue, &
others have survived thru
monarch's support; peasants vs
nobles, withdrawing tax exemptions,
etc.

Relate to U.S., decline of
land tax.

Is very timely, U.S. today, when
tax revenues will be drying up.

This folder edited by C. LeBaron Goeller and issued by
The Henry George School of Social Science, 50 E. 69 St., New York 21, N. Y.
Additional copies upon request.

Henry George's Famous Book

Progress and Poverty **PRESS OPINIONS**

From the 10th edition—1882

* * *

(Note—One minister called Progress and Poverty the greatest book since the publication of the New Testament. Another one said, "There was a man sent of God whose name was Henry George." The Duke of Argyll, a wealthy land-owner wrote, "The world has never seen such a Preacher of Unrighteousness as Mr. Henry George." Seven decades and more have proved the book to be a classic. The following Press Notices show the spontaneous reaction when the book was new. Surely a book worth reading.—Ed.)

* * *

NEW YORK TRIBUNE

The received principles of political economy are here submitted to a fresh examination by a courageous thinker, who, though familiar with the learning of the books, follows the conclusions of his own reasoning rather than the instructions of eminent teachers.

NEW YORK HERALD

"Progress and Poverty" is not merely the most original, the most striking and important contribution which political economy has yet received from America, but it is not too much to say that in these respects it has had no equal since the publication of "The Wealth of Nations," by Adam Smith, a century ago, or, at least, since Malthus formulated his theory of population and Ricardo his theory of rent. A more aggressive, not to say audacious, book was never written.

POPULAR SCIENCE MONTHLY

One of the most important contributions yet made to economic literature. It is full of

vital thought, is written with earnestness and power, and is a work hard to lay down when once begun.

NEW YORK SUN

Let us say, at the outset, that this is not a work to be brushed aside with lofty indifference or cool disdain. It is not the production of a visionary or a sciolist, of a meagerly equipped or ill-regulated mind. The writer has brought to his undertaking a comprehensive knowledge of the data and principles of science, and his skill in exposition and illustration attests a broad acquaintance with history and literature. His book must be accounted the first adequate presentation in the English language of that new economy which has found powerful champions in the German universities, and which aims at a radical transformation of the science formulated by Adam Smith, Ricardo, and J. S. Mill. Few books have, in recent years, proceeded from any American pen which have more plainly borne the marks of wide learning and strenuous thought, or which have brought to the expounding of a serious theme a happier faculty of elucidation.

THE NATION

Although we have to consider Mr. George's positions essentially unsound, we find many admirable passages, and a notable spirit of candor pervading his work. The style is for the most part engaging, and often eloquent. So far from being a work of communistic tendencies, the reader will find in it arguments to overthrow nearly all the communist theories of the present day.

NEW YORK EVENING MAIL

A book that can neither be ignored, nor sneered down, nor laughed down.

NEW YORK GRAPHIC

A book worthy of a careful reading, even if the reader should find himself at variance with many of the views expressed. The argument is logical and the points well chosen and sustained.

NEW YORK ERA

We announce clearly and distinctly that, to our view, no book has appeared in the century which has exerted so marked an influence as will "Progress and Poverty."

CHARLES H. BARROWS, in THE LITERARY WORLD

A noteworthy book, that bears the traces of a master's hand—which for freshness of thought, the steady march of its logic, wealth of illustration, strong grasp of economic abstractions and facile handling of facts, no student of social problems can afford to pass by.

THE CHURCHMAN

No wilder theory was ever broached, yet we can not but admire the earnest purpose.

THE METHODIST

The work is so able that no one, intending to speak or write on such subjects, can afford to neglect reading it.

EXAMINER AND CHRONICLE

The most pernicious treatise on political economy that has been published for many a day—all the more pernicious as every page bears traces of learning and culture.

BROOKLYN TIMES

A very remarkable book—its style always clear, often eloquent, never dull. The time-honored doctrines of political economy have never received a severer assault, and whatever we may think of its conclusions, "Progress and Poverty," beyond any book of our time, deserves careful study.

IRISH WORLD

A most remarkable contribution to the discussion of economic questions. Those who want to arm themselves with arguments against the defenders of the Land Iniquity will find in it all they desire.

ALBANY JOURNAL

A discussion of wide range and of great vigor and power, which closes with a suggestion of the future life couched in language like that of a rapt and inspired seer.

SPRINGFIELD REPUBLICAN

A very stimulating book, written in an agreeable style and with true feeling.

PHILADELPHIA EVENING STAR

Mr. George has written a book which is not only a bold and exhaustive examination of the whole question of our modern civilization, but which charms as from a style which rivals the genius of Newman and Macaulay. We are not surprised to know that it has excited more attention among thinking men in Europe and America than any book since Mill's "Essay on Liberty" and Buckle's "History of Civilization."

CHICAGO TRIBUNE

This book is welcome because it will cause a discussion of a subject the magnitude and importance of which none will deny; because it is a bold and frank exposition of theories now forcing themselves upon public notice; because the writer is in earnest, and because he is also original.

CHICAGO ADVANCE

The author appears to be a kind of communist, yet he means well, and means it earnestly, and says much that is worth thinking of.

WASHINGTON CRITIC

We do not hesitate to pronounce this one of the greatest books yet contributed to the literature of political economy, and one which no public man can afford to omit reading. It is the work of a well-trained mind, possessing thorough literary culture. Vigor and clearness of thought are impressed upon every page, but what is most striking is the originality and boldness of the views advanced, and the radical character of the remedy proposed. Though in respect to property in land Mr. George proposes a very radical change, going even further than John Stuart Mill, yet he supports his proposition with such powerful reasoning and such a formidable array of facts that he compels respectful hearing. The reception given to the book by the press is, in view of its radical character, something phenomenal, and best proves its power.

LOUISVILLE COURIER-JOURNAL

Mr. George is earnest, honest, and forcible; radical to the root, bold, sweeping, and dogmatic. He writes earnestly, clearly, nervously, and states his theories and arguments in a way to make them worthy the attention of the most dignified political economist, against whom he makes some spirited tilts. Whatever may be the ultimate effect of the book, it will not fail to excite discussion.

VIRGINIA (NEV.) CHRONICLE

"Progress and Poverty" possesses all the elements of popularity. It is a book which every capitalist ought to read, which every land-holder will be wise to read, and which, as soon as it begins to circulate among the masses, every politician will have to read.

GALVESTON NEWS

This is the most remarkable book on political economy it has ever been our fortune to read. Every sentence is as clear as a sun-beam; every proposition is as legitimately traced to its logical result as one of Euclid's. However unpalatable Mr. George's conclusions may be to certain classes, this book must, from its clearness of statement, ingenuity of argument, its large sympathy, and the broad and philosophic spirit with which the question is treated, claim the attention of all who realize the importance of the subject.

E. R. TAYLOR IN THE CALIFORNIAN

Here, if we mistake not, is one of those original works which open fresh discussions and draw new lines—a work which must command scientific respect, and which is at the same time ablaze with the very fire of radicalism. Whether the theories which it lays down are right or wrong, they can not be treated with contempt. Political economists can not ignore a book which, even if it be erroneous, presents error in such a form that it is likely to become a new gospel in every radical club, and to find apostles in every knot of dissatisfied workingmen. It is emphatically a book which must be read to be understood, and which can not be read without interest and profit even to those who most widely differ from its conclusions.

SAN FRANCISCO ALTA-CALIFORNIA

The literary ability displayed in this novel and original plan of communism makes it the more dangerous. As we propose to show, its premises are false and its reasoning fallacious, while its conclusions, if adopted, would put an end to progress and subvert civilization.

SAN FRANCISCO EXAMINER

A work of wonderful interest and power. Startling as its conclusions may seem, they are urged with such logic, force, and earnestness that they cannot fail to impress every reader. "Progress and Poverty" must in time produce deep effects, and give to the most important discussion a new turn. It can not long be ignored by those who regard its doctrines as dangerous.

M. R. LEVERSON, Ph. D., in SAN FRANCISCO ARGONAUT

I consider "Progress and Poverty" as the book of this half-century, and do no injustice to the renown of my revered teacher and friend, the late John Stuart Mill, in ranking it as surpassing in importance anything and all that he published. I regard this work as the most valuable contribution to the science of social economy since the publication of Ricardo's theory of rent, nor has even Herbert Spencer done so much to advance the social sciences as is done in this single book.

SAN FRANCISCO MERCHANT

Too able to be easily answered, too revolutionary to be lightly endorsed. A book of surprises, yet in nothing more surprising than in the manner in which it enchains the interest of the reader in what he has probably hitherto deemed the hardest and driest discussions. We are glad to see that the State Board of Education have added "Progress and Poverty" to the school library lists.

STOCKTON (CAL.) INDEPENDENT

A book to be studied, not merely to be read—a book which grapples with questions so great, and announces doctrines so novel, that the reader is surprised on every page. No one can finish it without receiving light on some of the most interesting problems of human existence, and being convinced that Mr. George is one of the most profound and advanced thinkers of the day.

SACRAMENTO BEE

We believe this book marks an epoch in the discussion of political and social questions. We hail it as the skirmishers on an advanced line might hail the coming up of the heavy battalions. For here is the philosophy of the great reform movement which is now beginning to agitate men's minds. We cannot too strongly commend this book. It ought to be read by every workingman in the land, and, if it were, it would work a revolution.

SACRAMENTO RECORD-UNION

A book which will make converts, and which is, in fact, a really splendid series of logical triumphs. In the sweep of the argument nothing seems to have been forgotten.

PROFESSOR EMILE de LAVELEYE, in REVUE SCIENTIFIQUE

A remarkable book, that has not only interest but has instructed me.

LONDON STATIST

Since Proudhon enunciated to the world the famous proposition, "La propriete c'est le vol," no writer with any pretensions to cultivation of mind, or even education, except perhaps Karl Marx, has put forward such an astounding proposal as that of the author of "Progress and Poverty." If he is able to convince many of his countrymen of the practicability, to say nothing of the expediency, a mad doctrine as this, the United States and less than nothing of the justice, of such will sooner or later be torn by a second civil war. Yet, comparatively speaking, Mr. George's belief that poverty is solely the result of private ownership in land is almost a sane view of the matter.

PROFESSOR GOLDWIN SMITH, In THE BYSTANDER

In the region of political economy the newest sensation is "Progress and Poverty," which has been hailed by some as an extraordinary effort of speculative genius. The writer is struck by the fact, as he supposes it to be, that poverty, instead of decreasing has increased with the progress of production, and he casts about for the cause and the remedy. The cause he finds to be individual ownership of land. His remedy is a sweeping confiscation of all landed property by the State, without giving the owners any indemnity, which, he particularly warns us, would frustrate his beneficent design. . . . To crown the wisdom of the scheme, the Government, into the hands of which the vast proceeds of the confiscation are to be put, is one which, in the case of the United States, the projector himself describes as a den of brigands.

PROFESSOR T. E. CLIFFE LESLIE, In FORTNIGHTLY REVIEW

From a passage in Mr. George's book it appears that he was formerly a workingman in a trade, and, if this is to be understood in the ordinary sense, his learning and literary power are truly astonishing and admirable. Among other gifts he possesses a fertile imagination, supplying him readily with pertinent illustrations. Want of imagination is one of the causes of the inability of many economists to emancipate themselves from old abstractions, generalizations, and formulas. Their minds do not enable them to realize actual phenomena, and to test theories on all sides by a multitude of instances. Mr. George's work, however, calls for notice not only on account of its ability, and because it contains internal evidence of being a product of the

economic history of California, but because also of the magnitude of the problem it propounds and the nature of the solution it proposes.

LONDON ECONOMIST

The chapter describing the manner in which civilization is exposed to danger through the increase of the inequality of wealth is powerful, graphic, and instructive. But while we feel the danger we can not admit the remedy proposed.

LONDON SATURDAY REVIEW

Till we read Mr. George's chapter on wages, we had hardly realized the extent to which acute thinkers—even such a writer as Mr. John Stuart Mill—are biased in their general inferences by particular facts. The value of Mr. George's book lies in the presentation of views derived from the peculiar facts of American industrial and social organization—views which may lead thoughtful European economists to modify the generality of their own conclusions rather than to adopt Mr. George's.

AGATHON de POTTER, In PHILOSOPHIE DE L'AVENIR, Of PARIS

This remarkable and most interesting work is indeed worthy of careful and elaborate review.

BROOKLYN EAGLE

The most solid literary success of the year is undoubtedly "Progress and Poverty." A translation into German is already being published in Berlin, the French periodicals devoted to social subjects are quoting and commenting upon it largely, and the English economists are beginning to discover that here at least is an American book, worthy of their attention. In the United States it must have a very great sale, for it is every day more evident that the subjects of which it treats are those upon which political discussion must for the future turn.

BOSTON TRANSCRIPT

A book destined to create a great deal of discussion.

BOSTON JOURNAL

The book displays vigor of thought as well as vehemence of expression; and, wild and impractical as its conclusions appear, it challenges respect by its power and earnestness, and furnishes much food for sober reflection.

NO. 60—Henry George Tract Society, Endwell, N.Y.
U. S. A. C. LeBaron Goeller, Editor-Manager.

Write & perform songs
illustrating ec. principles.

Scribanda:

Prerequisites for successful
coops: LVT. (e.g. Dnmk)

What 'love your neighbor' means in economics

For personal life:

For Foreign Trade Policy. Aim of Xianity, to conquer world by love, for love. Which means ~~Expand state, not by conquest, but amalgamation~~ ... good terms of trade, unilateral ... that is Xian ...

For Land Policy:

For Church policy:

Church must compete with sin; not try to monopolize public attn. by using power of state to proscribe other activities, some of which may be sinful, some not. This keeps church on ball. Xianity positive. If people like boxing, burlesque, & gambling, church not interesting enough.

Develop a new system of representation, so new countries can join freely, no fiction over who dominates.

Idea of Xianity is that love will spread, by more than reciprocating love: creating new love, by loving your enemies, strangers.

Christianity is positive: peace is more than absence of war, & is secured by more than refusal to fight. Xians must wage peace. Go forth on mission of good will --- free trade best for that.

✓ Wonderful combo. of idealism & practical horsetrading.

Beware of:

Pompous.

Pretentious

Pedantic

Ostentatious

Cant &

Mummary,

Gracilis.

Labored.

Meandered &

Stilted.

(also formalistic, stiff, forced, ponderous, cramped,
vaunting, & affected.)

Let your model in academic discourse be:

Fred Astaire.

Writing Idea - "There is a free lunch"

It is land rent. E.g. of flowing water, put to use,
B → C = free lunch, courtesy of God.

God is the forgotten man; Nature the forgotten woman.
Man in his pride supports costs who claim credit for
all. Land has a cost, the sacrifice of its next best
use. They forget, tho, that if the land weren't
there at all there wd. be no next best use.

So land rent is man's free lunch. The qn. is,
who gets the free lunch?