Henry George School
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New York, N. Y. 10021

Draft: 1

THE ECONOMICS OF FREEDOM

formerly titled

Fundamental Economics

DISCUSSION LEADERS' MANUAL

HOW TO USE THIS MANUAL

No manual can be a substitute for creative teaching. That can only come from within the instructor himself. The ideas and methods presented in these pages are not meant to be followed slavishly or mechanically, but are rather intended to be used as tools -- personalized and adapted to the teacher's individual style and the distinctive character of his particular class.

This course, "The Economics of Freedom," is divided into ten two-hour sessions:

Lesson I	Introduction: The Problem
Lesson II	The Market Economy
Lesson III	The Factors of Production
Lesson IV	The Laws of Distribution
Lesson V	Effects of Material Progress
Lesson VI	Proposed Remedies for a Sick Economy
Lesson VII	The Rightful Basis of Private Property
Lesson VIII	A New Dimension in Taxation
Lesson IX	Practical Effects of George's Remedy
Lesson X	The Law of Human Progress

The first lesson is introductory, and the remaining nine are based on reading assignments in the condensed version of Henry George's PROGRESS AND POVERTY, edited by A. W. Madsen (Hogarth Press, London). Those responsible for the preparation of this course yield to none in their esteem for the full edition of PROGRESS AND POVERTY, and the decision to substitute an abridgment for it as the text was not made lightly. The overriding factor which led to this decision was their considered judgment that in these times, when so many things compete for the attention of busy people, the sheer length of the unabridged edition constitutes in all too many instances a formidable barrier to its being read. The type of student we most wish to attract and

to retain is not likely to find George's language unduly difficult or to have much trouble following the logical progression of his thought. He is, however, apt to have demands on his time which militate against the leisurely study of 565 pages of closely-knit argument. It is hoped that by the end of the course, many students will have been inspired with a desire to read the entire work. For this reason, copies of the full edition should be on hand, and those who wish to exchange their abridged version for an unabridged one should be encouraged to do so by making a modest payment to cover the difference in cost.

The heart of each lesson in this manual is the Summary, designed to aid the teacher by providing him with a digest of the points which it is felt should be brought out in class. The teacher should familiarize himself thoroughly with each Summary, using his own judgment if he finds himself in disagreement with its content or emphasis. In no case should the Summary be read to the class as a "canned" lecture.

Copies of the Summary should be handed out to the students at the end of each session, as a record of what has presumably been covered at that session. This will give them something to refer back to, and will help fill in the gaps for those who miss class meetings. Summaries should never be given out in advance, unless a student indicates ahead of time that he will be unable to attend the next session.

Each lesson contains from nine to fifteen suggested Leading Questions, with space for the teacher's notes. No answers are provided, since any teacher who has familiarized himself with the Summaries should be able to handle the questions without difficulty. The questions are intended to elicit discussion and insight, not to test whether or not the student has read the assignment. According to this approach, known as the Socratic or

deductive method, the teacher imparts little information directly but rather guides the student toward understanding by means of pointed questions which engage him in a process of critical analysis and imaginative reflection. Instead of being fed to him in cut and dried fashion by an external authority, the answers are made to emerge from the student himself as he becomes involved in the dynamics of the inquiry. Below is an example of the method as practiced by the master whose name it bears. Socrates is demonstrating it to Meno by interrogating the latter's unlearned slave:

Socrates: "Mark now the further development. I shall only ask him, and not teach him, and he shall share the enquiry with me: and do you watch and see if you find me telling or explaining anything to him, instead of eliciting his opinion. Tell me, boy, is not this a square of four feet which I have drawn?"

Boy: "Yes."

Socrates: "And now I add another square equal to the former one?"

Boy: "Yes."

Socrates: "And a third, which is equal to either of them?"

Boy: "Yes."

Socrates: "Suppose that we fill up the vacant corner?"

Boy: "Very good."

Socrates: "Here, then, there are four equal spaces?"

Boy: "Yes."

Socrates: "And how many times larger is this space than this other?"

Boy: "Four times."

Socrates: "But it ought to have been twice only, as you will remember."

Boy: "True."

Socrates: "And does not this line, reaching from corner to corner, bisect each of these spaces?"

Boy: "Yes."

Socrates: "And are there not here four equal lines which contain this space?"

Boy: "There are."

Socrates: "Look and see how much this space is."

Boy: "I do not understand."

Socrates: "Has not each interior line cut off half of the four spaces?"

Boy: "Yes."

Socrates: "And how many spaces are there in this section?"

Boy: "Four."

Socrates: "And how many in this?"

Boy: "Two."

Socrates: "And four is how many times two?"

Boy: "Twice."

Socrates: "And this space is of how many feet?"

Boy: "Of eight feet."

Socrates: "And from what line do you get this figure?"

Boy: "From this."

Socrates: "That is, from the line which extends from corner to corner of the figure of four feet?"

Boy: "Yes."

Socrates: "And that is the line which the learned call the diagonal. And if this is the proper name, then you, Meno's slave, are prepared to affirm that the double space is the square of the diagonal?"

Boy: "Certainly, Socrates."

Socrates: "What do you say of him, Meno? Were not all these answers given out of his own head?"

Meno: "Yes, they were all his own."

The teacher should not consider himself rigidly bound to the Leading Questions presented in this manual. He should use his imagination to try to make them more searching and provocative. In the course of dialogue other questions will doubtless suggest themselves as appropriate to the situation, and the teacher should be flexible enough to adapt his questioning to the

immediate context, while at the same time guarding against irrelevant digressions.

The Leading Questions are based primarily upon the Lesson Summaries. The Summaries do not merely present the gist of the text but also update it and augment it with material designed to show its contemporary significance. Since the Leading Questions are based upon the Summaries (which go beyond what is included in the reading assignments), and since the Summaries are not to be distributed until after the sessions at which their content is discussed, some of the questions will contain ideas and terminology with which the students will have had no opportunity to become acquainted. The teacher should precede such questions with appropriate explanation.

In addition to the Summaries and Leading Questions, each lesson in the manual includes such further aids as Chalkboard Suggestions, Questions on the Supplements, and General Discussion Topics. The Supplements consist of articles and charts, selected to enrich the main body of the lesson. Some of these may lend themselves to board work and development; others may be read aloud in class by the instructor, or passed out to the students. In the latter case, the extension director, if given adequate notice, will provide the necessary copies.

Each lesson is introduced by a brief statement of its purpose followed by a list of its objectives, and a list of economic terms to be clarified and emphasized. Although the words, "purpose" and "objective," are synonymous in common parlance, they have acquired separate meanings in the field of education. The purpose refers to the major theme or over-all goal of the lesson. The objectives refer to the more concrete and specific conceptual units which make up the purpose. They may be either taught in segments or interwoven into a cohesive whole.

At the culmination of each session, the Summary of the lesson covered in that session should be distributed and the Reading Assignment for the following session announced, together with a Thought Question based on the assignment.

Those responsible for the preparation of this course have drawn upon many sources in their writing of the Lesson Summaries. Foremost among these, of course, was PROGRESS AND POVERTY itself. Inasmuch as a few of the quotations from this source are not found in the condensed version, all page references are to the unabridged editions published by the Robert Schalkenbach Foundation and the Modern Library. Extensive use was made of Gaston Haxo's excellent paraphrase of PROGRESS AND POVERTY, THE PHILOSOPHY OF FREEDOM, and of Dr. E. E. Bowen's ECONOMICS SIMPLIFIED, edited by George L. Rusby. Both of these books, unhappily, are out of print. Use was also made of the sixth edition of the Henry George School Teacher's Manual for the course in "Fundamental Economics," and of the Lecturer's Manual for the "New Basic Course" of our sister Henry George School in Great Britain. For mechanical reasons it was found desirable in many cases to forego attribution when incorporating excerpts or close paraphrases from these works in the text of the Summaries. Their authors and copyright holders have graciously consented to accept this general acknowledgment in lieu of such attribution.

LESSON I

THE PROBLEM

Suggestions to Teacher

The first lesson is primarily a "selling" session which should convince the students they want to continue with the course. At the same time, the students should go away with the feeling that they have already begun to learn something.

The following suggestions are to be used at your discretion. However, the unit on "The Problem" is of particular importance since it is meant to dispel in advance any doubt as to the current relevance of George and of the course. The unit on "The Questionnaire" is less essential, and may be dispensed with if desired.

1. WELCOME

Distribute enrollment cards and questionnaires to students. Give them a few minutes to work on questionnaires and get acquainted. If you collect the enrollment cards before you formally open the class, you will have the names of students before you.

Open the class by welcoming students to the Henry George School. Introduce yourself and say a word or two about your background. If the class is not too large, ask the students to introduce themselves by name and occupation. They may also be asked to tell the group why they came. Then tell the students something of the School:

Its purpose is to teach political economy and social philosophy in order to contribute to a more informed citizenry. It was founded in 1932 by a New York scholar and businessman, Oscar H. Geiger. It is chartered as a nonprofit, nonpolitical institution by the University of the State of New York. From small beginnings it has grown and now has a large headquarters in New York City, extensions and affiliated schools in the United States and Canada, and sister institutions in several foreign countries. It is supported by an endowment and by the voluntary contributions of its friends and graduates and by public-spirited people who approve of the School's work. The work is also made possible by volunteer services; teachers serve on a voluntary basis. Its teachings and methods are based on principles of free inquiry and scientific analysis.

The Henry George School is an independent institution. It is widely recognized as a landmark in adult education.

The School booklet contains additional information.

2. THE QUESTIONNAIRE

Mention briefly a few of the main social and economic problems which have attracted public attention at present. Point out that these and similar problems can be solved in a republic only by citizens learning to think them through, and that the School hopes to assist them in doing this.

You may then begin on the questionnaire. Answers from all students on each question are not necessary, but enough replies to get representative opinions should be sought.

Try to have all students involved by the time the questionnaire has been gone through. Agreement on answers is not at all necessary at this session. The object is to get students thinking about economics and to make them aware of economic problems. If good answers are given, however, or general (and correct) agreement seems to emerge from the class on some point, the students can be told so and thus encouraged.

3. THE PROBLEM

(a) In order to stress the prophetic character of George's thought, read the quotations at the beginning of the summary. Point out that these statements are taken from our text, and first appeared in print in 1879.

(b) Briefly review the essentials of George's career.

(c) Pass out copies of PROGRESS AND POVERTY to the students. Read aloud selected paragraphs beginning at the top of page 5: "This association of poverty with progress is the great enigma of our times." Many of your students may not be prepared to admit that poverty is really a major problem in the United States today. Ask them if they think it is, and do not discourage negative replies. Try, however, to make sure that by the end of the discussion they realize that "the problem," even though now somewhat masked, is just as real as it was in George's time.

4. OUTLINE OF COURSE

Explain that the course has been set up to follow in large measure the development of Henry George's analysis of the problem. Students should understand the points brought out in the book, but they are also urged to

think for themselves and to test every step of the way with their own reasoning. Point out that the School does not regard George as an infallible authority or his writings as sacred dogma never to be questioned. It merely holds that he clarified many issues which would otherwise remain obscure, and that an understanding of his thought is vital for our time.

Proceed to give a brief outline of the remaining nine lessons (without going too deeply into the subject matter) somewhat as follows:

Lesson II - The Market Economy

The nature of economic laws, and the difference between a free economy and one which is politically dominated. Some basic laws of economics.

Lesson III - The Factors of Production

Definitions; production and the source of wages; theories which attribute poverty to an imbalance between the sources of production. In this lesson we begin by learning essential terms in the language of political economy. Effective discussion requires that we become familiar with these terms and be consistent in using them.

Lesson IV - The Laws of Distribution

The laws of rent, wages and interest are presented, demonstrating that poverty is primarily a problem of distribution.

Lesson V - Effects of Material Progress

How the laws of distribution apply in an expanding economy. Why material progress fails to abolish poverty.

Lesson VI - Proposed Remedies for a Sick Economy

An examination of various proposals, including those of Keynes and George.

Lesson VII - The Rightful Basis of Private Property

A consideration of the moral justification for private ownership.

Lesson VIII - A New Dimension in Taxation

Types of taxes. George's proposal compared with other means of public revenue in terms of the criteria for sound taxation.

Lesson IX - Practical Effects of George's Remedy

George's proposal as actually applied. Its effect on employment, purchasing power, housing, etc. Answers to typical questions.

Lesson X - The Law of Human Progress

How civilizations advance and decline. What must be done to save our own civilization.

Explain to the students how the study will be undertaken. One two-hour session a week for ten weeks. There will be a reading assignment in PROGRESS AND POVERTY (and/or other material to be distributed), and a thought question based on the assignment. The assignment and question will then be discussed at the following session. At the end of each session, a summary of its main points will be distributed, so that the student can have a record of what has been discussed, and can review it at his leisure. Occasionally, supplementary materials may also be passed out.

5. CONCLUSION

Close the session by announcing the reading assignment for Lesson II - "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)", pages ix to xvi and pages 1 to 7, together with the following thought question: "Since political economy does not lend itself to laboratory experiment, how can it be studied as a science?"

Collect money for the books.

Collect any enrollment cards you may have missed earlier. Point out that enrollment for the course is still open, and invite the students to bring friends to the next session.

LESSON II

THE MARKET ECONOMY

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)," Pages ix to xvi and pages 1 to 7.

Purpose:

To understand the market economy and its emphasis upon economic laws.

Objectives:

To compare the command with the market economy.

To differentiate between economic laws and governmental laws.

To note two axioms:
- Man seeks to satisfy his desires with the least effort.
- Man's desires are unlimited.

To demonstrate three economic laws:
- Supply and Demand
- Law of Competition
- Law of Diminishing Returns

Economic Vocabulary:

- political economy
- economic law
- man-made law
- command economy
- market economy

Leading Questions: **Instructor's Comments**

1. To what degree does the United States have a market economy today?

2. Discuss the trend towards a command economy during the past forty years and the reasons for this development.

3. What assumptions are made about the nature of man and the role of government by those who advocate a command economy?

4. What assumptions are made about the nature of man and the role of government by those who advocate a market economy?

5. Compare the problems of the social scientist (an economist) with that of a physical scientist (a chemist). What experiments can one perform that cannot be performed by the other?

6. How do the methods and approaches used by a command economist differ from those of a market economist?

7. Distinguish between natural laws and man-made laws.

8. Are there natural laws which are also economic laws? Discuss.

9. Cite examples of man-made or governmental laws.

Chalkboard Suggestions:

1. Basic Economic Laws

Head three columns on the board: Basic Economic Laws, Counteracting Governmental Forces, and Counteracting Nongovernmental Forces. The counteracting forces represent those laws and methods employed which tend towards

interfering with the economic laws. For example, the law of competition is interfered with by the various minimum wage laws enacted by legislative bodies and price agreements amongst manufacturers.

The students fill in all the details. If some difficulty arises in supplying the basic economic laws, it may be necessary to fill this part in yourself. Once the students begin to fill in the details, it should bring to light the effect that man-made laws have upon economic laws.

2. The Market Economy and the Command Economy

Have students fill in the following chart:

Types of Economies	Effect on Prices	Effects on Wages	Effects on Production
Market			
Mixed			
Command			

The purpose is to demonstrate the effect that various types of economies have upon prices, wages and production. Other categories may be added. The answers ought to be in relationship to each other, rather than absolute. For example, price in a market economy tends towards a minimum because of competition, whereas it is arbitrary in a command economy.

Supplements:

1. Supplement A - Galbraith and the Market Economy.

   (a) Comment on Galbraith's analysis of the market economy.
   (b) How valid are his comments? With our advanced technology, does the consumer have a choice?
   (c) Compare various industries and comment upon their relative degree of competitiveness.

2. Supplement B - What is the Market?

   (a) Why does Galbraith feel that planning should replace the market place?
   (b) Evaluate the author's criticism of Galbraith.
   (c) Comment on the three functions of the state, as given in the article.

Culmination:

Pass out Summary of Lesson II.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 8 to 39 (supplementary reading, pages 40 to 60).

Thought Question: In what ways do the definitions of the important terms in the text differ from common usage?

SUPPLEMENT A

Galbraith and the Market Economy

In the market economy the price that is offered is counted upon to produce the result that is sought. Nothing more need be done. The consumer, by his offer to pay, obtains the necessary responding action by the firm that supplies his needs. By offering to pay yet more he gets more. And the firm, in its turn, by similar offers gets the labor, materials and equipment that it requires for production.

Planning exists because this process has ceased to be reliable. Technology, with its companion commitment of time and capital, means that the needs of the consumer must be anticipated - by months or years. When the distant day arrives the consumer's willingness to buy may well be lacking. By the same token, while common labor and carbon steel will be forthcoming in response to a promise to pay, the specialized skills and arcane materials required by advanced technology cannot similarly be counted upon. The needed action in both instances is evident; in addition to deciding what the consumer will want and will pay, the firm must take every feasible step to see that what it decides to produce is wanted by the consumer at a remunerative price. And it must see that the labor, materials and equipment that it needs will be available at a cost consistent with the price it will receive. It must exercise control over what is sold. It must exercise control over what is supplied. It must replace the market with planning.

From: THE NEW INDUSTRIAL STATE -
John Kenneth Galbraith -
"The Nature of Industrial Planning"

SUPPLEMENT B

What is the Market?

IN PROFESSOR GALBRAITH'S Reith Lectures the themes of the trend towards bigness and the need for economic planning are combined. Both are seen as an inevitable consequence of modern technology. It is an appealing theory, rendered still more fascinating by the dry wit of its originator, but as a reasoned argument it is very rickety. Professor Galbraith emphasises certain facts about the economic scene, ignores other facts, and not surprisingly, proceeds to draw false conclusions.

In the first lecture Galbraith compares the manufacture of the early Ford with that of a modern motor car and describes the main differences: "large commitments of capital, a great elapse of time between the initiation of production and its completion, extensive reliance on specialised manpower, intricate organisation and—as an ultimate consequence—diminished effectiveness of the market."

With the list of changes in production and the inferred need for detailed forward planning one can agree, but the so-called consequence does not follow. If the market is now regarded solely as a place where housewives can spy out the best and cheapest tomatoes, then to a large extent the market has gone (though to a large extent also, it remains as Galbraith later admits), but the market should not be so regarded. The distinction that Galbraith is making is that whereas in the days of the first Ford, materials could simply be bought "off the peg," nowadays many commodities required for manufacture are so specialised in design that they have to be ordered in advance. Nevertheless, they are still produced to meet a consumer preference, they can still be ordered from another supplier, and there is still the same incentive to keep custom that may be lost.

Although in the sphere of industry about which Galbraith is talking the number of business units is much smaller than in the past, the market for their products (he neglects to tell us) is very much larger and often world-wide. There are not many major groups manufacturing motor cars in Britain today but despite tariffs they are in direct competition with groups in other countries of western Europe and in the United States. Similarly, Galbraith remarks that when the original Ford was produced, a labourer or a machine operative could probably be hired at the nearest saloon, whereas a systems engineer cannot. He does not mention that newspapers enable a modern large company to look for its systems engineers not only in the nearest town but over a whole state or country.

The need for a period of planning, the argument runs, begets the need for prices to be fixed in advance, and kept stable. Accordingly, prices are determined by the large corporation and no longer left to the market. However, everyone having something to sell fixes its price, just as everyone tries to persuade the public to buy (the tomato seller usually cries his product's virtues with great gusto). Experiments with price may take place after the goods are on sale, or in the planning stage before they go on sale. In some cases sellers will try alternative tactics, such as an increase in advertising, before altering price, but in the last resort either price must be adjusted or the product itself modified. The consumer is therefore still sovereign, and competition among the giants themselves is a good protection against hypnotic persuasion.

Galbraith contrasts a free market in which, he says, "the initiative lies with the individual" with the creation of an elaborate new product where the initiative lies with the producer. They are produced and tried out and if they sell well more are produced. It does not often happen that consumers ask for a non-existent product which someone then manufactures, except precisely in the areas of greatest technological complexity. The argument is stood on its head!

Division of Labour Overlooked

About a market economy, muses Galbraith nostalgically, there is "something admirably libertarian and democratic" but the market is being overtaken by the evolution of modern business. Big units come about not only to achieve economies of scale, or to attain a monopoly position, but to meet the demands of planning itself, and for this purpose "it could be that the bigger the better."

Once more, one trend is being emphasised at the expense of another. The tendency to increased size has been accompanied for centuries by the opposite tendency of the division of labour, and this has been greatly stimulated by advancing technology. Galbraith should have compared the manufacture of the original Ford by one firm with the fact that today some two-thousand firms may participate in the manufacture of a motor car. The development of technology can result in more planning within an organisation but can also lead to a more highly articulated and co-ordinated free market.

Galbraith quotes a United States Steel Corporation annual report: "The American competitive enterprise

SUPPLEMENT B (continued)

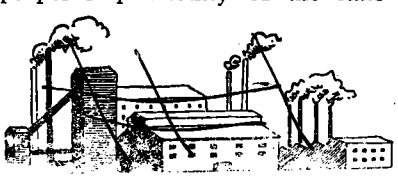
system is an acknowledged profit and loss system, the hope of profits being the incentive and the fear of loss being the spur," and regards this statement as nonsense because nearly all the largest firms make profits. Certainly, a large company will not easily make an overall loss, but it may lose in a branch of its activities, or on a single product, and although it makes an overall profit, the rate of profit might be decreasing. Galbraith argues that the growth of the corporation, which brings new opportunities and prestige for the executives who manage it, is now more important than the maximisation of profit. in which the executives do not normally share, but it is difficult to see how growth can come about except through success as measured by profit. If the desire by executives for *secure* earnings is making large corporations less adventurous than they should be, the remedy lies in increased competition, revision of the patent laws, and strengthened control by shareholders.

Functions of the State

One aspect of the technological revolution on which Galbraith is particularly interesting is the change in the nature of decision making. Individuals now rarely have the knowledge to appreciate all the facts on which recommendations are made and frequently have to accept the conclusions of groups of experts, who have to be shielded from amateur interference even by the company's owners. Nonetheless the responsibility and risk are taken by the individual at the top — and it is he who decides on timing, and allocation of money, in relation to other priorities, and it is he, not his experts, who will most suffer the consequences of failure.

The essence of the Galbraith thesis is that the planning in the large corporation has to be supplemented by the planning of the state. The state has three functions: to control prices and wages and aggregate demand generally; to supply the specialised manpower that industry requires; and to underwrite very large technological projects.

It is a proper responsibility of the state to regulate



"aggregate demand" if by that is meant the supply of money. Control of prices and wages is not necessary to achieve this; on the contrary it is a sign of failure to achieve it.

The state does not supply specialised manpower. A young man's decision to follow a trade is governed by his assessment of the prospects in that trade, not on what skills the state thinks are needed. These prospects including remuneration, are better when industry requires more men in that line than are available, but that is the beauty of the market.

The technological projects underwritten by the state can be divided into two kinds: those where state intervention is unnecessary, as with aircraft (some aircraft are not supported by the state), and those, like space research, where private industry could not hope to make a profit — a sound indication that people would rather be free to spend their money on other things. (Defence is in a separate category because it is an essential function of government itself.)

No reconciliation

Attractively, Galbraith suggests that just as organisations in the private sector become independent of both consumers and shareholders, so public corporations become independent of public control, whether that control be democratic or not. It follows that the old labels of capitalism, democratic socialism and authoritarian communism are becoming meaningless, and that there is in reality a convergence between the different systems. The idea of convergence is popular since the re-introduction of the profit indicator for factories in the Soviet Union, but Galbraith is careful to point out that this decentralisation is not a return to the marked but "a shift of some planning functions (including some control of prices) from the state to the firm". One continuing difference is that in the private sector there is a means of checking on the decision making of a large corporation — by consulting the decision-making of its competitors. In a nationalised industry there is no such check.

Professor Galbraith's conclusion is that the development of the partnership between the large corporation and the state could tend to make the needs of the industrial system so dominant that all else will be subordinated to it. His plea for the aesthetic dimension of life to be preserved will be echoed by many who do not share Galbraith's theories.

The industrial system will be seen in perspective only when men are not compelled to think always of their material wants, when the world economy has become so efficient that a high material standard is available to everybody. When that happens a fuller and richer life will be possible for all of us, but only if freedom is maintained. It is doubtful indeed whether freedom can be reconciled with economic planning.

From: LAND AND LIBERTY
March 1967
"Economist Out On A Limb"

LESSON III

THE FACTORS OF PRODUCTION

Assigned Reading: *Henry George, PROGRESS AND POVERTY (Hogarth abridgment)* Pages 8 to 39 (supplementary reading: pages 40 to 60)

Purpose:

To define and explain the nature of wealth and the factors of production.

Objectives:

To define the nature of wealth.

To examine the role of land as a factor of production, and of rent, its avenue of distribution.

To examine the role of labor as a factor of production, and of wages, its avenue of distribution.

To examine the role of capital as a factor of production, and of interest, its avenue of distribution.

To show the relationship of the Wage Fund Theory and the Malthusian Theory to the problem of poverty.

Economic Vocabulary:

wealth
land
rent
labor
wages
capital
interest

Leading Questions:

1. Distinguish between personal wealth and national wealth. Cite examples of personal wealth that is not considered to be national wealth.

Instructor's Comments

2. Why is land usually not accorded the same importance as the other two factors - labor and capital?

3. In what ways does land basically differ from capital and labor?

4. How does economic rent differ from rent as the term is popularly used?

5. Compare the prevalent labor union understanding of the basis of wages with the basis set forth in the text.

6. In what occupations is it easiest to observe that wages are tied to production in our economy?

7. Why is there much confusion concerning the nature of capital? Of interest?

8. Cite examples in which the use and nature of capital is determined by industry and society.

9. Describe the commonly accepted fallacy concerning the relationship between capital and labor.

10. To what extent is the Wage Fund Theory accepted today?

11. What is the connection between population and poverty?

Chalkboard Suggestions:

1. Definition of Wealth

Obtain the characteristics of wealth from the students and then place them horizontally, in column form, on the board (Even though some of these may differ from the text, they should be included. They can be eliminated later on, after the inconsistencies are shown). Then request examples of wealth and match the examples with its characteristics. For an item to be wealth, it must have all the qualities and not only one or two. Place an X under the appropriate columns. For example:

Example	Material Thing	Exchange Value	Human Effort
car	X	X	X
tree	X	X	X
land	X	X	
human knowledge		X	X

This method of developing definitions may trigger good discussions. For example, some economists consider knowledge capital and hence wealth. It may be asked "What then happened to all this wealth during the depression?"

Supplements:

1. Supplement A - Money and Wealth Are Not The Same

   (a) Why is money usually included as wealth?
   (b) If money is considered wealth, how may this affect government policy?

2. Supplement B - Population Density

Compare various countries such as sparsely populated Australia, Canada, U.S.A. and densely populated Belgium, Holland, Germany and Great Britain. Note that these countries have far higher standards of living than such countries as Brazil, China, Egypt and Pakistan. Indicate that density of population is not a relative factor in the existence of poverty.

3. Supplement C - Green Revolution

Criticize the Malthusian Theory in the light of recent revolutionary developments in agriculture.

Other Sources:

1. An Economic Textbook

Obtain one or several economic texts and compare their definitions with ours. The students can then observe the differences and the usual confusion. The Encyclopedia of Social Sciences and the International Encyclopedia of Social Sciences present some very useful definitions of national wealth, capital and land.

2. A Globe

A globe of the world can be used to demonstrate the sparse and dense areas of the world. Then compare it with the various standards of living.

3. Newspapers and Magazines

Articles that mention wealth, land, capital, money, rent, profit, etc., can usually be found in the business and real estate sections of the Sunday papers. Indicate the contexts in which these terms are used and then compare them with our definitions. Indicate any confusion in usage.

Culmination:

Pass out Summary of Lesson III.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 61 to 86.

Thought Question: Show the relationship between the laws of rent, wages and interest.

SUPPLEMENT A

Money and Wealth Are Not the Same

By MORTIMER J. ADLER

The repeated efforts to correct the mistake of identifying money with wealth indicates that this error is widely prevalent in all eras. Aristotle holds that the use of of money begins with retail trade, which "is not a natural part of getting wealth"; for, he continues, "had it been so, men would have ceased to exchange when they had enough." Retail trade, he notes, "replaces the barter of necessary articles," and it is made possible by the use of coin. It then comes to be thought of as "the art which which produces riches and wealth."



Mortimer Adler

"Indeed," Aristotle remarks, "riches are assumed by many to be only a quantity of coin." He argues, on the contrary, that "coined money is a mere sham, a thing not natural, but conventional only . . . because it is not useful as a means to any of the necessities of life, and he who is rich in coin may often be in want of necessary food. But how can that be wealth of which a man may have a great abundance and yet perish with hunger, like Midas in the fable, whose insatiable prayer turned everything that was set before him into gold?"

Although in a sense it is true to say that money in itself cannot satisfy a single natural need, this does not mean that money serves no economic purpose. Plato and Aristotle, Hobbes, and Locke, in company with the economists Adam Smith and Karl Marx, recognized that money is useful s a medium of exchange. It is indispensable, says Marx, for "the circulation of commodities" beyondthe stage of barter. In Plato's view, money is more than a medium of exchange. "It reduces the inequalities and incommensurabilities of goods to equality and common measure."

Adam Smith also argued that it would be foolish to confuse, as the mercantilist theory does, wealth with money. It would be too ridiculous to go about seriously to prove," Smith writes does not consist in money, or in gold or silver; but what money purchases, and is valuable only for purchasing . . . Goods can serve many other purposes besides purchasing money, but money can serve no other purpose besides purchasing goods." He nonetheless cautions that the idea that "wealth consists in gold and silver is a popular notion." It naturally rises from "the double function of money, as the instrument of commerce, and as the measure of value."

This distinction, between real wealth and money, has played an important role in theories of morality. As Marx points out, the Greeks "denounced money as subversive of the economical and moral order of things." In the passage in Sophocles that he quotes, Creon declares: "Nothing so evil as money ever grew to be current among men. This lays cities low, this drives men from their homes, this trains and warps honest souls till they set themselves to works of shame; this still teaches folk to practice villainies, and to know every godless deed."

From: Long Island Press
October 6, 1968

SUPPLEMENT B

Population Density

Continent and state	Area in sq.mi.	Population in 000	Persons per sq.mi.
World total	57,903,430	3,679,045	63.5*
AFRICA	11,640,372	319,899	27.5
Algeria	919,591	12,093	13.1
Botswana	222,000	593	27.5
British dependencies	1,117	824	—
Burundi	10,707	3,210	299.8
Cameroon	183,591	5,299	28.5
Central African Republic	240,540	1,437	5.9
Chad	490,733	3,307	6.7
Congo (Brazzaville)	134,749	805	5.9
Congo (Kinshasa)	905,063	16,664	18.4
Dahomey	43,483	2,462	56.6
Ethiopia	471,776	23,000	48.8
French dependencies	10,225	777	—
Gabon	102,317	474	4.6
Gambia, The	4,361	343	78.7
Ghana	92,100	7,945	86.2
Guinea	94,925	3,608	38.0
Ivory Coast	123,483	3,920	31.7
Kenya	224,960	9,948	44.3
Lesotho	11,716	852	72.7
Liberia	43,000	1,090	25.4
Libya	679,536	1,679	2.5
Malagasy Republic	226,657	6,562	29.0
Malawi	45,725	4,042	88.4
Mali	478,822	4,745	9.9
Mauritania	397,683	1,100	2.8
Morocco	174,471	13,882	79.6
Niger	459,073	3,546	7.7
Nigeria	356,669	58,600	164.3
Portuguese dependencies	779,556	13,174	—
Rwanda	10,169	3,239	318.6
Senegal	76,124	3,580	47.0
Sierra Leone	27,925	2,403	86.0
Somali Republic	246,155	2,750	11.2
South Africa	471,819	18,298	38.8
(Southern) Rhodesia	150,333	4,530	30.1
South West Africa†	318,261	610	19.2
Spanish dependencies	114,124	525	—
Sudan	967,491	14,148	14.5
Swaziland‡	6,705	374	55.8
Tanzania	362,844	10,600	29.0
Togo	21,853	1,702	77.8
Tunisia	63,378	4,458	70.3
Uganda	91,134	7,740	84.9
United Arab Republic	386,872	30,083	77.8
Upper Volta	105,869	5,054	47.7
Zambia	290,587	3,894	13.4
ANTARCTICA	5,500,000§	0.2	—
Australian dependencies	2,472,113	—	—
British Antarctic Territory‖	500,000	0.1	—
French Southern and Antarctic Lands	157,874	0.1	—
Norwegian dependencies	119¶	—	—
Prince Edward and Marion Islands (South African)	110	—	—
Ross Dependency (New Zealand)	160,000	—	—
ASIA (exclusive of U.S.S.R.)	10,676,377	1,983,181	185.7
Afghanistan	251,000	15,909	63.4
Australian dependencies	58	4	—
Bahrain‡	231	193	835.5
Bhutan (Indian protected state)	16,000	750	46.9
British dependencies	112,576	4,865	—
Brunei‡	2,226	104	46.7
Burma	261,789	25,246	96.4
Cambodia	69,898	6,200	88.7
Ceylon	25,332	11,491	453.6
China, Communist	3,691,502	825,000	223.4
Cyprus	3,572	610	170.7
Formosa (Taiwan; Rep. of China)	13,885	13,142	946.3
India (incl. Kashmir)	1,261,813	498,680	395.2
Indonesia	735,268	110,000	149.6
Iran	636,367	25,781	40.5
Iraq9	167,568	8,338	49.8
Israel	7,993	2,625	328.4
Japan	142,727	99,822	699.4
Jordan	37,737	2,040	54.1
Korea, North	46,540	12,800	275.0
Korea, South	38,004	29,953	788.2
Kuwait	7,450	491	659.7
Laos	91,428	2,440	26.7
Lebanon	4,015	2,460	612.7
Malaysia	127,672	9,675	75.7
Maldive Islands	115	101	878.2
Mongolia	604,247	1,156	1.9
Muscat and Oman‡	82,000	750	9.1
Nepal	54,362	10,294	189.4
Pakistan	365,529	105,044	287.3
Philippines	115,740	34,656	299.4
Portuguese dependencies	5,769	840	—
Qatar‡	4,000	75	18.7
Ryukyu Islands (United States)	848	953	1,123.8
Saudi Arabia9	873,972	6,870	7.9
Sikkim (Indian protected state)	2,828	180	63.6
Singapore	225	1,940	8,622.2
Syria	71,498	5,450	76.2
Thailand	198,455	32,836	165.5
Trucial States‡	32,278	130	4.0
Turkey	301,380	32,901	109.2
Vietnam, North	61,293	18,300	298.7
Vietnam, South	66,897	16,973	253.7
Yemen	75,290	5,000	66.4

Continent and state	Area in sq.mi.	Population in 000	Persons per sq.mi.
AUSTRALIA and OCEANIA	3,286,169	18,929	5.8
Australia	2,967,909	11,587	3.9
Australian dependencies	178,281	2,190	—
British dependencies	18,952	1,160	—
British-French condominium	5,700	77	13.4
French dependencies	8,971	200	—
New Zealand	103,736	2,935	28.3
New Zealand dependencies	197	26	—
Tonga‡	270	77	286.7
United States dependencies	1,029	175	—
United States-British condominium	27	370	13.7
Western Samoa	1,097	132	120.7
EUROPE (exclusive of U.S.S.R.)	1,903,677	647,086	339.9
Albania	11,100	2,000	180.2
Andorra	175	14	80.0
Austria	32,374	7,290	225.2
Belgium	11,781	9,556	811.1
British dependencies	304	186	—
Bulgaria	42,823	8,257	192.8
Czechoslovakia	49,371	14,240	294.4
Denmark (incl. Faeroe Islands)	17,144	4,891	285.3
Finland	130,119	4,661	35.8
France	211,209	49,650	235.1
Germany, East	41,816	17,067	408.1
Germany, West (incl. W. Berlin)	95,957	59,674	621.8
Greece	50,944	8,612	169.0
Hungary	35,919	10,197	283.9
Iceland	39,702	197	4.9
Ireland	27,136	2,892	106.3
Italy	116,305	53,327	458.5
Liechtenstein	62	20	314.5
Luxembourg	999	350	350.3
Malta	122	317	2,602.2
Monaco	0.6	24	40,000.0
Netherlands	13,967	12,535	897.4
Norway (incl. Svalbard and Jan Mayen Land)	149,282	3,772	25.3
Poland	120,359	31,869	264.8
Portugal	35,510	9,382	264.2
Romania	91,699	19,248	209.9
San Marino	24	18	743.7
Spain	194,883	31,871	163.5
Sweden	173,665	7,844	45.2
Switzerland	15,941	5,999	376.3
United Kingdom of Great Britain and Northern Ireland	94,213	54,744	581.1
Vatican City	0.2	0.9	5,029.4
Yugoslavia	98,766	19,375	200.8
NORTH AMERICA	9,361,568	302,462	32.3
Barbados	166	248	1,493.9
British dependencies	14,775	714	—
Canada	3,851,809	20,334	5.3
Costa Rica	19,652	1,514	77.4
Cuba	44,218	7,800	176.4
Dominican Republic	18,703	3,754	200.7
El Salvador	8,056	3,037	376.8
French dependencies	1,199	649	—
Greenland (incl. icecap; Danish)	840,000	40	0.05
Guatemala	42,042	4,717	112.2
Haiti	10,714	4,577	427.2
Honduras	43,277	2,445	56.5
Jamaica	4,244	1,890	445.3
Mexico	761,600	45,671	59.9
Netherlands Antilles	394	211	535.5
Nicaragua	50,193	1,685	33.6
Panama (excl. Canal Zone)	29,208	1,329	45.5
Trinidad and Tobago	1,980	1,000	505.1
United States	3,615,210	198,065	54.7
United States dependencies	4,128	2,782	—
SOUTH AMERICA	6,885,778	173,205	25.2
Argentina	1,072,067	22,691	21.2
Bolivia	424,162	3,801	8.9
Brazil	3,286,470	85,655	26.1
Chile	292,257	9,000	30.8
Colombia	439,735	19,215	43.9
Ecuador	109,483	5,508	50.3
Falkland Islands (British)	6,270	2	0.3
French Guiana	35,135	37	1.1
Guyana	83,000	677	8.2
Paraguay	157,047	2,161	13.7
Peru	496,222	12,012	24.3
Surinam (Netherlands Guiana)	63,251	345	5.4
Uruguay	68,536	2,749	40.1
Venezuela	352,143	9,352	26.6
U.S.S.R.	8,649,489	234,396	27.1

From: Encyclopedia Americana (Supplement) 1968

'GREEN REVOLUTION'

Future population boom may not bring hunger

BY PAUL SCOTT
WASHINGTON

The "green revolution" is forcing government food and population experts to play down those dire forecasts that the expanding population of the world, if not checked, will cause large-scale famine before the turn of the century.

With food production now increasing faster than the world's population, the government's projections of the food population balance for future years has taken a dramatic turn for the better.

MOST EXCITING of the new forecasts is the one being made by Jean Mayer, director of the forthcoming December White House Conference on Food and Nutrition.

The internationally famed nutrition expert points to the likelihood that within the next 20 to 30 years "food will be removed altogether as a limiting factor to population."

Mayer contends that increased food production and international organizations will make large-scale famines, such as those that have occurred in India and Communist China, as a thing of the past.

Although a strong advocate of population limitation policies, Mayer is counseling President Nixon against using the threat of a worldwide shortage of food as one of his main arguments for large-scale limitations on births.

The hypothetical famine argument, according to Mayer, will not stand the test of time because of the "green revolution" and the revolutionary advances in agriculture.

In the Administration's backstage strategy discussions, Mayer stresses that the President in his fight for population controls should highlight the dangers of increasing air and water pollution from a population with increasing income.

Special Report

A PAPER by Mayer being circulated among the President's Cabinet puts it this way:

"The ecology of the earth — its streams, woods, animals — can accommodate itself better to a rising poor population than to a rising rich population. To save the ecology of the earth, the population will have to decease as the disposable income increases . . .

"Shall we continue to hide the fact that a rational policy may entail in many countries not only a plateauing of the population to permit an increase in disposable income, but a decrease of the population as the disposable income rises?"

In support of his optimistic view of the future world food supply, Mayer's paper points out that the phenomenal increase in food production in the U.S. in recent years has not come from the extension of land under cultivation but from the increases in the use of fertilizers.

FOR EXAMPLE, farmers in Kansas harvested 304,000,000 bushels of wheat on 9,000,000 acres in 1969 — or the second largest crop in that state's history. The largest Kansas wheat crop was 307,000,000 bushels in 1952. But it took 18,000,000 acres to produce the 1952 crop — or double the number needed to produce almost the same crop this year.

Of the world's land mass, Mayer reports, only 3.4 billion acres are at present under cultivation. This represents less than 11 per cent of the total land area in the world.

Leading agriculture experts, according to Mayer, now estimate that the area that can eventually be made arable runs from 17 to 19 billion acres. With use of fertilizers, new seed and improved farm practices, it is now estimated that upward to 96 billion people can be supported by the 19 billion acres. At the present rate of population growth, the world population is not expected to exceed 7 billion by 2000.

According to Mayer and other government agriculture experts, there are many other advances in agriculture which could greatly increase the food supply that have yet to be applied on a large scale throughout the world.

THE IDENTIFICATION of necessary trace elements and their incorporation into fertilizers and feed have opened vast areas to cultivation and husbandry in Australia and other countries with large undeveloped areas.

Selected breeding of plants and animals has permitted the development of species with superior hardiness and increased yields. New strains of rice developed in Mexico are now being used in India to increase production. This development alone has caused agriculture experts to forecast that India will be able to feed its own population within three to five years.

Mayer also forecasts great strides in the development of new food from space programs, stating:

"Interplanetary travel of long duration and the organization of distant stations requires not only recycling of oxygen and waste water, they necessitate the fabrication of food and its integration into the recycling of oxygen, water and excreta.

"Over the next two decades, an increasing fraction of several billion dollars that the U.S. and the Soviet Union will spend every year for space travel is going to be channeled into life support systems.

"THE MONEY spent in the aggregate on new methods of food production will probably, during that period, dwarf the cost of the Manhattan project. The usable "fall-out" of such research is likely to be enormous.

"Certainly if economical harnessing of photosynthesis, through biological units or directly, can be realized under the hostile interplanetary, lunar, or martial conditions, it should become relatively easy to put it into effect on earth. Obviously, a breakthrough in this field could for centuries altogether remove food as a limiting factor to population growth."

LESSON III --
THE FACTORS OF PRODUCTION

SUPPLEMENT C

From: The Birmingham News
Sunday, Oct. 5, 1969

LESSON IV

THE LAWS OF DISTRIBUTION

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 61 to 86

Purpose:

To develop and relate the Laws of Rent, Wages and Interest.

Objectives:

To develop the Law of Rent.

To develop the Law of Wages.

To develop the Law of Interest.

To show the relationship of the laws to one another.

Economic Vocabulary:

margin of production
redistribution
profits
general rate of wages

Leading Questions: Instructor's Comments

1. Poverty is mainly a distribution and not a production problem. Explain.

2. Show the conditions under which rent arises, and the relationship between rent and the demand for land.

3. Why are some lands more desirable than others?

4. Explain the law of rent and relate it to contemporary conditions.

5. Differentiate between relative wages and the general rate of wages. What factors determine each?

6. Why are there variances in wages?

7. Explain the law of wages.

8. Discuss theories of wages not directly based upon production and scarcity (collective bargaining, minimum wages, guaranteed annual wages, etc.)

9. What is the minimum and the maximum that one will pay for the use of capital?

10. At what point does interest tend to settle?

11. What is the law of interest?

Chalkboard Suggestions:

1. The Law of Rent

The law of rent can be explained with the use of diagrams. The following diagrams are presented along with the appropriate explanations.

THE LAW OF RENT

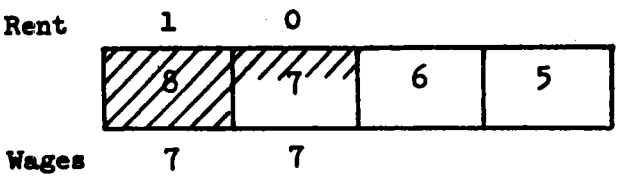
These illustrations show how rent arises and is measured in relation to wages, in a new society where capital is not yet used.

Let us imagine a new country where settlers are first arriving, and all the land is free. Different lands have varying degrees of productivity. In these illustrations we will assume that all the laborers have equal productivity.



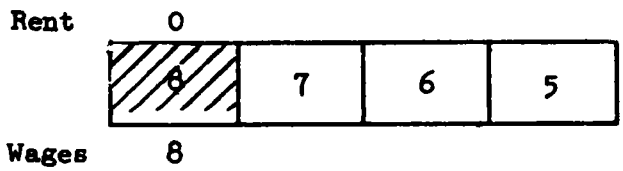
A. Represents a new country divided into areas of varying productivity. The figures represent what each grade of land will yield per unit of labor - e.g., 8 bushels of potatoes for one day's work; 7 bushels, etc.

In reality, lands are not marked off so sharply as on this diagram, but blend into one another, as the colors of the spectrum.



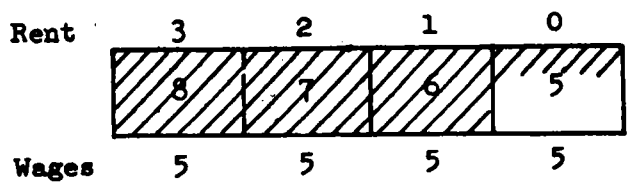
C. Eventually, all the "8" land is occupied, and the next comers must resort to "7" land. This land is free and yields no rent. The entire product of 7 goes to labor as wages. This "7" land is now the margin of production - the best land to be had for nothing.

Wages also drop to "7" on "8" land which now yields a rent of 1. If the owner of "8" land wanted to hire labor, he would have to pay 7 in wages, since that is what the laborer could get working for himself on "7" land. If a laborer from "7" land wanted to work on "8" land, he would have to pay 1 to the owner in rent, since he can get no more than 7 working on free land.



B. As settlers begin to arrive, they will naturally take up the Number 8 or most productive land, since "Men seek to gratify their desires with the least exertion."

As the land is free, there is no rent. All they produce constitutes their wages. (Shaded portion represents settled land.)



D. Settlers keep coming and "7" land is used up, so the next comers must go to "6" land, pushing down the margin of production to "6". Wages then go down to 6 on all lands.

New settlers must next go to "5" land, as illustrated above - "5" land is now the margin of production. Wages drop to 5 on all lands, and rent correspondingly goes up on all superior lands.

The rent of land is determined by the excess of its produce over that which the same application of labor and capital can secure from the least productive land in use (the margin of production).

Supplements:

1. Supplement A - Relationship Between Interest and Wages

   (a) What prevents capital from obtaining an excessive portion of the pie?
   (b) At what point does capital replace labor?
   (c) What is the relationship between wages, interest and rent?

2. Supplement B - Return to Capital

   (a) According to the chart, to what degree has the return to capital changed over the years?
   (b) Why does capital in certain industries receive greater returns than other industries?
   (c) What does the chart indicate about the return to capital in general?
   (d) Although not stated, what do you think is included in their definition of capital?

3. Supplement C - Misguided Militancy

   (a) How does Dr. Allen justify wage increases?
   (b) How well does the author refute the argument?
   (c) What is the relationship between inflation and wages?

Other Sources:

1. Balance Sheet

Analyze a balance sheet of a corporation and indicate the differences in interpretation in light of our study to date.

Culmination:

Pass out Summary of Lesson IV.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 87 to 115.

Thought Question: Describe the effect that land speculation has upon a developing society.

NOTE:

Under the heading, "Some Further Thoughts on Interest," the Summary for this lesson includes a brief presentation of George's "reproductive modes" theory of interest as set forth in Chapter 3 of the unabridged version of

PROGRESS AND POVERTY. It is omitted from the abridged version. Many of George's followers do not accept this theory, and it is really a digression from his main theme, not essential to an understanding of the Laws of Distribution. It has been included in the Summary because of its effectiveness in refuting the Marxist theory of surplus value, to be used or not at the option of the teacher.

SUPPLEMENT A

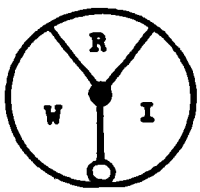
Relationship Between Interest and Wages

Interest is that part of wealth which is the return for the use of capital.

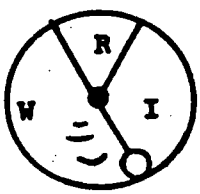
In effect, interest is a return for human exertion which has been previously applied and stored up in material form to increase production. This return (interest) will balance with the returns for other human exertion applied directly (wages). Interest and wages will be equally attractive because people tend to apply their energies at the point of highest return. Interest will rise and fall with wages.

Wages are that part of wealth which is the return for labor.

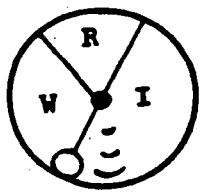
Wages are determined by what labor can obtain at the lowest point of production, that is, the best land available rent-free (the margin of production). Wages can be no higher on any better land because the competition of people seeking the higher return would naturally tend to lower wages there, also. Any excess of product on better lands goes as rent for the opportunity of using the superior location.



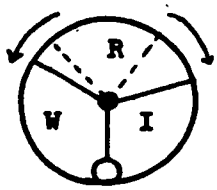
A. The total product is divided into rent (R), wages (W) and interest (I). Between wages and interest there is a balance represented by the pendulum dividing them.



C. If interest goes down in relation to wages, less capital will be supplied. At the lower interest, less capital will be supplied and more demanded; at the higher wages, more labor will be supplied and less demanded. Thus interest will then tend to go up and wages to go down until the equilibrium is restored.



B. If interest goes up in relation to wages, a countermovement sets in to restore the equilibrum. For at the higher interest, more capital will be supplied and less demanded; while at the lower wages, less labor will be supplied but more demanded. This will lower interest and raise wages until a balance is restored.



D. While wages and interest tend to an equilibrium, this does not hold true of rent. Land being fixed in quantity, there can be no new supply to bring rent down. Thus rent increases at the expense of both wages and interest.

As rent arises, interest will fall as wages fall, or will be determined by the margin of production.

SUPPLEMENT B

Return to Capital

Industry	1963	1962	1961	1960	1959	1958	1953	1949	1939
	NET EARNINGS, AS PER CENT OF CAPITAL INVESTED								
TOTAL corporate manufacturing....	5.86	5.37	4.84	3.90	4.94	3.55	5.13	7.36	5.12
Food, beverages and tobacco.....	5.91	5.32	5.44	4.91	5.31	5.12	4.78	6.94	6.93
Food and beverages.....	5.49	4.88	4.95	4.41	4.88	4.67	4.74	6.97	6.38
Tobacco manufactures.....	8.73	8.21	8.48	8.08	8.08	8.00	4.96	6.75	10.31
Textiles and their products.....	3.75	3.81	3.21	3.16	3.86	2.25	2.17	4.83	3.56
Textile-mill products.....	3.85	3.95	3.23	3.36	4.36	2.42	2.35	5.74	3.74
Apparel and fabric products.....	3.57	3.58	3.17	2.78	2.93	1.92	1.73	2.55	2.86
Leather and products.....	3.47	4.23	2.81	2.69	4.33	3.12	3.29	3.75	4.05
Rubber products.....	4.95	5.10	4.97	2.82	4.78	3.79	4.54	4.08	5.02
Lumber and furniture products.....	4.54	3.33	2.41	1.74	4.98	3.57	4.86	6.16	1.92
Lumber and wood products.....	4.62	2.99	2.06	1.67	5.49	3.90	5.06	6.01	.72
Furniture and fixtures.....	4.36	4.10	3.17	1.90	3.93	2.84	4.41	6.50	3.48
Paper and allied products.....	4.98	5.15	5.43	5.07	6.36	4.82	7.31	8.31	4.18
Printing and publishing.....	5.89	5.55	5.69	5.49	6.55	5.13	5.66	7.99	4.46
Chemicals and petroleum products..	5.28	4.96	5.29	3.26	3.62	2.50	4.04	5.44	4.07
Chemicals and allied products....	8.59	8.07	8.11	6.59	7.94	6.21	6.12	9.69	9.32
Petroleum and coal products.....	3.64	3.16	3.50	1.18	1.01	0.34	2.67	2.90	.79
Stone, clay and glass products.....	5.56	4.94	5.10	4.55	6.25	4.71	6.79	10.30	6.49
Metal products and processes.....	6.38	5.86	4.68	3.98	5.32	3.47	6.10	9.58	5.80
Primary metal industries.....	3.76	2.79	3.42	3.08	4.35	3.00	5.59	7.42	n.a.
Fabricated metal products[1].....	4.71	4.76	3.88	2.67	4.15	3.68	5.81	7.52	n.a.
Electrical machinery.....	4.66	4.78	4.44	3.82	6.22	4.82	6.54	8.59	9.97
Machinery, except electrical.....	5.91	5.75	4.50	3.69	5.21	3.67	5.67	8.39	6.27
Motor vehicles and equipment...	17.09	14.82	10.78	10.07	10.40	2.51	8.56	20.17	8.66
Transportation equipment, other.	3.88	4.46	1.25	0.57	1.52	3.68	4.26	4.06	4.23
Miscellaneous manufacturing.....	5.54	5.47	5.05	4.50	5.54	4.12	4.41	5.69	6.00
Instruments and related products.	6.92	6.61	6.11	5.75	7.02	5.35	6.14	7.26	n.a.
Other.....	3.77	4.13	3.92	3.14	4.11	3.03	3.18	4.88	n.a.

From: The Conference Board
Treasury Department

SUPPLEMENT C

Misguided Militancy

ALL KINDS OF PEOPLE might write a book about trade unions, but a title like *Militant Trade Unionism** indicates an author of either the extreme left or the extreme right. Dr. Allen is militant intellectual left. He is scholarly, lucid, direct, original, interesting, and, within limits, logical. It is, however, a blinkered logic, the logic of an intelligent man, who, like a subscriber to a religious dogma, has deliberately restricted his vision.

The fundamental market situation, says Dr. Allen, is that labour power must be bought and sold, that employers need to buy it in order to produce and make profits, and that men and women need to sell it in order to subsist. Since employers regard the price of labour power as a cost to be kept down, while employees regard it as an income to be pushed up. there can be no permanent agreement on the price, and conflict is inevitable in a capitalist system. The bargaining power of the many employees, who have only their labour power to offer, is very weak in comparison with that of the few employers, who own all the means of production. Trade unionism exists to redress this imbalance, and its short-term aim should be to exploit the prevailing conditions so as to maximise the benefits obtainable; for instance, the defensive posture of the thirties should be replaced by an aggressive policy more suited to a society in which there is full employment. Unfortunately the primary economic motivation of trade unions is overlain by "socialising influences" which cause them to become responsible---reluctant to call strikes, willing to co-operate with governments, and so on. Trade unions have become effete: they have adopted the values of the system within which they work, their demands "are based on a concept of fairness which is conditioned by what employers, by and large, are prepared to concede," and they glorify compromise and success in achieving the most niggardly advances. Militancy implies going all out to take advantage of the favourable market conditions by playing off employers against one another and making demands on employers according to their ability to pay. It also implies a strengthening of the resolve to secure the long-term aim of trade unionism, which is the alteration of the capitalist system by public acquisition of the means of production.

This whole analysis is founded on a fallacy, stemming from the mental plunge into the relationships of an industrialised society without any prior consideration of the historical origin of those relationships. Unevenness of bargaining power between employers and employees is not a natural phenomenon requiring human correction but an unnatural one requiring human removal. Karl Marx wrote that "the expropriation of the masses of the people from the land forms the basis of the capitalist method of production" (*Das Kapital*). The origin of the working class as we know it was in the time of land enclosures, when men who were self-employed as small farmers, or who could easily become so, were turned into vagrants who must beg for a job at any price. ("The enclosure movement . . . deprived farmers and labourers of their land, cottages and common rights and laid the foundation for the modern working class"—Eric Roll, *A History of Economic Thought.*) It is ownership of land, the first requisite of all production, which by erecting a barrier between men and nature deprives them of the ultimate safeguard of a completely independent livelihood and creates conditions in which the workings of the economy are distorted and wages are depressed. Dr. Allen, like many thinkers of the left, uses the woolly phrase "means of production" to cover both land and capital and thereby protects himself from the need to examine each separately. Ownership of capital alone cannot lead to exploitation; with the establishment of communal rights to land the evil prop of capitalism in the marxist sense would be removed and individual ownership of capital, as of all wealth, could be maintained and encouraged. There is no reason why in a democratic society the ordinary worker should not also be the ordinary investor.

Dr. Allen quotes figures indicating that the share of wages in the national income has remained roughly constant at about 40 per cent since 1880, and that as wages have increased and the working environment has been improved, the propensity to strike has not declined (strikes have grown shorter, but there are more of them).

Trade unionism is a magnificent response to circumstances which should themselves have been challenged; it is because it is no more than a response that all its efforts are vain. Whatever is done is done in a context in which it achieves little materially and nothing psychologically. Frustration and strife will continue until there is a change of system. They would continue under socialism which in any practical form must entail a greater subordination of independence than capitalism.

What is needed is a transfer of all taxation from labour and capital to the rent of land. When by that means equal-

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**Militant Trade Unionism.* A Re-Analysis of Industrial Action in an Inflationary Situation, by V. L. Allen. London: Merlin Press. 21s. New York: Humanities Press, $4.50.

SUPPLEMENT C (continued)

ity of rights to nature has been established, free enterprise becomes not only intensely productive but also satisfying for individuals, all of whom enjoy the maximum amount of freedom and opportunity, and the ability, through their choices, to influence economic decisions.

The possibility that trade union militancy could lead to spiralling costs does not worry the author, for he has his own views about the causes of inflation. He admits that wage increases *can* lead to price increases but argues that there are so many other factors that also do so that it is unfair to hold trade unions responsible for inflation. To begin with, earnings matter more than basic wage levels and these are rarely negotiated by trade unions. Changes in import prices, and the growth of monopolies, can cause general price increases and certain uses of labour are inflationary because they increase the ratio of wages to output. Dr. Allen contends, as later did Professor Galbraith, that large business firms become reluctant to engage in price competition and so have to force their products on the public by high-pressure techniques which require more and more salesmen, advertising agents, and so on, whose activities are superfluous and inflationary.

This is a most useful assumption for the author's purpose, for, given increasing concentration in industry, it proves that inflation is inevitable in a modern capitalist system, and that the only way to be rid of inflation is to be rid of capitalism. At one point, Dr. Allen does briefly draw the distinction between money wages and real wages, but he completely fails to understand the crucial importance of money supply in any discussion of inflation.

Production properly includes all processes from the first modification of nature by human agency to the transfer of the finished product to the possession of the consumer, and the distribution workers and even the advertising men play a part in this. If the author and Professor Galbraith are right in their belief that there are too many people engaged in distribution the remedy lies in the restoration of competition. The situation does not stem from the capitalist system but from the dilution of the capitalist system.

For the reader who remains alert there is a certain amount of enchantment in this book. I liked the condemnation of refusal to act under duress (on the grounds that every market situation implies duress), the description of shop-floor rebellions against "official" trade union authority as "informal trade unionism", and the analysis of the status of sterling. The assertion that trade unions should distinguish among employers by seeking to milk the most efficient is another way of saying, tentatively, that company or plant bargaining is in the interest of the workers. Finally, Dr. Allen goes into the recent history of the relationship between governments and trade unions with tedious thoroughness, and his account shows that calls for wage restraint were as prevalent in the late forties as they are today. Incomes policies, apparently, are nothing new.

From: Land and Liberty
March 1968
"Misguided Militancy" - A. J. Carte

LESSON V

EFFECTS OF MATERIAL PROGRESS

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 87 to 115

Purpose:

To analyze the relationship between material progress and land speculation.

Objectives:

To illustrate the effects of material progress on distribution.

To illustrate the effects of land speculation on distribution.

To show the relationship between land speculation and poverty.

Economic Vocabulary:

land speculation
land value
material progress
quantity vs. proportion

Leading Questions: Instructor's Comments

1. Explain how increasing population effects material progress.

2. Describe the effect that increasing population has upon the productive process and the avenues of distribution.

3. Show how inventions and improvements in any one industry affect other industries.

4. Increases attributed to inventions, improvements in government, etc., are absorbed in greater rents. Evaluate this statement.

5. How does automation affect the demand for land and how does this demand affect rent?

6. How valid is the portrayal of the development of a community as presented in "The Unbounded Savannah"?

7. Which is better for land speculation, a progressive community or a static one? Explain your response. Give the advantages of each.

8. Show the connection, if any, between land speculation and the following:

(a) urban sprawl
(b) unemployment
(c) production
(d) distribution
(e) level of wages

9. "The ownership of land is the fundamental fact that ultimately determines the social, the political, and consequently the intellectual and moral condition of the people." Evaluate this statement.

Chalkboard Suggestions:

1. Effects of Land Speculation

The effects of land speculation are explained by diagrams in the Summary, which can be put on the board.

2. Land Speculation In Your Community

In order to demonstrate that land speculation is an ongoing process, the students are requested to fill in the following information:

Location of Speculation In Your Community	Improvements In Area (last 25 years)	Effects of Improvements on Property	Approximate Increase or Decrease in Property

A little background information can be very helpful concerning increased land values in the area. Ask the students why the land is being held out of use, the effects on the community and the duration of time that elapses before the land speculator sells the property to someone willing to use it.

Supplements:

1. Supplement A - Civilized Society With Land Speculation.

   (a) Does land speculation occur in the manner presented?
   (b) Are there any discrepancies concerning the figures used?

2. Supplement B - Pre-Constitution Land Speculators.

   (a) How has land speculation been a factor in the development of our nation?
   (b) Do history textbooks tend to emphasize or de-emphasize the role of land speculation? Explain.
   (c) Can you cite other examples of the effects that land speculation has had upon the history of this country?

Other Sources:

1. Newspapers

   Obtain an article on land speculation and show how it affects the community. Many of these articles usually deal with some type of corruption or unethical transaction.

Culmination:

Pass out Summary of Lesson V.

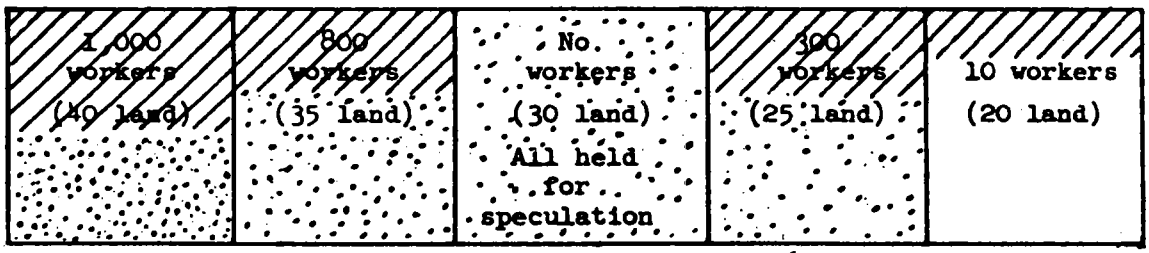
Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 116 to 131. (Review pages 102 to 110)

Thought Question: Explain the various methods proposed for the cure or alleviation of economic ills.

SUPPLEMENT A

Civilized Society With Land Speculation

Total Prod.	40,000	28,000		7,500	200
Total Rent	20,000	12,000		1,500	0



Total Wages	20,000	16,000		6,000	200
Wages Per Man	20	20	(20	20	20

Here we see that not only has the productivity per worker been increased (due to increased population and improvements in the arts of production), but the total production per area of land has also been increased, due to many workers being concentrated on the same locations. Especially is this true in cities, where there are often thousands of workers to the acre in office buildings and factories.

Here one-half of the best (40) land is in use, with 1000 workers on it. The dotted part of each grade represents idle land, held for speculation. There are 800 workers on the 35 land, none on the 30 land, 300 on the 25 land (farther from the heart of the city), and 10 on the 20 land, which is the margin of production. Wages everywhere are 20, or what a laborer can make working for himself at the margin.

To get the total production, we multiply the number of workers by the grade of land (production per worker). On the 40 land, it is 1,000 x 40, or 40,000. Similarly, to get the total wages on each location, we multiply the number of laborers by the rate of pay per man. On the 40 land, it is 1,000 x 20, or 20,000. The excess production of 20,000 is rent.

Similarly, on the 35 land, the total production equals 800 (number of workers) times 35 (production per man), or 28,000. Total wages equal 800 x 20 (rate of wages per man), or 16,000. The excess of 12,000 is rent. There are no laborers on the 30 land, inasmuch as it is all held for speculation. On the 25 land, the total production equals 300 x 25, or 7,500. Total wages on the 25 land equals 300 x 20, or 6,000. Rent is 1,500. On the 20 land there is no rent, and total wages equal total production: 10 x 20, or 200.

SUMMARY - ADDING TOTALS

Grade Land	No. of Men	Tot. Production	Tot. Wages	Total Rent
40 Land	1,000	40,000	20,000	20,000
35 Land	800	28,000	16,000	12,000
25 Land	300	7,500	6,000	1,500
20 Land	10	200	200	0
	2,110	75,700	42,200	33,500

Notice how much highly productive land is being held out of use, forcing producers (laborers) to use less desirable locations, thus lowering production and wages, and increasing rent (speculative rent) by extending the margin.

SUPPLEMENT B

Pre-Constitution Land Speculators

WITH the final shots of the American Revolution echoing in the background, the thirteen colonies realized that a vast, unsettled territory lay beyond the immediate confines of their respective borders. How were the colonies, operating under the Articles of Confederation, to dispose of this huge land mass to interested settlers in an equitable and yet expedient manner? The Ordinance of 1785, considered to be the foundation of the American land system and forerunner of many subsequent land policies in this country and throughout the world, was the response of the Confederation. Some of the best minds in the colonies helped formulate this policy, Thomas Jefferson being the guiding star—as was the case a decade earlier with the writing of the Declaration of Independence. The plan incorporated the basic concepts of the New England and Southern type settlements. The former included the township concept with a specific plan following a prescribed pattern, and the latter concentrated on a freer development without any specific plan for development. (The New England type appears to have been the model for the master plan on zoning in many new communities). No land sales were to commence until all the land had been surveyed, but due to the unexpected length of time required, land sales began sooner than was anticipated. The original plans under the ordinance included encouragement to small holdings but a number of unforeseen problems caused a basic change in this policy. The original sales, mainly at auctions, were disappointing, and a quicker way to dispose of the lands was open to Congressional members. When the granting of lands to large land speculators, especially well known business men, became a reality, one of the most ambitious land speculating schemes in connection with the public domain was attempted, with projected sales of millions of acres.

Under the leadership of Reverend Manasseh Cutler and other veterans of the Revolution, the Newburg petition was presented to Congress, requesting that the government sell more than one million acres to the newly formed Ohio Company. Prior to the presentation of this petition in 1787, such notables as General Parsons and General Putnam were actively engaged in the organization of the Ohio Company. Advertisments appeared in local newspapers and mass meetings were held in order to obtain the necessary finances for the venture. After considerable resistance on the part of Congress, assurances were given that another company would be formed, to be given the same opportunity to purchase land in large purchases.

The Scioto Company was formed and consisted of, according to Cutler, "many of the principal characters of America." This company had the option to purchase three and a half million acres of land, much of it along the Ohio, Mississippi and Illinois Rivers. Due to a decrease in the certificates of indebtedness (the currency used as a reward for service in the Revolution) and the fact that the price was lower than originally stated in the ordinances, an acre was purchased for approximately eight cents.

However, in order for the Ohio Company to gain title to the land, a condition put forth by Congress was the payment of one million dollars in periodic installments. As a result of the ratification of the Constitution in 1789, the worthless securities began to rise in value and the cost of the western lands increased. The Ohio Company never completed the payments and numerous laws were passed to forestall default. The government, the land speculators and the settlers all were doomed to financial disappointment.

The newly formed government learned by experience under the Articles of Confederation the grave danger of disposing of public lands wholesale through private land speculators. As the purchase price increased to two dollars per acre, the government realized that more money could be obtained from smaller settlers than from large companies.

From: Henry George News
March 1968
"Pre-Constitution Land Speculators" - Stan Rubenstein

LESSON VI

PROPOSED REMEDIES FOR A SICK ECONOMY

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 116 to 131 (Review pages 102 to 110)

Purpose:

To examine the various proposals to extirpate the economic ills of our society.

Objectives:

To show the relationship between land speculation and depressions.

To enumerate the proposed remedies to cure the economic ills.

To elaborate on the role of Keynesian economics today.

To explain the solution of Henry George.

Economic Vocabulary:

common property
private property
government property
land reform
managing the economy
monetary inflation

Leading Questions: Instructor's Comments

1. Discuss whether or not this country has solved the problem of depressions in our economy.

2. Show how land speculation affects production.

3. What are some of the reasons offered to explain the existence of poverty? Evaluate these reasons.

4. Evaluate the effect that the following have on the elimination of poverty:

(a) economy in government
(b) improved habits of industry and thrift
(c) better education
(d) unionism
(e) co-operatives
(f) governmental direction and interference
(g) general distribution of land

5. Which of the above remedies appears to be the one most relied upon in industrial nations? Why?

6. Which of the above remedies appears to be the one most relied upon in underdeveloped nations? Why?

7. Discuss George's criticism of the above proposals in light of previous discussions.

8. How effective has Keynesian economics been in coping with economic ills in the United States?

9. Discuss the method proposed by Henry George in solving these problems.

Chalkboard Suggestions:

1. Proposed Remedies

Obtain the various remedies proposed from the students and place them in one column on the board. Then head two more columns; one entitled "Degree of Accomplishment" and the other "Other Created Problems". For example, under unionism, a student may state that unions have raised real wages but coercion and strikes may be other created problems.

This may bring to light the entire discussion of remedies and pitfalls.

2. Federal Budget

In order that the class gain an understanding of the amount that is spent by the Federal Government, the following may be useful:

National Defense (Viet Nam 14¢)	43¢
Social Security and Other Trust Funds	20¢
Other Expenditures	13¢
Interest Charges	6¢
Education and Other Major Social Programs	11¢
Veterans Benefits	4¢
International (Foreign Aid)	3¢

Have the students examine the figures and observe the degree to which the problem has been solved and then at what price.

Supplements:

1. Supplement A - Georgism vs. Keynesianism.

   (a) What are the basic differences between George and Keynes?
   (b) How does Keynes analyze depressions?
   (c) Explain why "savings" plays an important part in Keynesian economics.

2. Supplement B - The Great Depression.

   (a) What was the major cause of the depression, according to the first article?
   (b) What was the major cause of the depression, according to the second article?
   (c) Evaluate both articles.

3. Have the students pass in any questions concerning the solution as proposed by George. This will give you an idea of what parts are unclear and a chance over the following weeks to answer specific questions.

DEVOTE APPROXIMATELY 30 MINUTES TOWARDS THE END OF THE SESSION TO THE SOLUTION.

Culmination:

Pass out Summary of Lesson VI.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 145 to 168.

Thought Question: What do you feel should be the rightful basis of property?

SUPPLEMENT A

Georgism vs. Keynesianism

THE average economics student, immersed as he is in the economic precepts of John Maynard Keynes, is indifferent to the straightforward economic principles of Henry George. If pressed the student is likely to dismiss these concepts with amused condescension as naive and simplistic, possibly adequate for a crude agricultural economy but hardly appropriate for the modern industrial state. The seeming sophistication of Keynes' approach appears to many students to be more in tune with today's complex economy.

Keynes' *General Theory of Employment, Interest and Money,* published in 1936, introduced the confusions of "macro-economics" which are plaguing us to this day. Professor Samuelson, a disciple of Keynes, boasts that one cannot argue with the master, since one cannot understand him.

What are some of the essential differences between Georgism and Keynesianism?

Probably most important is that Keynesianism holds that the free and open marketplace cannot regulate the economy; the government must control it. Georgism on the other hand recognizes that just as a man cannot consciously control the beating of his heart and adjust it to changing conditions, so men cannot *deliberately* direct the multitudinous activities of a society's economy and adjust them to changing circumstances.

Secondly, Georgism revolves around the individual whereas Keynesianism focuses on the economy as a whole. George taught the natural laws involved in the production and distribution of wealth by the individual, in cooperation with other individuals, whereas Keynes dealt in aggregates. Although the abstruseness of Keynes' work often makes it difficult to understand exactly what he means, apparently he thought it necessary to determine the behavioral patterns of millions of people principally in order to influence the people's "propensity to consume," and thus control the amount of wealth saved.

He believed that unemployment and poor business might ensue eventually if too much were saved. If too much of the wealth saved were invested in capital goods, a nation's capital might become so great that the amount of wealth produced would outstrip the "effective demand" for it. This reasoning led to the now widely held view that too much saving could be an unstabilizing force and therefore it becomes necessary for the state to control it by initiating appropriate monetary and/or fiscal measures.

As "saving" is so important in Keynes' economics, the obvious question arises, of what does it consist? In the main it is economic rent. By and large it is the landlords who are the savers. This is certainly true in England, Keynes' homeland. In America, where a larger proportion of people own land, a middle class of savers arose, many of whom were not landlords. However if a careful analysis of saving were made it is very likely that most of the saving in America would be found to be economic rent.

As Keynesianism deals with aggregates, its analysis must be primarily in money terms, for one cannot add together tons of steel and bushels of wheat and arrive at meaningful totals. Although Keynes introduced terms such as "labor units" apparently in an attempt to avoid dealing exclusively in monetary terms, actually if one combines diverse economic data one must use a common denominator—money. As Georgism is an individualistic appoach,

SUPPLEMENT A (continued)

its analyses can be and for the most part are in terms of actual wealth, making it much easier to understand the absurdities and complexities which occur when the distribution of the produced wealth is an unjust one.

Lumping economic data and attempting to generalize behavioral patterns may be of value in marketing, particularly to sales organizations in determining their sales campaigns. In my study of this subject I was increasingly impressed that Keynesianism may be considered a sophisticated form of marketing scheme with the consumption and saving habits of people to be controlled, if thought necessary, by the government. From another viewpoint it appears as a cleverly contrived form of socialism parading under the guise of an attempt to rescue private enterprise from oblivion.

For Keynes it was important that all wealth produced be consumed, and his entire theory of economic behavior may be classified as an under-consumption theory. He admitted that his views did not differ substantially from those of the under-consumptionists. It was probably natural for him to take that approach because his book was written during the depression. It appeared to many that the depression was the result of under-consumption because stores and warehouses were loaded with goods which few were buying. Some methods were being sought to get workers to consume more directly and also to get the savings into their hands so that these could also be consumed. To do this Keynes, with tongue in cheek, in a none-too-subtle attack on that "barbarous relic"—gold—advocated burying old bottles filled with banknotes and having them dug up again to relieve unemployment.

Whether Keynes recognized it or not, it appears that what he was attempting in his deprecation of saving, in his cool complacency toward the eventual "euthanasia of the rentier," and in his desire to have the government control the economy, was really to take the economic rent out of the hands of private individuals and spread it around. His method of accomplishing this was by having the government manipulate money and interest rates, spending prodigious amounts of money and juggling taxes. This was patently unsound for it could result in the socialization not only of rent and interest, but also wages, with consequent reduction in the wealth produced and the creation of a socialistic society.

Suffice it to say that Keynesiansim is an attempt to have the government redistribute the wealth produced, utilizing a complex system which ostensibly favors the preservation of private enterprise. Actually it would result in the eventual disappearance of real private enterprise and in a diminution of the wealth produced, creating a super state and reducing the freedom of the individual to a minimum.

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From: Henry George News
September 1968
"Georgism vs. Keynesianism" -
Oscar B. Johannsen

SUPPLEMENT B
(Part I)

The Great Depression

IN 1929 the American gross national product reached a peak six per cent higher than the previous year. Unemployment was running at about 3.2 per cent and everywhere there was an air of optimism and expansion. Within four years a quarter of the nation's labour force was out of work.

The search for the cause of the great depression has since been undertaken at irregular intervals by many students, historians and economists. A recent appraisal by Carl O. Nordling, former Assistant Professor of City Planning at Stockholm, throws some interesting light on an aspect of the events leading up to the sudden panic and economic recession of the 'thirties*.

Professor Nordling makes no claims to being an economist, but he has put forward a few figures that he has stumbled across during the course of research work. It appears that between 1920 and 1926 there was a very rapid increase in the U.S. population; the urban residents increased their numbers by an average of two million a year. As a result of the war there had also developed a housing shortage. More than half a million new units needed to be built every year to keep pace with growing needs and obsolescence. Around 1921, rents and house prices rose rapidly, encouraging new investment. Production rose from 450,000 in 1921 to 940,000 in 1925—no small measure of economic impetus.

According to Professor Nordling, however, production had increased far too rapidly. By 1926 sales of new units were falling, prices were reduced and vacancies began to pile up. In spite of these trends, however, the decrease in production in the following years was relatively slow. The surplus of dwellings in 1927 was in excess of 350,000. At the end of 1929 output had fallen by 250,000 over the previous year. This tremendous drop in production gave rise to a two per cent decline in the work force at the end of 1929—a rate of decline that rapidly increascreased. Alwin H. Hansen wrote: "Probably at no time in our history had we reached as complete a temporary saturation in building construction, including apartment houses, residences, office buildings and other commercial structures, as was the case in the late 'twenties."

The lesson of these historical studies, says Professor Nordling, is that even in a planned economy such as that of Sweden, a similar state of affairs could arise. In the U.S.A. the surplus output was worsened by a rapid decline in population increase with the end of the post-war new family boom. The Professor concedes, however, that such a situation is unlikely to arise on the same scale again. Statistics are now more readily available than they were in the 'thirties and the market is more cautious in its approach.

Unfortunately Professor Nordling did not take his study far enough. What was the real cause of over-production and why was it so harmful? There is little doubt that rapidly rising land values from 1920 onwards encouraged wild land speculation. Those who had invested money in land transactions, often through mortgage facilities, had high hopes of reaping a bonanza. Many people did. Others, however, found themselves with financial burdens that they could not meet. Pure speculators often took chances on second mortgages to raise capital for construction in the hope that things would improve. When it was discovered that not only was it difficult to sell virgin land, but even more difficult to sell vacant houses, the financial difficulties multiplied. The land financing boom had shot through the entire economy, affecting small investors, finance houses, banks, insurance companies and large corporations. The sudden necessary reduction in construction that precipitated the great depression had its own roots in a short-lived land boom, the significance of which had been greatly under-estimated.

Just before the crash in 1929, an article in the *Magazine of Wall Street* said: "Every panic in our country has been preceded by an orgy of land speculation—the culmination of every period of prosperity is a land boom, and then comes panic."

Just as every building has land beneath it, Professor Nordling's housing statistics have land value figures behind them. Under a system of land taxation such dire consequences of rapid expansion are unlikely to occur.

*"Origin of a Depression": *Land Economics*, February, 1967.

From: Land and Liberty
June-July 1967
"The Great Depression-in Search of a Cause"
Peter Rhodes

SUPPLEMENT B
(Part II)

The Great Depression

,—In his review of my article "Origin of a Depression" Peter Rhodes advocates that the real cause of over-production was land speculation. He says among other things: "There is little doubt that rapidly rising land values from 1920 onwards encouraged wild land speculation." This is certainly true as far as the great Florida real estate boom of 1925 is concerned. However, the over-building did not only take place in Florida, if at all, it was nation-wide. What about land values in the rest of the United States?

Between 1922 and 1929 the total value of all land increased from 92.8 billion dollars to 113.5 which means an increase of about 3 per cent per annum. Was that a "rapid" growth? The total national wealth grew faster, or 4.0 per cent per annum, and the population grew 1.5 per cent per annum at that time. The value of estimated oil reserves is also included in the value of the land. These reserves almost doubled during the period and their value grew from 12.2 billion in 1922 to 16.8 in 1929. The value of non-farm residential land grew from 15.4 to 24.1 billion or about 6.5 per cent annually.

In this connection one should consider the relation between commuting costs in big cities and the value of land. A commuter living at the edge of a city's built-up area incurs a certain cost in travelling to and from the business centre of the city. Compared with him all those who live closer to the centre have the advantage of being able to save time and money in travelling to the centre. This creates a monopoly of centrally situated land which acquires a certain value higher than the unit value at the rim.

The bigger the cities the more time must be spent in commuting. On the other hand, so much more time appears to be saved and therefore so much more money will be paid for the land monopoly. Suppose cities were circular, the number of inhabitants per acre constant, and central districts small, the total residential land value of a city would then be represented by a cone, the volume of which would be the third power of the radius times a unit value. The total population would then be represented by a cylinder, the volume of which would be the second power of the radius times a constant.

Accordingly, when the urban population increased by some 25 per cent during the 'twenties we should expect the value of urban land to have increased by about 40 per cent, equalling 3.5 per cent per annum—without speculation. Of course, some land speculation apparently occurred in the U.S. during the 'twenties, but the amount was not remarkably large compared with other changes in values and in economic activity in general. When the land speculation did occur on a large scale, as in the case of the Florida boom, it did not develop into a building boom. On the contrary, it developed into the buying and selling of so - called "binders," i.e., a right to buy a lot some time in the future when the land was to be subdivided.

As far as statistical facts from the period can help us, the rise of land values can neither be described as a "wild land speculation" nor as a possible cause of the over-production of dwellings. Then what was the real cause of over-production?. Why did it occur in the 'twenties and never before? The fact is, it had happened before but on a much smaller scale. For a long time there had been an oscillation, with booms and depressions following each other, and the residential construction industry certainly played a part in these swings. One of the reasons for the extreme over-building in the 'twenties was probably the shortage of dwellings that had resulted from the war. Another reason was maybe the post-war American notion of getting rich fast, and of doing everything faster for that matter. The radio and the airplane seemed to have created a new rate of progress, but they had not. A building still lasted for a lifetime.

A system of land taxation or of national ownership of all land would apparently not have saved us from the Great Depression. Nevertheless, I think there are other good reasons for national ownership of certain monopolies such as land monopoly, and this idea should not be discredited just for not being a cure-all.

From: Land and Liberty
November-December 1967
"Land Speculation and the Great Depression"-
Carl O. Nordling

LESSON VII

THE RIGHTFUL BASIS OF PRIVATE PROPERTY

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 145 to 168

Purpose:

To explore the differences between private property in land and all other types of property.

Objectives:

To establish the basis of private property.

To differentiate between private property in land and other types of property.

To evaluate the justification for private property in land.

To relate the relevancy of Locke's theory of property.

To trace the historical basis of land as private and common property.

Economic Vocabulary:

common property
personal property
real estate
unearned increment

Leading Questions: Instructor's Comments

1. What are the current attitudes towards the basis of ownership of property?

2. What are some of the reasons that primitive societies recognized as the basis for the common ownership of land?

3. Why was common land accepted during the feudalistic period?

4. Discuss the relationship between private ownership of land and the growth of liberty.

5. How do socialists view private property?

6. Comment on the validity of the labor theory of ownership.

7. Why is there confusion as to the nature of property?

8. Does private ownership of land conflict with the concept of natural rights? Discuss.

9. Comment on Locke's view of property.

10. Discuss the major points that are made to justify the existence of private property in land.

Chalkboard Suggestions:

1. Have the students give various examples of property and then list these on the board under the heading "Examples of Property". Then head two other columns entitled "Length of Usefulness" and "Necessary Care". It is important that land is included as one of the examples of property so that a comparison can be made with the other forms of property.

The purpose of this exercise is to demonstrate how land differs from all other forms of property. As will be shown, all forms of property, except land, require repairs and care and are of limited usefulness.

2. On the Board - Socialism vs. Georgism

At this point, some may feel that we advocate socialism. Compare both ideologies by contrasting the following:

Proposals Regarding:	Socialism	Georgism
Land	Government ownership, use controlled by government.	Private ownership with due regard for the rights of others; use controlled by individual title holder.
Rent	Collected as part of overall governmental plan.	Collected as sole public revenue for social services.
Capital	Governmental ownership.	Private ownership.
Interest	Confiscated by government.	Retained by private owners of capital.
Labor	Directed by government. "From each according to his abilities".	Free access to natural materials and freedom to choose direction of effort.
Wages	To each according to his wants.	In proportion to contribution to production.
General	Competition and private enterprise to give way to direction by government. No individual rights except as granted by the government.	Private enterprise and competition in the open market - "a free field and no favors". Recognition of the natural rights of the individual.

Although the contrast has been given, it is recommended that the class supply the answers.

Supplements:

1. Supplement A - Property Is Not Theft.

   (a) Comment on Proudhon's assertion that "all property is robbery".
   (b) What is the difference between a legal and a moral sanction?
   (c) How does the author justify land as not being property?

2. Supplement B - Indian Land Ownership

   (a) How did Indians view property in land?
   (b) How did the Europeans view it?
   (c) How do we determine who owns the land?

Culmination:

Pass out Summary of Lesson VII.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 132 to 144.
"Financing Our Urban Needs", nation's cities, March,1969, in full.

Thought Question: Show how the land value tax meets the canons of taxation.

SUPPLEMENT A

Property Is Not Theft

IF, AS PROUDHON asserts, "all property is robbery," if no one can in justice become the possessor of any article, it follows that no man can have any right to the food he eats. If the food is not his *before* he eats it, it cannot be his *after* he has eaten it. From this it would seem that a man has no right to his own body; indeed, we must conclude that a man has as much right to his neighbour's body as to his own.

To deny the right of individual private property, therefore, inevitably lands one in absurdity!

The only sensible way to ascertain what are the rights of property is to look first at the essential facts of our life on this planet. We come into this world possessed of no property whatever and on arrival here we find that one thing only is given to us which is both free and ready-made. This one thing is fresh air.

To get the food, clothing and shelter which are essential if we are to survive, nature bids us work. Now nature is fair. Apart from fresh air nature provides nothing ready made, but she does provide a storehouse of raw material upon which we can work; she provides us with land. Man, therefore, labours upon the land, and is thus able to bring into existence all those tangible material things which we term wealth.

There are now two points which need to be stressed. First, nature is inexhaustible. So that, provided we all have access to natural resources, whatever wealth a man makes by his exertions should not prevent another from making whatever wealth he requires so long as he is prepared to work. Secondly, the wealth we make, and retain as our property, is really of temporary possession only, for from the moment of making any wealth, it begins to change back into original matter. Some forms of wealth will last for but a few hours--fresh milk is one example, others will last for various longer periods. There are very few forms of wealth which will last long enough to pass on to the next generation. The truth is that mankind lives from hand to mouth.

The right to possess private property springs from the fact that the individual has, by his labour, produced it. It is, so to speak, an extension of his personality. As a man belongs to himself, his labour when put into concrete form, belongs to him also.

It has been shown what is the rightful basis of private property. How is it, then, that Proudhon had this idea that property is theft? Probably because in his day as in our own, through long-established custom, were tolerated forms of ownership based upon force and fraud which can only be described as immoral private property. Chattel slavery at once springs to mind as an outstanding form of immoral property. Slavery is, fortunately, now a thing of the past in most parts of the world. But shortly before the American civil war, when slavery was being hotly attacked, one argument in its defence went something like this:

"Here is a widow. All her husband has been able to leave her, after a lifetime of toil, is a half-dozen slaves, all of which he bought with honestly earned money. Would you now free those slaves, and thus put this woman in a condition of penury?"

Arising out of this kind of argument is a vital principle which we should note. It is this:

If you possess some property which has both legal and moral sanction and you exchange it for property which has only legal sanction, you cannot claim that the moral sanction attaching to the property you have disposed of now attaches to the new property you have acquired.

Though chattel slavery is no more, there remain other forms of immoral property in our midst. The chief of these is private property in land, an institution which in its most extreme forms is even worse than chattel slavery.

Land is not wealth. The truth of this is apparent if we consider that if one man, the only inhabitant, owned the whole Earth he would quickly starve to death unless he constantly exerted himself in productive work. A landowner *regarded solely as a landowner,* contributes nothing to production, but takes wealth from others. We are indebted to Ruskin for reminding us that, from an economic point of view, there are only three classes, namely working men, beggarmen and thieves. One can only acquire wealth by work, by gift, or by theft!

Throughout history many famous men have condemned the robbery which private landownership entails. One can go back as far as Moses, who legislated against land being permanently alienated from its original possessors. Because the Mosaic law on the subject was not kept, we find Isaiah thundering against those who joined field to field. In ancient Rome, Tiberius Gracchus fought to the death to revive the Licinian Laws limiting landholding. Coming nearer to our own times, Thomas Spence delivered a lecture to the Newcastle Philosophical Society, in 1775, in which he proposed that the land in each parish should be vested in the parish authorities and rented out to individuals. Thomas Carlyle in his history of the French Revolution condemned the robbery which landownership entailed. In the mid-19th century, Herbert Spencer brilliantly attacked landownership in his *Social Statics*, and compared it with murder.

Both Tolstoy and Cardinal Manning had some biting things

SUPPLEMENT A (continued)

to say on the subject, and in the early 1900s Winston Churchill attacked land monopoly in brilliant speeches which have seldom been equalled, speeches which read as true today as when they were delivered.

Let us, though, forget this cloud of witnesses for the moment, and look simply at the facts for ourselves. Suppose a man takes a fish from the English Channel and calls it his property. There is surely nothing wrong with that. But now suppose a man claims the English Channel itself as his property, and forbids all other people from fishing therein. Would not that be grossly unjust?

But the same arguments must apply to dry land. If a man plants a field with seed and in due time reaps the harvest, that harvest is undoubtedly his private property, for his labour has produced it. But does the act of sowing the seed give him the right to claim that field is his property, for ever?

Every man needs sufficient space on which to build his house. But does the natural right to enough space justify a man in claiming ownership of thousands of acres principally in order to charge his fellow men for the right to live?

Private landownership disinherits the mass of the people from any share in what the Creator has provided for the sustenance of all. Did the Creator intend that men should have to *buy* space on this Earth, from some of their fellow men? Without doubt this is the supreme wrong in our civilisation. We rightly permit private property in the products of labour: this is, in fact, the first step in civilisation, but we wrongly permit private property in the Earth itself.

Proudhon was almost certainly right in thinking that the French aristocrats of his day had not acquired their wealth honestly, but he did not discover how the theft was taking place. Had he lived for another fourteen years he might have stumbled on the truth. For in 1879 was published Henry George's *Progress and Poverty*, a book which made plain the reasons for poverty keeping pace with progress, and the reason why the bulk of the world's wealth finds its way into the hands of comparatively few.

Two kinds of value arise in society. The first is that of tangible, material wealth that is the result of man's conscious efforts. This wealth is rightly private property. The second is what is produced by the efforts of the community as a whole; a value that one can say is *unconsciously* produced, and which is not the result of any one man's work. This second kind of value attaches itself to land and is expressed as the rental value of land; being the result of communal activity it should belong to the community as a whole.

By patient study of the natural physical laws and by working in harmony with them men have invented and perfected the motor-car, the aeroplane, and numerous other marvels of our modern civilisation. It is no less true that there are unchanging moral laws which if we obey them, we prosper. If we disobey them, we suffer.

We must conclude, therefore, that tangible, material wealth, produced by labour from land, is rightly private property and should not be subject to taxation while the rental value of land remains uncollected for communal purposes.

From: Land and Liberty
April - May 1968
"Proudhon Was Wrong - Property Is Not Theft."
W. J. Cadman

SUPPLEMENT B

Indian Land Ownership

THE first quarter of the seventeenth century witnessed a small exodus of settlers from England and the Netherlands to the New World—a territory occupied by numerous Indian nations. The clash of century-old civilizations and cultures brought land tenure into sharp and vivid focus. Isolated from the Roman and feudalistic forms of ownership in Western Europe the American Indian evolved over many generations, a claim to the land based solely on occupancy and usage. The European concept of private ownership introduced by the new settlers caused endless conflict. Eventually something emerged known as the "American way."

Even before the discovery of this continent by Columbus and subsequent explorers, the Indian economy had passed from a purely nomadic food gathering economy to a food producing economy. Formerly they had roamed at will and supplied the necessities by hunting and fishing where they pleased. After they learned to cultivate the soil a transition in land relations naturally resulted in claims of ownership based on labor by the occupants. However Indian life was so strongly bound up in the tribe that no matter how long an individual used the same plot of ground it was never considered to belong to him personally, but to the tribe, and land inheritance therefore accrued only to a tribe or clan--this is the nearest thing we can claim to "common ownership" in the American annals.

Although historical records are incomplete and void of specific data, numerous historians agree that the right of occupancy enabled each tribe to absolute title to, and sovereignty over, a particular section of the country. Each member was an owner by virtue of being a member of that tribe. But ownership could not be transferred outside the tribe. The all-powerful chief acted as proprietor or trustee of all the land though he himself claimed no direct or personal ownership.

In other respects, and especially regarding personal property, the tribes developed independently. Even though the communal idea of land ownership was accepted, there was not universal acceptance of other views regarding property. The six nations of Iroquois seem to have made little distinction between real and personal property and conformed to some of the basic tenets of communism. The Omaha and Pueblo Indians of New Mexico and Arizona followed the same pattern as the Iroquois, in contradistinction to other tribes who adopted the European idea of individual ownership of personal property.

When Columbus was granted ships and men for his historic journey it was agreed that any land embarked upon would belong to the Crown of Spain. So while discovery was made in the name of the sovereign, no land in the west was ever bought by the Spaniards. The French had an agreement with the Indians which carried with it right of ownership, but the Dutch charters required that title was to be acquired through outright purchase.

The sovereign rights of the Indians were not recognized by the British, and English records are silent on the subject of land titles. The right of discovery was their basis of ownership and all land was discovered in the name of the King or Queen. The Crown then transferred it to subordinates, allowing much leeway to local authorities. Methods of purchase, gifts from the Indians, acquisition by seizure, occupancy under long-term leases and "treaties," were all used to establish the claims of the new landowners.

Thus in our historical review we find land tenure and title determined by numerous methods, the foremost being discovery. However, the right of discovery raises several important points — one being that the right of ownership is not based on original discovery but rather the first of the Europeans to discover the New World. If this basis of land ownership is valid, does that mean that any group outside of the Europeans can henceforth claim title based upon discovery? Who owns the land?

From: Henry George News
June 1968
"Indian Land Ownership"
Stan Rubenstein

LESSON VIII

A NEW DIMENSION IN TAXATION

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 132 to 144

"Financing Our Urban Needs", nation's cities, March 1969, in full.

Purpose:

To compare the Land Value Tax with other major taxes.

Objectives:

To examine the canons of taxation.

To compare the land value tax with the other major taxes, according to each of the canons.

To examine why the land tax cannot be shifted.

To discuss the several philosophies of taxation.

Economic Vocabulary:

property tax
ability to pay
benefits received

Leading Questions: Instructor's Comments

1. State the various purposes that taxes are used for today, and comment on the validity of each of these purposes.

2. What are the criteria for a good tax?

3. How do the following taxes meet these canons of taxation:

(a) income
(b) corporation
(c) property
(d) land value

4. Why is it difficult to estimate the revenue that can be obtained from a land value tax?

5. What are some other purposes of a land value tax, besides that of revenue?

6. What methods can be employed to separate the value of the land from the value of the improvements?

7. Show how a land value tax cannot be passed on.

8. Show how some of the other taxes can be passed on to the consumer.

9. Which philosophy of taxation has most acceptance? Explain each one. How does the land value tax compare with today's philosophy of taxation?

10. Mention some of the motivating forces that cause governments to use many of our current means of taxation.

11. From "Financing Our Urban Needs" answer the following:

(a) What is the consensus of the authors concerning the property tax?
(b) What is the consensus of the authors concerning the shift to a land tax?
(c) What is the consensus of the authors concerning the conclusion of the Urban Land Institute Study?

Chalkboard Suggestions:

1. Canons of Taxation

Head two columns on the board - one entitled "Canons of Taxation" and the other "Types of Taxes". The first column includes a combination of the canons in the text and others that the students give. The second column includes various types of taxes such as the income, sales, excise, etc. The purpose of this exercise is to evaluate each of the taxes in terms of the canons of taxation. An indication of the validity of the taxes can thus be obtained.

Supplements:

1. Supplement A - How Land Value Taxation Can Be Applied

   (a) According to the chart, which type of property receives the most benefits?
   (b) According to the chart, which type of property receives the least benefits?
   (c) Describe how the land value tax would change the above situations.
   (d) Comment on the feasibility of the application.

2. Supplement B - The Property Tax

   (a) What is the property tax?
   (b) What is the property tax not?
   (c) Why does this type of tax tend to cause confusion?

Culmination:

Pass out Summary of Lesson VIII.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 169 to 175.
"Financing Our Urban Needs", nation's cities, March, 1969, in full.

Thought Question: Explain the effect that a land value tax would have upon the housing problem.

NOTE: "Financing Our Urban Needs" - There are various useful charts and explanations in this booklet that can be useful in dramatizing the practical effects of a tax on land and its relationship to contemporary urban problems.

SUPPLEMENT A

How Land Value Taxation Can Be Applied

Henry George proposes to "abolish all taxation save that upon land values." (This has been called the "Single Tax.") We already take some rent in taxation and we only have to make some changes in our modes of taxation to take it all.

Example: Assume a present real estate tax of 3%, i.e., 3% on land and 3% on buildings. The change could be effected by gradually increasing the tax rate on land and gradually decreasing it on buildings. The first year, the land value tax could be stepped up to 3¼% and the building tax down to 2-3/4%; and so on each year until, after a 12-year period, the tax rate would be zero on buildings and 6% on land (which we assume would approximate the full rent of land). Other taxes should of course also be abolished one by one.

The following chart shows how different properties would be affected:

	A.	B.	C.	D.
	Bldg. - 0 Land-$5,000	Bldg.-$2,500 Land-$5,000	Bldg.-$5,000 Land-$5,000	Bldg.-$10,000 Land-$5,000
Present tax				
3% on Bldg. -	0	$ 75	$150	$300
3% on Land -	$150	150	150	150
Total tax -	$150	$225	$300	$450
Proposed tax				
None on Bldg.-	0	0	0	0
6% on Land -	$300	$300	$300	$300

It will be seen that under the present system the owner who keeps his land idle (A) or underveloped (B) pays less than the owner who fully improves his land (C) and (D). Under the proposed tax, A. and B. will pay more than at present, C. will break even, and D. will gain. Thus the tendency will be to encourage improvements.

WOULD THE TAX BASE BE DESTROYED? The above example assumes that a tax equal to the interest rate on the capitalized value of land will absorb the rent.

But with the full collection of the rent of land, the selling price, or capitalized value of land would tend to disappear. Would we then be destroying the base on which the tax is levied? Not necessarily, for a land value can still be computed based on the gross rent whether or not land has a selling price.

Another method would be to begin by increasing the tax on land value (selling price); but after a certain point is reached the base of taxation to be switched to annual rental value. The tax rate would then be directly on the rent.

Still another method would be to tax the selling value at a high rate so as to collect all but a small portion of rent which the landowner would retain. This net rent would continue to be capitalized and the tax rate would continue to be imposed on the selling value.

SUPPLEMENT B

The Property Tax

The property tax plays a role in today's government finance large enough to surprise many observers. The tax takes more from taxpayers than ever before *(per capita, in dollars of constant buying power)* -- and brings more into local government treasuries, nearly $28 billion this fiscal year; about $140 per capita, or $700 for a family of five on the average (up from $83 and $415 respectively in 1968 dollars in 1965). The outflow of expenditures, however, has risen more rapidly.[1] Such will continue to be the case. In many localities, property-tax yields will not grow so rapidly as local government spending, allowing for grants-in-aid, etc., unless effective property-tax rates keep rising. But even if "adequate" rate increases were possible constitutionally, politically, and economically, they are not assured. Nor would increases be desirable where rates are already as high as in some localities.

Every tax has effects other than those of taking dollars from the taxpayer and giving them to a government treasury. The *adverse nonrevenue effects* can be of more than minor significance, most certainly when the tax rates are at the high levels found in numerous communities today.

For local governments the property tax can compare favorably with alternative revenue sources – within limits. It shows up badly, however, when used as intensively as in a relative few (but important) communities today. Poor administration plagues the tax more generally than is necessary. Achievements in numerous places have demonstrated that administration *can* be improved. And the *structure* of the tax could also be much improved.

What the Property Tax Is—And Is Not

The property tax falls on *people*. "Things" do not, in a meaningful sense, bear tax. The property tax must be thought of as a device to tax people according to their ownership, use, and other ties to property. The tax is almost exclusively a source of revenue for *local* government. In four states only real property is taxed. Most states, however, permit localities to tax tangible personal property – machinery, inventory, furniture, etc. In fact, however, as

SUPPLEMENT B (continued)

a rule only the personal property of businesses and automobiles are taxed. In a few states there is still more than hit-or-miss taxation of intangible personal property – securities and bank balances.

The tax is *not* a levy on individual net wealth. The justification for the tax does not rest upon a presumed adjustment of burden to a person's net worth. The base of the tax is an estimate of the worth of each particular piece of property, chiefly real estate, without regard for any debts against it. In almost all cases *assessment* and *collection* are local functions. Many state constitutions, local charters, and state statutes governing local affairs prescribe maximum tax rates. Their practical effectiveness differs widely.

Although property-tax rates when expressed as a percentage are small, they *apply to capital values* and are often "high." Comparison of property-tax rates with income or sales-tax rates can be deceiving. A 3 per cent property tax equals 33 per cent of the pre-tax income – and half of that after tax – from a property which yields 6 per cent to the owner. An increase of 0.5 per cent would reduce the amount remaining after tax in such a case by about 8 per cent. The property tax differs in essentials from an income tax. Each should be judged according to criteria applicable to it, not to the other.

The tax in most localities is largely a burden on *housing*, but substantial amounts are collected from businesses. When expressed in the same terms as a retail sales tax, the property tax equals 30 per cent of pure occupancy cost of housing in some localities. In a *vital economic sense*, the property tax on real estate is not one tax but two of crucially different natures – a levy on *land* and one on *improvements*. The condemnatory comments which make up most of what follows apply chiefly to the second aspect, that is, the burden on improvements. The tax on pure land values, according to a long and respected – and correct – tradition of economic analysis stands as one of the best possible means of getting local revenue.

A Powerful Argument Favoring Property Taxation

Property taxation deserves support for a reason sometimes slighted by critics: the tax pays for benefits going to those who bear most of the burden. True, we cannot relate the tax paid by any particular renter or howeowner to the benefits of local-government spending which he receives. For the group, however, the case is clearer. The tax which is collected locally and spent locally goes to benefit the people of the area. Thus, payment of the cost of government conforms closely to benefit on an area basis. In this respect is not the property tax result *fairer*, more *equitable*, than in the case of state and federal finances generally? Conclusions may differ; "spillovers" can be cited to require modification of the central point. Yet the basic validity stands.

Equity is not the only relevant criterion. Efficiency in resource allocation is another. The allocation of resources will tend to conform more closely to public preferences when both tax and spending are local than when one is decided at a distance from the other. The argument here applies with less complete validity to very large cities than to smaller communities. Yet its basic merit extends broadly indeed over the country.

From: Property Taxation: Economic Aspects
By: C. Lowell Harriss

LESSON IX

PRACTICAL EFFECTS OF GEORGE'S REMEDY

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 169 to 175

"Financing Our Urban Needs", nation's cities, March, 1969, in full.

Purpose:

To explain how the land value tax can affect various aspects of the economy.

Objectives:

To demonstrate the effects of land value taxation on unemployment.

To demonstrate the effects of land value taxation on inflation.

To demonstrate the effects of land value taxation on the housing problem.

To demonstrate the effects of land value taxation on homeowners and farmers.

Economic Vocabulary:

liquidity preference
suburban sprawl

Leading Questions: Instructor's Comments

1. Explain the effect that a land value tax would have upon the level of wages.

2. In a similar vein, explain the effect it would have upon unemployment.

3. How would the land tax affect the problem of inflation?

4. Explain its effects upon the housing problem, especially the cost of land and the cost of the materials.

5. How does the current property tax encourage slums and urban decay?

6. How would the land value tax affect urban sprawl?

7. Although the system of only taxing land values has never been fully tried by any country, what have been the results where the emphasis has been placed upon a heavier land tax with proportionate reduction in taxes on improvements? Cite examples.

8. How would this tax affect the average homeowner?

9. How would this tax affect the average farmer?

10. Discuss some of the reasons for the difficulty in getting across the concept of land value taxation to the public.

Chalkboard Suggestions:

1. Methods Employed to Alleviate Unemployment, Inflation and the Housing Problem.

List the above problems on the board. Then in another column, obtain from the students the "Current Methods" to solve these problems. In a third column, obtain from the class the "Effectiveness" of these methods. After this has been accomplished, elicit comments on the effects that the land value tax would have upon these three major problems.

Supplements:

1. Supplement A - Purchasing Power of the Dollar

   (a) What are some of the reasons for the depreciation of the dollar?
   (b) What has been the effect on real wages over the past decades?
   (c) Which groups are affected most by the decrease in purchasing power?
   (d) Is the decrease in the purchasing power of the dollar inevitable? Explain.

2. Supplement B - How To Make Slums and Create Barbarians

   (a) How do we create slums?
   (b) How valid is the author's diagnosis of the creation of slums?

Culmination:

Pass out Summary of Lesson IX.

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 176 to 220.

Thought Question: Evaluate George's discussion on the Law of Human Progress.

SUPPLEMENT A

Purchasing Power of the Dollar, 1913-1966

Index Numbers: 1957-1959 = 100

Year	As Measured by:		
	Consumer Price Index	Wholesale Price Index	
		All Commodities	Nonfarm Commodities[1]
1913	290.1	261.8	253.2
1914	286.0	268.1	267.4
1915	282.7	263.2	260.4
1916	263.3	213.7	200.8
1917	223.9	155.5	154.3
1918	190.8	139.5	142.7
1919	165.8	131.9	137.2
1920	143.2	118.3	109.8
1921	160.6	187.3	168.9
1922	171.4	189.0	173.0
1923	168.3	181.5	169.2
1924	167.9	186.6	177.3
1925	163.6	176.7	172.4
1926	162.3	182.5	177.0
1927	165.4	191.2	189.3
1928	167.4	188.7	190.8
1929	167.4	191.9	193.4
1930	171.9	211.4	207.9
1931	188.7	250.6	235.8
1932	210.1	280.9	251.9
1933	221.8	277.0	248.8
1934	214.5	243.9	226.2
1935	209.1	228.3	227.3
1936	206.9	226.2	222.7
1937	199.9	211.9	207.9
1938	203.4	232.6	216.9
1939	206.6	237.0	217.4
1940	204.8	232.6	213.7
1941	195.1	209.2	198.8
1942	176.1	185.2	185.5
1943	165.8	177.0	182.8
1944	163.2	175.7	179.9
1945	159.5	172.7	177.6
1946	147.1	151.3	162.1
1947	128.5	123.2	132.8
1948	119.4	113.8	122.4
1949	120.5	119.8	125.0
1950	119.4	115.2	120.6
1951	110.6	103.4	109.3
1952	108.1	106.4	111.9
1953	107.2	107.9	111.0
1954	106.9	107.6	110.6
1955	107.1	107.3	108.2
1956	105.6	104.0	103.6
1957	102.1	101.0	100.8
1958	99.4	99.6	100.5
1959	98.5	99.4	98.7
1960	97.1	99.3	98.7
1961	96.0	99.7	99.2
1962	94.9	99.4	99.2
1963	93.7	99.7	99.3
1964	92.5	99.5	98.8
1965	91.0	97.6	97.6
1966	88.4	94.5	95.5

Note: Purchasing power of the dollar is the reciprocal of the indicated price index

[1] All commodities other than farm products and foods

From: Bureau of Labor Statistics

SUPPLEMENT B

HOW TO MAKE SLUMS AND CREATE BARBARIANS

That slums, or deteriorating areas in the Nation's cities, are breeding places for vice and crime seems to be generally acknowledged. That the spreading slums of America's expanding metropolitan areas may also be the breeding grounds for the vandals that in time will destroy our civilization is a disquieting thought, an idea by no means so fantastic that one is justified in dismissing it lightly.

Many well-intentioned people, within and without government, are determined that slums must be eradicated from the American scene. However, their way of solving the problem is similar to the method one might apply to cope with a natural disaster such as a hurricane or an earthquake. They rush to do something, the obvious thing of destroying slum structures and building others, as though that procedure must certainly solve the problem. Apparently, the thought that slums are being created faster than they can be destroyed never occurs to such good-hearted but ill-informed citizens. They never stop to ask in a particular instance, How does it happen that this slum exists?

We are convinced that slums are not natural disasters, slums are not like hurricanes or earthquakes except that longer time is required for the results to be seen. Slums are man-made; therefore, they present a problem that must be solved in an altogether different way from that used in coping with the effects of a natural disaster.

When a hurricane or earthquake destroys part of a city, the urgent desirability of immediately clearing the wreckage and rebuilding is obvious. But when a slowly spreading slum has become a blighted area of major proportions, the first step should be to seek the answer to this question: How does it happen that this festering sore of a blighted community exists; or, How are slums created? When this question has been answered, not only can the particular slum probably be removed at minimum cost, but also the development of other slums can be prevented.

How Do We Create Slums?

In order to clarify what might otherwise be obscure, we invite readers to assume that they have become the elected managers of their respective cities. You are the city manager of Yourtown and have almost dictatorial power during your term of office.

First, reminding you that this is fantasy, we shall assume that you have the most evil intentions and that among your boon companions is a friendly devil who is amazingly astute, as devils presumably are. Below are some discussions between you and your devil friend held during the nightly excursions you and he have made around your city in search of more and better ways of achieving evil results.

"My friend," you said, "this is indeed a beautiful, in fact far too lovely a city. Since it was rebuilt after the great fire you kindled so successfully a few years ago, it has been reconstructed with more and better buildings than we had before. Can you not think of a more permanent way of creating a little hell on earth than merely burning a city? True, the effects of that conflagration were striking, but you will have to admit that they haven't lasted very long."

"Indeed," replied the devil, "I have been giving the matter serious consideration: I have a plan that will bring a more lasting hell to the midst of our city. The effects will not be apparent all at once, but they will be far more devastating than any fire. Moreover, a disaster such as fire or flood tends to cultivate the bonds of human sympathy among men, make them considerate and helpful to their fellows; but my scheme will divide our fellow citizens in such a manner that those in the hell we shall devise will, in the course of time, become virtual barbarians prepared to tear down all that our better citizens can build. In short, we can even breed the new barbarians that perhaps will in the end destroy present civilization if we follow my plan."

"You make it all seem so easy. What is this plan?" you asked eagerly.

"Here it is," said the devil, "I shall describe it one step at a time so that you can reflect on its simplicity and effectiveness; all truly great ideas are essentially simple, you know.

"We now are in one of the residential parts of the city, but it is an older section that was not burned a few years ago. The houses are somewhat crowded, but they once were occupied by some of the leading citizens. Do you notice that an occasional building could stand repainting?"

"Yes, of course, but what of that?" you replied.

"Simply this. You arrange with the tax assessors to raise the assessment and therefore the taxes on any building in the city that is repainted, or remodeled, or improved in any way. Moreover, caution them to assess at full value, or more nearly full value, any new building that is constructed. You know that the power to tax is the power to destroy, or in this instance to

SUPPLEMENT B (continued)

inhibit. If this procedure is followed assiduously, and your tax rate is high enough, you soon will observe the following results:

a. Throughout the older sections of the city, buildings will at first not be painted and maintained; then some will become dilapidated; and virtually none will be improved or replaced.

b. Into this area will move the poorer families of the city. They will gravitate to this locality, not because most of them prefer to live in a slum, not because their taste has become so depraved that they could not enjoy life elsewhere, at least not at first; they will come to live in this area because our clever taxing method will prevent or at least limit the remodeling or new construction of housing that these families can afford.

c. Then, given another decade or two, as children are brought up in these depressing surroundings, our city will first have increasing problems of juvenile delinquency; then the former juvenile delinquents will become competent criminals and racketeers; and everyone can see that we need only enough of these individuals to overturn civilization itself."

Encouraging Land Speculation in Slum Areas

But you were not convinced that the friendly devil's plan was as excellent as he supposed. You asked, "Is that all there is to your masterpiece of evil calculation? I confess it has some interesting and perhaps effective features, but is that all?"

"By no means," friend devil replied. "In addition to taxing all improvements heavily, you must reduce the taxes on land values, especially on land values in the slum areas. As the original buildings deteriorate and the neighborhood becomes a slum, encourage the landlords to apply for reductions in their taxes. Instruct the city assessor to disregard actual selling prices of land in the slum area and assume that the assessed value of the land should decrease as the buildings on it deteriorate. Thus you will encourage the slumlords to hold their properties for speculation on the future growth of the city. You will combine the maximum of discouragement to improvement with the minimum of discouragement to land speculation. Even when buildings are condemned and closed as firetraps or are in danger of collapsing, they will not be replaced. The tax remaining will be so small that the owner will not be forced to sell to someone who might build. The owner, unless he is pressed for funds (and professional slumlords usually are not), will simply wait until the further growth of the city makes it practicable for someone to pay a price that will yield a tremendous profit. How large such gains may be can be seen by reference to the prices being paid today for land held by slumlords in areas to be redeveloped."

To Expedite Slum-Making

"I am nearly convinced that you have a useful scheme that will serve our evil purposes well," you said. "However, if you really put your mind to it, could you think of some improvements in it; perhaps ways of extending slum areas more widely or bringing the anticipated results more quickly?"

"Well," replied the devil, "I do know of a subtle modification of this scheme that has produced gratifying results. In parts of England, the principles I have mentioned have been carried to their logical extension. When a property becomes so dilapidated that it is no longer used, or even when the slumlord simply chooses not to rent it, taxes are canceled altogether. Thus there is nothing to prevent the speculator from holding property off the market indefinitely. It is most encouraging to slumlords not to have that nagging annual payment, however small it might be. My friends abroad tell me that England has some of the most impressive slums anywhere to be found. Vast areas of London and the industrial midlands are such hells on earth that they put the subterranean master of our profession to shame. Think of it, he is the monarch of all that perpetual fire and brimstone, yet he contrives only a brief sizzle as another soul enters his dominion, whereas the tax system and slumlords in England have developed a hell that lasts for a man's whole lifetime, corrupts his children, and damns his earthly hopes. There is an achievement worthy of emulation by all who would foster evil wholesale instead of piddling around in the retail business of tempting individual souls to their destruction."

"Then why not try the same scheme here?" you asked.

Friend devil replied with some dignity, "I think you know me well enough to realize that neither lack of boldness nor any fondness for humankind have impelled me to suggest no more than I have. We must remember that you will be coming up for reelection in a few years. Anything that the public is accustomed to is accepted as right and just. Already your city is applying my scheme in substantial part; you need only tighten up a bit here and there, urge the assessors to seek more vigilantly for all improvements such as modern bathrooms in existing tenements, etc. If you introduced a completely new idea such as that applied in England, you might encounter resistance, because all new ideas are suspect as you know."

Advantages of Applying an Opposite Plan

But you still were not completely satisfied; consequently, you questioned further; "Good friend devil, or rather friend devil (I do not mean to insult you), I see that you are right and I begin to understand how it happens that nearly all cities in the United States have their steadily growing slums. The scheme as you outline it is indeed convincing; but I wonder, do you have any further proof of its soundness than the obvious results of experience with it to date?"

"Yes," the devil replied, "I can offer the most convincing proof. In many cities of the world the opposite of my scheme has been applied. All improvements in those cities are exempt from taxation, and only the land values are taxed for all community expenditures. The results have been as follows:

1. Such cities have no slums worthy of the name.

2. Even the poorer citizens have no difficulty in renting adequate housing.

3. New construction is greatly encouraged; in fact, those cities, in Australia for example, seem to enjoy a never-ending progression of building and remodeling.

4. Industries come to those cities, because companies are taxed only on the value of the land they occupy (this value of course largely reflects the services provided by a city) rather than on their plants, equipment and subsequent increase of those facilities.

5. Surprisingly enough, in many such cities where

SUPPLEMENT B (continued)

the landlords were the only citizens entitled to vote on land-value taxation, they voted for it. Although their taxes as owners of land were increased, the great benefit to the community of this method of taxation so increased the demand for land in the community that land values also rose."

"There is the proof that my scheme is sound," the devil insisted. "Apply it, and we get the slum hells we want; reverse it, and the slums are eliminated in a few short years at no cost to the community. What more proof do you need? Just keep the system we now have and accentuate its most effective features as I have suggested. Then you can rest assured that slum hells will keep spreading more rapidly than redevelopment programs can remove them."

To Create More Barbarians

"The arguments you have offered and the all too obvious developments in most cities of the world offer convincing support for your basic theory, Friend devil," you said, "I am interested in your reference to the influence of slums on the human beings who are born and brought up in them. That in the long run almost any person in those circumstances might become a barbarian willing to join in destruction of our civilization seems clear. However, such indoctrination surely is a slow process, and many, far too many escape from their slum environment. They see all around them opportunities to better themselves. Even if they have never read the stories of Horatio Alger, whose poor boys always found the stepping stones to wealth and power, they have seen for themselves in past decades that many of the nearly destitute immigrants who crowded American slums several decades ago have achieved success."

"Few of those immigrants who came about the turn of the century are slum dwellers today. Haven't the slums in many instances provided the incentive for beginning at the bottom of the economic ladder, cultivating useful work habits, and thus through self discipline succeeding, whereas many brought up in easier surroundings have failed to develop their latent abilities? In short, are slums alone as efficient a means of creating barbarians as you can devise?"

"You have put your finger on what used to be a weak point in my suggestion," the devil replied. "However, in recent decades I have found improved means of creating barbarians. You may think I am somewhat immodest in claiming the new method as my own. Actually, the new method was devised by people of good will anxious to prevent exploitation of their fellow men, aided by labor unions serving their selfish interests and by politicians seeking votes. You remember the proverb, 'The road to Hell is paved with good intentions.' This is part of my, or at least my master's grand design. Through the application of that principle we already are achieving unprecedented success in creating barbarians."

"Friend devil, you speak in generalities. Precisely how do you propose to apply the principle that unwisely guided good intentions are the paving stones of earthly hells?"

"You misunderstand me. I am not speaking of proposals for future action. I am referring to laws already in effect. Your laws, both State and Federal, prohibiting employment of relatively unskilled people are especially effective."

"Surely you are joking; laws prohibiting employment would never be accepted by the people of the United States. I never heard of such a law in all my life."

"Now," the devil replied, "you are being naive. Such laws are not entitled 'Measures to Prohibit Gainful Employment,' nor do they begin with a whereas clause pointing out that they are intended to prevent people from obtaining jobs. The laws that actually prohibit such employment are under more euphonious titles such as 'Fair Labor Standards Act,' or 'A Law to Establish Minimum Wages;' and their whereas clauses may refer to the desirability of giving every person a 'living wage,' although a youth living at home and seeking his on-the-job training for life has need for much less income than does an adult living alone or another adult with family responsibilities."

The devil continued, "A recent study* has shown that the percentage of youths unemployed has increased markedly as higher minimum wages have been estab-

* Yale Brozen, Professor of Business Economics, Graduate School of Business, University of Chicago, Chicago, Illinois, in *The Effects of Statutory Minimum Wage Increases on Teen-Age Unemployment,* presented at the annual Mont Pelerin Society meeting, Aviemore, Scotland, September 3, 1968.

SUPPLEMENT B (continued)

lished. In effect, the law says to every youth, 'You shall have no job unless the results of your labor are worth more to some employer than $1.60 per hour. Such effective prohibition against gainful employment for many provides just the opportunity we desire. You know that all of us devils are skilled in finding work, our work, for idle hands. This is our specialty. Just give us such opportunities and we create barbarians. Proof that our efforts are successful already is apparent in the burned and looted areas of many cities.

"Slums always have been depressing places, but as long as there was hope for a way out, as long as no one was denied the opportunity to reach the first step on the ladder to success, only a small minority became barbarians. Today the situation is different for millions who are denied the basic opportunity, a job in which to learn useful work habits with the further upward steps of the ladder clearly in view. Now millions have no basis for hope. Denied the chance to earn the attractive products of a seemingly affluent society, frustration becomes the desperation of those who believe that they have nothing to lose and possibly some loot to gain if they join the modern barbarians. Given enough such men, no civilized society can survive."

"The barbarians who finally sacked Rome as that civilization declined and fell came from without. Much more efficient in destroying Western Civilization will be the barbarians within. At the rate slums are being made and barbarians are being created today, we who expect to reap the hellish harvest of social revolution apparently have not long to wait. We shall have hell on earth on a scale never heretofore witnessed by the human race. Stupidity plus misguided good intentions will accomplish our work, leaving to us only the enjoyment of it."

"And now," said the devil, "you must excuse me. I must not shirk my task of providing work for idle hands."

From: "Economic Education Bulletin"
American Institute for Economic Research
October, 1968

LESSON X

THE LAW OF HUMAN PROGRESS

Assigned Reading: "Henry George, PROGRESS AND POVERTY (Hogarth abridgment)" Pages 176 to 220

Purpose:

To set forth the law of human progress and its ramifications.

Objectives:

To examine the various explanations for the progress of civilizations.

To show that association in equality is the law of human progress.

To elaborate on the present characteristics of our declining civilization.

To explore the meaning of liberty and justice.

To review the highlights of the course.

Economic Vocabulary:

freedom of opportunity
association in equality

Leading Questions: **Instructor's Comments**

1. Discuss the various theories offered to explain the advance of civilization and societies.

2. What forces counteract the geographical barriers to association?

3. Show how cooperation in mental power has made great strides in recent years.

4. Discuss George's characteristics of our declining civilization.

5. What has been the relationship between equality and the advance of society?

6. Distinguish between political and economic liberty.

7. According to George, what is the primary cause for the decline of civilization?

8. How may modern civilization decline?

Review:

Review the major highlights of the course.

(a) Factors of production.
(b) Laws of distribution.
(c) Role of land speculation.
(d) Use of land value taxation.
(e) Effects of the proposal.

Climax:

Read excerpts from "The Call of Liberty". Some of the passages can be extremely moving. Discuss some of the major points.

Supplements:

1. Supplement A - Readings from text.

   Two paragraphs which are very current are:

   (a) "This transformation.....political decline" on page 202.
   (b) "Where this course.....declining civilization" on page 203.

   How relevant are both these paragraphs today?
   George has been referred to as the "prophet of San Francisco". Can one forecast the trend of events?

2. Supplement B - The Significance of Henry George

   (a) What is George's basic thesis?
   (b) How does it differ from modern palliatives?
   (c) What is George's remedy?
   (d) How applicable is the remedy to our modern industrial world?

3. Supplement C - On Human Rights

   (a) What are rights and duties?
   (b) How does the United Nations Charter use "rights" in several different senses?
   (c) Despotism begins its chronology from the time people stop thinking of compulsion from above as evil and begin to regard it as normal. Comment.

Culmination:

Pass out Summary of Lesson X.

Encourage students to continue their studies i.e. further courses.

Encourage students to become active (Your Director should be able to give you suggestions in this connection).

SUPPLEMENT B

THE SIGNIFICANCE OF HENRY GEORGE

(*Henry George was born on September* 2, 1839. *The following appraisal of the significance and influence of George is appropriate for this month's issue*).

"It would require less than the fingers of two hands to enumerate those who, from Plato down, rank with Henry George among the world's social philosophers. . . We find in 'Progress and Poverty" the analysis of a scientist combined with the sympathies and aspirations of a great lover of mankind. There have been economists of great repute who in their pretention to be scientific have ignored the most significant elements in human nature. There have been others who were emotionally stirred by social ills and who proposed glowing schemes of betterment, but who passed lightly over facts. It is the thorough fusion of insight into actual facts and forces, with the recognition of their bearing upon what makes human life worth living, that constitutes Henry George one of the world's greatest social philosophers."

So wrote Professor John Dewey.

Albert Einstein paid this tribute. "Men like Henry George are rare, unfortunately. One cannot imagine a more beautiful combination of intellectual keenness, artistic form, and fervent love of justice."

Although neglected in most academic circles today, Henry George aroused tremendous interest during his lifetime through his active promulgation of the social reforms for which he stood. Today there is an international organization with representatives in more than 20 countries seeking to implement his proposals.

It is worth examining George's social philosophy and to consider its relevance to the present situation. To do this adequately, some biographical details are helpful.

Biography

Born in Philadelphia in 1839 and reared in the home of an Episcopal clergyman, George led a life of wide and varied experience; on different occasions he was a sailor, a goldminer, a printer, a journalist, a political candidate, and significantly, an unemployed tramp. He was largely self-educated. Just before his death in 1897, he was narrowly defeated in the election for the position of Mayor of New York — the defeat being probably due to a rigged ballot, and the position being one to which George did not personally aspire. A crowd of 200,000 was present at his funeral in New York in October, 1897, and never had there been greater demonstration of popular enthusiasm and respect in the history of the United States.

The enigma that exercised George was the association of poverty, which he had experienced first-hand in all its searing hopelessness, and of material progress. As he himself put it:

"This association of poverty with progress is the great enigma of our times. It is the central fact from which spring industrial, social and political difficulties that perplex the whole world and with which statesmanship and philanthropy and education grapple in vain. From it come the clouds that overhang the future of the most progressive and self-reliant nations. It is the riddle which the Sphinx of Fate puts to our civilization and which not to answer is to be destroyed."

Throughout history, whenever civilization had advanced, the association of dire poverty in the midst of plenty appeared so regularly that George was convinced that there must be some fundamental, universal cause, and accordingly he sought a remedy that was of general applicability in nature. For some years his thoughts on social and economic problems appeared in a variety of publications; finally in 1879 he completed his classic "Progress and Poverty," one of the most widely read books on political economy ever written. This contained a setting forth of the problem of poverty, his proposed remedy, and the effects of the remedy, but also his philosophy of history.

Basic Thesis

George's thesis may be summarised as follows. Man's material wants are satisfied (and this satisfaction must occur before any intellectual, cultural or spiritual progress is possible) by the application of labour, usually assisted by capital, to natural resources or land. As population grows the demand for land increases, and, perhaps by virtue of superior fertility or some such agricultural advantage, or, of far more importance, by virtue of its favourable situation (e.g., in the centre of a metropolis, near markets, transport services, and public utilities), certain land acquires a rental value which is entirely due to the presence of the population and independent of the landholder's activity (George Bernard Shaw labelled this phenomenon the "pons asinorum" of politicians). Henry George argued that this economic rent, which is manifested in rental values, should accrue to the community which created it. He was profoundly impressed by the fact that as the need for governmental and other social services arose with the increasing complexity of society, a fund was automatically created *pari passu* with that need. Under the present pathological conditions generally prevailing, however, landholders can extract payment from those wishing to live and work on the land for the right to do so, or in other words can appropriate community created economic rent or site values, which continually increase with technological and social progress, so that non-landholders are left with just enough for bare subsistence. (In the terminology of political economy, as the margin of production extends, economic rent rises while wages and interest everywhere tend to remain the same as at the margin). By collecting economic rent to defray the costs of necessary government, a step which would ensure the equal right of access for all men to natural resources (since holders of valuable land would be paying for this privilege), and simultaneously by reducing taxation upon goods and earnings as well as by freeing trade from tariffs and similar restrictions, George believed that the way was opened for rendering poverty obsolete. George, of course, recognised that there were other monopolies besides land monopoly, but his attitude was that expressed by Winston Churchill in one of his early speeches — "land monopoly is the mother of all other monopolies."

Illustration

Before proceeding further, consider the following illustration, which is chosen to forestall the naive objection that the land question is restricted to agricultural communities. Imagine two storekeepers, of equal ability and industriousness, and with similar quality of goods, shop fittings, etc.; the first is in the heart of a great metropolis like London or Sydney, the second on the outskirts of an outer suburb. Clearly, with a given expenditure of effort the first will be able to sell far more goods than the second, by virtue of his favourable situation, the advantage of which is accurately

SUPPLEMENT B (continued)

reflected in the value of the land. Both cannot occupy the more favourable site, yet clearly if all men have an equal right to life they have also equal right to land. If the first pays a site rent to the community for the privilege which he holds, justice is done. Further, under George's proposal, if the first man worked harder or gave better service, the additional income thus gained would not be subject to penal taxation — it would be left entirely to him. (The actual mechanics of this is beyond the scope of the present article).

Today, with all the apparatus of the Welfare State, with pensions, "free" medicine, and the rest, George's thesis may seem somewhat strange. It is important to realise, however, that George did not regard the abolition of poverty simply as an end in itself, but rather as a means to achieving greater liberty. George maintained that with man's material wants satisfied readily so as to obviate anxiety on this score (and who can unambiguously say that this is so for most people in these days of "affluence," inflation, and economic uncertainty?), then man's intellectual, cultural, and higher powers could blossom forth more abundantly. Be this as it may, however, the crucial point was George's concern for individual freedom, his profound respect for personality. The Welfare State might artificially mitigate the inequitable distribution of wealth, but if this meant that the individual became a mere cog in the machine of the State's bureaucratic apparatus, or became submerged in a sea of universal benevolence (however well-intentioned), then for George the price was too high. In any case the fundamental wrong had not been rectified, the two-fold violation of the commandment, "thou shalt not steal," had not been ended; that is, the appropriation by privileged individuals of what ethically belonged to the community, i.e. the land values created and sustained by the presence of the community, and in addition (and as a consequence) the taxation by the State of individuals' effort and exertion, in the form of arbitrary imposts which bore no systematic relation to the benefits received by the individual from the community.

Radical Remedy Needed

Like "leftists," Henry George was convinced that there was something radically wrong with the social order, as shown by symptoms such as slums, hard toil in an age of labour-saving devices, and periodic economic crises. He insisted that such social evils require a radical remedy and not bigger Government doles or palliatives that did not upset the status quo, especially as regards monopoly and privilege. Yet in common with certain people of "right-wing" persuasions, George strenuously upheld individual liberty and respect for the individual's rights. But in this he was opposed to unbridled individualism; he asserted that freedom must be contingent on the equal freedom of others. Thus he could be contrasted with many self-styled advocates of free enterprise who really are seeking securer privileges; the efforts of certain industrialists to obtain higher tariffs (i.e., Government intervention) is a good illustration. Thus it is that George's supporters are drawn from a wide range of political loyalties, and by the same token it comes to pass that both Tories and Communists have at times been among his bitterest enemies. Many of George's supporters would thus claim that his philosophy contains a synthesis of the best of "left" and "right" wing elements.

The Welfare State apart, there are still, of course, many countries in the world where extremes of riches and poverty are patent, notably Asia and Latin America. For a substantial percentage of the world's population, the extraction in rent of something like half of their produce is a customary feature of life. The basic nature of the land question is apparent here. The importance of this question arises in a special way with schemes of technical aid such as the Colombo Plan. When such aid, intended to raise the living standards of the people in the under-developed countries, stimulates productivity, then as surely as night follows day, landholders can charge more for the privilege of gaining access to land, and the gap between the haves and have-nots becomes accentuated. This happened for example in Italy, where in the post-war years the United States of America poured millions of dollars into that country.

Recent history provides many instances where inequitable land tenure has been a major cause of warfare and bloodshed. In China, for instance, it is universally agreed that the Nationalists' failure to deal with this issue was largely responsible for the Chinese Civil War. The policy of Sun Yat-Sen (a disciple of Henry George) "equal rights to the use of the land" had become an empty party slogan, and it was inevitable that Mao Tse-tung's most enthusiastic supporters were the 50 million peasants who had previously turned over a large portion of their produce to privileged landlords.

Applicability to Industrial Society

At first sight the practicability of George's doctrines to a complex industrial society with its highly organised commercial power, may not seem obvious. When, however, it is realised that privileged individuals can legally charge others a premium for living and working on that land, then the relevance of the land question becomes clearer. Again, the supply of land is virtually fixed so a monopoly in land (and hence in speculative land rents) is far more potent than a monopoly in commodities for which substitutes may usually be found. George, of course, recognised that there were other important social problems besides the land question, but maintained that the solution of the latter was he essential prerequisite for any social progress. His prediction that disparity in the distribution of wealth would persist and increase with technological progress is borne out by recent admissions that in his own country, one in every five of the nation's families is either living in or verging on poverty, and this at the peak of the most prosperous era in American history.

Among the advantages claimed by George for his system was the inference that productivity would be stimulated and living standards raised, because there would be steadily reduced taxation of effort and consumption, as represented by income, sales, and tariff taxes, which discourage production and tend to produce scarcity. The major source of revenue would be payment of a site rent to the Government for the privilege of exclusive occupancy of a particular site, a site rent which reflects accurately the advantages of occupying that site. Government would be simplified, for a levy on site values is simple to administer, easy to collect, and virtually impossible to avoid. By contrast, taxes on goods and earnings are complicated to administer, difficult to collect, and at times relatively easy to avoid.

Would It Be Enough?

It is sometimes asked whether the revenue from site values would be sufficient to defray the costs of Government. George's supporters believe that in normal circumstances (excluding hot end cold wars) it would. However, be that as it may, it can be strongly maintained that many Government functions would become redundant and the cost of

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Government greatly reduced. For example, the staff required for collecting revenue would be greatly reduced, and so would the offices and equipment for this purpose. Again, many Government commitments arising from poverty and economic distress would, it is maintained, no longer be necessary.

One big advantage claimed is the elimination of land speculation. As a result of this at present a considerable amount of capital and savings must be used to gain access to a site before industry and commerce can begin operating. The removal of this obstacle to production would clearly have far-reaching consequences in stimulating employment and expanding production.

A natural question is whether George's system has ever been put into practice. To a limited extent and in varying ways it has been implemented in at least 20 countries including the United States, Denmark, Australia, New Zealand, Brazil and Canada, particularly in the field of municipal rating. However, it must be remembered that implementation is difficult because of opposition from privileged groups. The reduction or abolition of tariffs and other restrictions on international trade is, of course, part of George's programme, though not exclusively his.

Effectiveness Of System

As an illustration of the effectiveness of George's system, reference may be made to comparisons in the field of municipal rating in Australia between municipalities using site value rating (George's system), i.e., drawing all revenue from land values and exempting improvements, and those using the net annual value system, in which revenue is drawn chiefly from improvements. The Melbourne Land Values Research Group has conclusively demonstrated that districts with site value rating show substantially more than twice the building activity per acre available for building compared with corresponding districts where the other system operates.

While George was quite certain that his social philosophy would promote economic betterment, he was more concerned with the fact that it accorded with ethical principles which all but moral nihilists recognise. His normative approach is often contrasted (sometimes disparagingly) with the descriptive approach of many economists and sociologists. Yet contemporary economics finds itself as helpless as classical economy in the face of the economic evils with which civilization is confronted. It has acquired a more "scientific" vocabulary than the syllogistic terminology of the early nineteenth century, its graphs and statistics are imposing and often complicated, but there still are (should not one add that on a world scale they are increasing?) poverty, misery, and economic unrest. It is often claimed that economics must develop more in the quantitative direction. But to this one may reply that should such a development sacrifice values and standards to statistics and graphs, and become so engrossed with figures as to blind itself to symptoms and cures, then a polite scepticism becomes inevitable.

At a time when a reconciliation is being sought between personal liberty and social justice, between individual rights and social obligations, the social philosophy of Henry George, which claims to provide a synthesis between the conflicting claims of libertarianism and equalitarianism, would well repay attention.

From: Progress
September 1968
"The Significance of Henry George"

THERE is still some magic in the words the Rights of Man; it is as if they awaken a deep instinct as well as provoke discussion. Perhaps this is the reason why not so very long ago a movement for reform, based on this appeal, could cross frontiers and continents and win ardent support among millions of working men and women as well as among circles of profound thinkers. The atmosphere was unprecedented. William Hazlitt, looking back from 1814 after the movement had sunk to mere power-politics, recalls the outset as "that springtime of the world when France called her children to partake her equal blessings beneath her laughing skies; when the stranger was met in all her villages with festive songs in celebration of a new era; and when, to the retired student, the prospects of human happiness were seen ascending, like the steps of Jacob's ladder, in never-ending succession."

It is strange to us in the atmosphere of today, to imagine that a statement of government policy could arouse such feelings. But the American Declaration of Independence, 1776, and the French Declaration of the Rights of Man and of Citizens, 1789, were not election addresses. Despite imperfections such as "all men are created equal," these documents were the culmination of a century of active thought, known to historians as "the Age of Common Sense," or "the Age of Reason." After the English Glorious Revolution, 1689, "the eternal spirit of the chainless mind" had been awakened. The ideas of John Locke, that government itself has no rights, only the duty of protecting individual rights, began to spread like slow fire at the roots of paternalism. Carried to America and back again to Europe on two great occasions it had brought into public affairs not professional politicians but amateurs of courage and conviction, not yet corrupted by power. The ringing phrases of these two manifestos breathe the spirit that resists government pretensions, that scorns patronage, that begs nothing from public funds; a spirit based on the conviction that "the sole causes of public misfortunes and corruptions of government" are not defects in the planned economy or welfare regulations but "ignorance, neglect, or contempt of human rights." They were uncompromising appeals from man to man, not from organisations to the timid who seek the shelter of organisations. Said Benjamin Franklin: "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety."

It is like a cold douche to turn from these declarations to the text of the Universal Declaration of Human Rights —later referred to as the Charter—originally approved by the United Nations Assembly at Paris, 10th December, 1948, and now, in this officially-appointed Human Rights Year, due to be celebrated and reviewed at a meeting of delegates in Teheran, December 1968. All who are genuinely concerned for right and justice must hope that the delegates to Teheran will forget political considerations in favour of universal considerations and revise the Charter on this basis. To do so would transform the document into a challenge to world opinion and evoke

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On Human Rights

discussion on a scale it has so far failed to arouse. Even when the Charter was first issued there was comparatively little notice in the newspapers, and some more serious organs pointed to its defects. The *Church Times* remarked: "It makes claims and enunciates dogmas which are by no means self-evident to the human mind or human conscience. What is the intellectual basis for its assertions?" Mrs. Eleanor Roosevelt, Chairman of the Human Rights Commission, stated in a foreword to the text: "It is not a perfect document . . .there must be a considerable number of compromises . . . but a beginning had to be made."

It is unfortunate that the Charter does not begin with a clear definition of universal human rights, *i.e.*, inherent to every person at any time and in any place. This might have saved the sponsors from confounding rights and duties in so many of the Articles. This not only confuses the reader; it blurs perception of both rights and duties. We all acknowledge moral obligations, duties to society; but these would have been much clearer if tabulated separately. Moreover, in such a statement it is necessary to use words only in their essential, unmistakeable meaning. In the preamble the Charter refers to "freedom from fear and want" and to "fundamental freedoms." But freedom, the state of being exempt from outward restrictions or compulsions, has no direct reference to human emotions. Open the prison door and the man is free, but he is still subject to natural fear and the need to supply his requirements by his own efforts. Misuse of the word freedom, in this context, deflects enquiry from possible restrictions or compulsions leading to unnatural fear and unnatural privation. Freedom is a universal principle with infinite application; to pluralise such an abstraction is absurd and misleading.

"The natural liberty of man," says John Locke, "is to have only the law of nature as his rule." All are born equally free to use the natural resources of the earth for their support, and to exert their natural powers, mental and physical, as seems best to themselves within the limits that nature imposes. This equal freedom of natural opportunity is the basis of all human rights, and one which any intelligent person can understand. If the sponsors of the Charter had made this clear at the outset the document might have been more convincing, and have attracted more attention. A right is a negative conception. If an alleged right conflicts with another, one or both must be spurious. If an alleged right requires someone to

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do something, it is spurious. No right can be created by government; human rights are anterior to all government.

The first sentence of Article 1 of the Charter: "All human beings are born free and equal in dignity and rights," clearly accords with this definitition, and so with a number of subsequent passages, *e.g.*: "Everyone has the right to life, liberty and security of person." "No one shall be subjected to arbitrary interference with his privacy, family, home or correspondence." "Everyone has the right to own property." "No one shall be arbitrarily deprived of his property." "No one may be compelled to belong to an association." "Everyone has the right to work." Assuming that property is understood in its universal sense, all the foregoing accord with the negative conception of rights and with the definition, in every reputable dictionary, of freedom as "the state or condition of being free."

In other parts of the Charter, however, we find so many passages in conflict with the above that an inattentive reader might forget these quoted statements as mere verbal formalities. We are told, for example: "Everyone has the right to social security." "Everyone has the right to favourable conditions of work and to protection against unemployment." "Everyone has the right to equal pay for equal work." and to "just and favourable remuneration . . . supplemented, if necessary, by other means of social protection." "Everyone has the right to rest and leisure, including reasonable limitation of working hours and periodic holidays with pay." "Everyone has the right to a standard of living adequate for the well-being of himself and his family, including food, clothing, housing," etc. "Everyone has the right to education." "Education shall be compulsory" and directed to purposes the Charter prescribes. "In the exercise of his rights and freedoms everyone shall be subject only to such limitations as are determined for the purpose of securing the general welfare in a democratic society."

As we are also told that "education shall be free" and that "parents have a prior claim to decide their children's education," the clauses on education are contradictory; but one can see, on examination, that none of the above statements conforms to a universal human right. They are all statements of claims for things which everybody has the alleged right to compel everybody to provide. If A has the right to well-paid employment with paid holidays, B must necessarily provide it; but if B has the same right, then A must also provide B with the same. This is not a statement of universal human rights in the enjoyment of which all might freely provide for themselves; it is a code of regulations for a dependent world. Such statements might have been drawn up by a committee of well-meaning persons, who, taking slavery for granted, were concerned to ensure that the slaves were well treated, allowing the inspector, however, wide discretion in interpreting what shall be "reasonable," "adequate," conducive to the "general welfare," etc. All is based on the acceptance of compulsion as a necessary and permanent element in human rights.

Totalitarian regimes find it necessary to set up prison camps in which those who seek truth independently, despite the influences of state education, prevailing opinion, and authority, are subjected to brain washing designed to restore them to what is considered a normal condition of mind. In a letter recently smuggled out, one victim, an historian who had survived the corrective process, observes: "Despotism begin its chronology from the time people stop thinking of compulsion from above as evil, and begin to regard it as normal."

The most significant aspect of the Charter is its omissions. Almost all controversy today is concerned with what are called economic matters: question of inflation and trade, taxation, and the prohibitive cost of land for people to live on and work on. And it is conducted with so much expertise, jargon and metaphor that it is a kind of closed circuit from which the common sense of ordinary people is excluded, although they are well aware that their interests are at stake, and when the promised miracles do not emerge they feel sullen discontent. Here, if anywhere, a clear lead on their rights is required. Yet on these subjects the Charter has nothing to say, leaving the public to infer that no human rights are involved. For all the Charter has to declare, any ruling authority, by debasing the currency, might reduce everyone whose means are only in the form of money to destitution; by putting a complete embargo upon the exchange of goods and services it could reduce its subjects to the lowest scale of human existence; by taxing all their earnings it could confiscate all their property; by denying them the use of the earth it could deprive them of life itself.

The difficulties of persuading many delegates to cooperate in drawing up this Charter reflects credit on those who took the lead and it would be unfair to condemn the document for minor shortcomings. But when the omissions and inconsistencies allow violations of the most important human rights, the Charter requires drastic revision if the original purpose is to be realised. Many persons are capable of a surprising degree of self-delusion when faced with awkward realities, but the patrons and sponsors of this Charter occupy the highest positions in Church and State. If they delude themselves they delude millions. Intellectual integrity is a moral obligation; it could not be more so than in framing such a declaration.

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"On Human Rights"-
Frank Dupuis