"Comment and Reflection" in the July-August issue of LAND AND FREEDOM?

As you may have surmised, I have been a Democrat ever since the Cleveland campaign and was converted to free trade by General Francis Walker who was my Professor of Political Economy at Massachusetts Institute of Technology, and have voted for President Roosevelt on both occasions; yet, as I have written Roger Babson and others, I suppose I am more fundamentally opposed to many of Roosevelt's doings than many Republicans who seem to have no fundamental ideas whatever.

Babson himself agrees that if we elect a Republican in 1940 he will probably have to carry on pretty much the same as Roosevelt, which indicates that the trouble is the unenlightenment of the people as a whole.

As Cleveland said, it is not a theory but a condition that confronts us, and while you would not administer strong medicine to a healthy person as a regular diet it must be given when people are sick. To continue the analogy, even medical treatment ought to be fundamental but unfortunately it is not. This is not always the case, but the use of "dope" by reputable physicians is all too common. So this palliative treatment is not confined to political spheres only but is an unfortunate state of mind of the people of today. Some of this comes, of course, from false leadership and its general acceptance is due to the mass psychology that was engendered during the War and it may take a generation to overcome.

People must learn to think for themselves and it is encouraging to note that some are beginning to do so more and more among the so-called "middle classes" rather than among the "Captains of Industry" and their satellites in small businesses.

I have heard it said that the servants of nobility in England are the most ardent supporters of the system under which they live and it seems that up to now some of those most seriously affected by the unjust system under which this Country is operating are its most ardent supporters.

But even the National Association of Manufacturers is beginning to see things in a different light and possibly we are on the verge of a new era.

Cincinnati, Ohio — CHARLES G. MERRELL

INTEREST RISES WITH PROSPERITY

EDITOR LAND AND FREEDOM:

My thanks to C. H. Nightingale for his argument that we should not drop this matter of interest till we get to the bottom of it; and my thanks to you for publishing his statement.

But while we are delving into this matter, and while C. H. Nightingale is supposing all these things mentioned (see your page 126, July–August, 1938), suppose some one devote himself to explaining how interest "would go to zero," if the earnings of the people (which would include the earnings of business) "increased to such an extent that every one became a capitalist."

Our earnings in the commercial sense include returns on our capital; this is interest. Suppose borrowing does cease, what of it? Interest is still interest; and it can't "go to zero," when it is soaring in the stratosphere of prosperity.

Stockton, California. — L. D. BECKWITH.

TAXES ON THE IRRIGATION DISTRICTS OF CALIFORNIA

EDITOR LAND AND FREEDOM:

Congratulations on Comment and Reflection upon the psychology of the New Deal voters.

Let me, also, add a word of caution relative to the paragraph on page 126 in which you appear to be quoting J. Rupert Mason on the tax system of the California irrigation districts.

It is true that improvements and personal property are exempt from these irrigation districts taxes. It is even true, as Mason failed to state, that these taxes are levied on all land in the district, including speculative holdings in the towns and cities of the district and in land in the rural sections of the district.

But these taxes are flat or acre taxes. A farmer on the last farm in the far corner of the district on a back country lane pays the same tax per acre that is paid by the owner of a finer farm at the edge of the county seat; so does the owner of a lot in the poorest section of town and on a back street, "down behind the gas works," pays the same tax that is paid by the owner of the best business corner in the county seat, assuming that the lots are of the same area.

There is another thing about these districts that ought to be better understood. Because there is no attempt to recover all the rent and every effort is made, on the contrary, to keep the taxes as low as possible, there is still a speculative value in these lands—that is, the privilege of collecting rent in the districts is still considered valuable.

However, because this value is much less than similar privileges in the cities, these district values have been hard hit by the depression so much so that they got behind on their bond interest.

Then a thing was done that will be remembered with shame when the people get their economies on straight. What happened is this. The bondholders were "put through the wringer," and bought out at discounts running sometimes over 30 per cent, and bought out with federal money furnished for the refinancing. Of course it must be remembered in this connection that not a cent of our federal revenue is taxed against land!

It must also be kept in mind that these districts are in the heart of California where the state's fine highways system is at its best, and that not a cent of the expense of these highways is taxed against land!

Then, too, we have a sales tax which has reduced our school tax about 80 cents per $100 of assessed valuation, thus lifting that much more of the tax from land.

All in all, the receivers of rent have been well cared for.

Stockton, Calif. — L. D. BECKWITH.

A FUTILE CONTROVERSY

EDITOR LAND AND FREEDOM:

There is among Georgeists a controversy which has always seemed to me unnecessary, namely, on the question, "Does rent enter into price?" I have never been able to see that there is any real disagreement as to the answer to this question; but whether that answer is "Yes" or "No," all depends on what the question means to the individual answering it. If it means to him that rent, together with wages and interest, is a part of the price which has to be charged for commodities, then the obvious answer is "Yes." On the other hand, if the question means to him that prices of commodities are high because of the fact that rent has to be paid, then the answer is "No."

The latter interpretation of the question was, I think, the interpretation usually in mind until comparatively recently, and, therefore, the older Georgeists agreed with Ricardo that rent did not enter into price. It was Mr. Emil Jorgensen, I think, who first prominently insisted that rent did enter into price, and this because his interpretation of the question was as first above given, and not because he had any real difference of opinion about the effect of rent on prices. This is clearly indicated by the following statement from page 31 of his book: "Did Henry George Confuse the Single Tax": "The illustrious Scotchman (Adam Smith) knew as well as the next man that rent never operated to make the price of goods go up—in other words that it did not result in making the goods produced on the high-rent lands any higher in price than the goods produced on the low-rent lands."

The moral to be drawn from the controversy is to avoid making a statement that rent does or does not enter into price, unless the statement is modified or enlarged so as to make its meaning clear.