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We Saw It Coming!

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THE little "inventory readjustment of a short time ago is now bad enough to be called a "recession," and rapidly rising unemployment figures indicate the bottom has not been reached. How far will it go? What caused it? Will the 1930's be repeated? Can government construction projects, tax cuts, increased military spending, and credit-loosening machinery restore the boom?

Students of Henry George's economic principles will not be surprised at the recession. They have been fully aware of the astronomical increase in speculative land values the last few years, and they realize that this is the octopus that tightens its strangle-hold on the economy until it finally collapses. Just how big a collapse the current recession may prove to be is still a moot question. But unless the tentacles of the octopus are loosened, any relief will be but temporary, just putting off the day of final severe depression.

What about loosening up on monetary controls? They might help some, but will just feed the fires of inflation more. Money and credit in the economy can be likened to lubricants for a machine, say an automobile. An ample supply of the right kind of lubricants is essential, but if a cog in the machine breaks, lubrication is impotent to repair it. The squeeze land speculation puts on labor and capital is analogous to a real broken cog.

Can tax cuts stem the tide? There is increasing talk of more and bigger ones. They undoubtedly put more money in many persons' hands, which theoretically can act as increased purchasing power in the market and can to that extent spur business and industry. However, again the ogre of land speculation rears its ugly head. Any significant increase in income or prosperity is generally swallowed up by the increased price for land sites. So any benefit would be but temporary.

What about increased government spending for missiles and defense? To the extent that it comes from taxation, it must take away purchasing power from taxpayers on the one hand while augmenting it (and giving jobs) on the other. It's questionable if the encouragement actually outweighs the discouragement. If paid for through deficit financing, government spending which merely feeds further the inflationary forces, may temporarily put off the day of reckoning but cannot prevent the appearance of depression.