

the Henry George News

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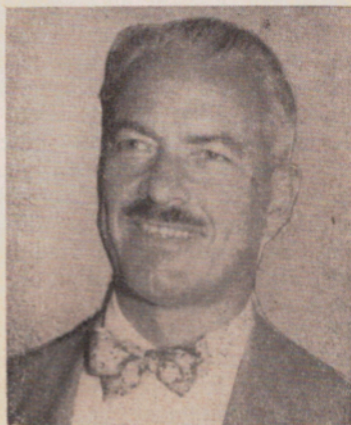
Investment Policy For Tomorrow

BY

LANCASTER M. GREENE

TOUCHING the pocketbook nerve describes the nature of free markets, whether for meat, vegetables or stocks. The news of what people vote for daily filters back to growers, who change from lean beef to well marbled fat, or from fat pigs in the U.S. to lean ones for Canadian bacon. Some vegetables are popular for a time, then new ones take their place. When electronic and science stocks became wonders in the marketplace, certificates of electronic and science companies were printed like mad, and money flowed into competition. This dropped the high fliers such as Texas Instruments, Ampex and Transitron to fractions of their popular heights.

When a confident young man became President of the United States, the market for anything called a growth stock found exuberant and careless buyers. The Bay of Pigs disaster shook the confidence of the business community, but the administration still said it would "get the economy moving." In April 1962 the President said the steel companies could not raise



prices to try to pass on wage increases. Then business confidence was badly shaken in its hopes of making a profit to justify investment.

The sensitive market watched business men for any recession in business, and prepared for the worst by falling sharply. But everyone was able to prepare for it so the recession disappeared into some vague future time.

The administration has been trying to regain confidence among business men and has proposed tax cuts to increase the area of choice in the hope that business men will make capital investments in new equipment. A long awaited relaxation in treasury restriction on depreciation started to encourage investment in labor aiding machinery. A cut in corporate taxes

(Continued on page 15)

A Word With You

THE influence of land prices on contemporary architecture is worth noting.

The price of land is the first fact of life the builder and architect have to reckon with, and it inevitably influences the style of the structure.

In the half-century from 1880 to 1930, land values in our cities soared steadily upward. This was the period when the frontier vanished, and more and more people crowded into the cities. Buildings soared steadily upward too, skyscrapers grew taller and taller, an evolution brought about by high land prices. But progress and productive power managed, for a while, to keep pace. The skyscrapers were built in skillful proportions and the design, while new, made use of traditional forms. There was an evolution of, not a break with, tradition.

The Great Depression and World War II forestalled large-scale building. After the war, the pace resumed, and a continued evolution of the skyscraper style took place, until around 1949, when land values outstripped production, as it periodically does, and we had a recession. After that came the Korean war (which "rescued" the economy), and then started the modern "building boom" in our cities.

But this time a new style of architecture started burgeoning that appalls most of us. Instead of the well-proportioned skyscrapers of the "golden age," faceless and shapeless monstrosities of

glass and aluminum are mushrooming and disfiguring our cities.

It is not difficult to trace this no-style to the high price of land. Every square inch of the building has to be calculated to yield the maximum amount of space and revenue. Stone takes up too much room, and architectural design has to be eliminated to cut costs. Instead, a few gim-cracks (like potted plants) are thrown in to make you believe that you're getting something. Once in a while they'll put the building on stilts or place it back from the street (thank you for nothing), thus giving a few extra square feet of concrete pavement (with no place to rest and no place to hide), but the building still rises sheer with its unrelieved and unseeing glare at the world.

While I am referring primarily to office buildings, the same trend has taken place with residential buildings. The older, more graceful apartment houses are being ruthlessly demolished to make way for flimsy, gaudy structures for which outrageous rentals are charged. A similar trend is noticeable in Suburbia.

A few art experts try to bamboozle us into believing that this is a great new style, but few people are charmed. I'll bet you that when we get enough land value taxation to cut the price of land to size, this bleak style will disappear, and builders will return to design.

—Robert Clancy

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The Henry George News, published monthly by the Henry George School of Social Science, 50 E. 69th Street, New York 21, N.Y., supports the following principle:

The community, by its presence and activity, gives rental value to land, therefore the rent of land belongs to the community and not to the landowners. Labor and capital, by their combined efforts, produce the goods of the community—known as wealth. This wealth belongs to the producers. Justice requires that the government, representing the community, collect the rent of land for community purposes and abolish the taxation of wealth.

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Taxation—Secret Weapon

by URQUHART ADAMS

AL CAPONE was sentenced to a seven-year stretch in Alcatraz federal penitentiary. For murder? For kidnapping? For extortion? For robbery with violence? No indeed. For evasion of income tax.

The New York Times carried an article by Senator Eugene McCarthy of Minnesota last July, which stated that Uncle Sam is regularly defrauded of \$25,000,000,000 each year by income tax evasion. Assuming an average of \$1,000 each as the reward for their finesse, the result is an estimated 25,000,000 individuals guilty of the crime for which Capone was sentenced. This, I believe, is more than half of the registered voters in the U.S.A. If not, it is still a lot of people.

The power to tax is truly the power to destroy. It is also the power to control, to regiment and to enslave the people of a country. When used unwisely or with sinister design this power is like a pistol used for armed robbery.

Though much has been written about the rise of Hitler in Germany and the ruinous inflation, the effect of post-war taxation under the Weimar regime seems to have escaped notice. It is interesting to recall, therefore, that between World War I and World War II, in a public speaking group in our town, a German butcher reported on some of the tax practices in post-war Germany.

He had a butcher shop there he said, and the sales tax, which was collected with typical German thoroughness, applied even to a couple of pork chops that one of the workers might take home for supper. The audience laughed when he told of a sales tax inspector who called on a farmer who

was raising a pig. Because the pig was not quite ready for the market, the inspector announced that if he chalked the pig on his side he would soon rub the chalk mark off, so he would put the mark on the door of the pen. When the farmer sold the pig he neglected to notify the inspector, who called later and wanted to know what became of him.

"There was no mark on the pig so I didn't think I had to notify you," the farmer said. "There is a mark on the gate, and when I sell that I will let you know."

This story suggests the expense and trouble involved in the collection of a thorough-going sales tax—also the lengths to which the Weimar Republic was committed in the enforcement of a vicious system of taxation. It is no wonder the Germans, eager for some kind of change, accepted the only available alternative—Hitler and his Nazi doctrines.

Politicians do little to interfere with taxation, for it is the secret weapon with which they protect their friends and punish their enemies, often doing very well for themselves. But this power of taxation could be advantageously directed against criminal elements that destroy democracy, and especially against speculators, big and little, who gamble with the good earth as their stake.

The power to tax and the punitive powers necessary to enforce collection are so far-reaching that after fifty years as an enthusiastic Georgist, I am more aware than ever of their sinister effects. They can turn the most advanced democracy into an absolute despotism in short order, while actually retaining democratic or republican forms.

Sydney Mayers

VIEWS THE NEWS

The latest distinguished "visitor" from France is the lovely lady da Vinci called La Giaconda, whom we know more familiarly as Mona Lisa. Having observed the various economic shenanigans the world has engaged in for the past 400 years, the mystery is not what Signora Lisa is smiling about, but why she doesn't laugh out loud.

The current feeling of optimism throughout the American business community, which has led to general bullishness in the stock market and a discernable rise in sales, can be readily traced to its source: the Administration's strong push for tax rate cuts this year, or at the latest in 1964, a move all concerned believe will "keep times good." If the promise, or even the hope, of lower taxes is such a boon to business, you'd think the Washington pundits would carry the idea to its logical conclusion, and abolish ALL taxes—except a "tax" on the unearned increment of land.

Despite its rigid controls, the Soviet Union is currently being plagued by repeated outbreaks of two peculiarly capitalistic crimes: illegal dealing in contraband currency, and (believe it or not!) widespread bootlegging of moonshine vodka. Like we said, man seeks to satisfy his desires with the least effort—even if his name is Ivan.

The far-reaching effects of a stoppage at any point of production are clearly demonstrated by the East Coast shipping strike, one example being the shutting down of the Volkswagen plant while these and other foreign automobiles pile up at foreign ports, awaiting shipment to America. Imported motor cars, incidentally, are not "sold"

in this country; they are exchanged for goods produced by United States labor and capital—whose production in turn will stop if their products cannot get anywhere.

Friendship is warm and delightful, but business being business, the Soviet Union expects Cuba to pay in sugar for the goods it is sending to that happy little island—and the Cuban government is having problems growing and harvesting a sufficient crop. But Dr. Castro has found one helpful solution: he has ordered 50,000 city workers into the cane-fields; they are known as "permanent volunteers."

The highly-publicized "free" medicare program recently put into effect is proving quite costly in Saskatchewan, where (in addition to sizable annual premiums for government medical and hospitalization insurance) provincial residents must pay increased retail sales, corporation and personal income taxes to foot the growing medical bill. Maybe it is just a matter of semantics, but we always thought "free" meant gratis, without charge and on-the-cuff.

The government of Quebec has offered to pay \$600,000,000.00 for the eleven Canadian electric power companies it is taking over in that Province, which offer the private owners call "disappointing," though they are obviously a lot luckier than the privately-owned utility firms in certain other countries, whose governments simply "appropriated" such properties. What bothers us is this: if private ownership of public utilities is wrong, why validate the wrong by means of compensation—and if private ownership is not wrong, then why terminate it at all?

Check Your Ratio, Mr. Taxpayer!

AS 1963 began, the Graded Tax League of Pennsylvania was continuing to push for land value taxation in Erie and McKeesport, and to extend it in Pittsburgh, which completed its LVT program in 1925. In Pittsburgh members of the Graded Tax League approached city planners and various organizations and political groups to advocate extension of land value taxation. They are also encouraging further studies of the Pittsburgh graded tax and land value taxation by the Urban Land Institute and by The Shapp Foundation in Philadelphia.

In McKeesport the Junior Chamber of Commerce has started a drive to acquaint the community with land value taxation and its advantages. The Jaycees are forming a "McKeesport Tomorrow" committee composed of representative residents of the city. John C. Weaver, Fred Hecker and John J. Motley of the Graded Tax League are assisting.

In Erie, William E. Walker has made an entire building available for the Erie Land Tax Association, at 2217 Peninsula Drive. It contains an office and two apartments—one is being used by Mr. and Mrs. Wylie Young, and the other by Mrs. Eleanor Pryer, ELTA secretary.

A multilith printing machine has been installed and The ELTA News is being published there. It is hoped that this work will partially support itself in time. Meanwhile, the Graded Tax League and the Economic Education League are continuing to underwrite the effort.

As the Jaycees continue working in Erie on a membership and fund-raising campaign which will take much time and patience, the ELTA literature is being passed out among leaders of other Pennsylvania towns, and it seems to make a favorable impression.

ELTA News for December features "The Tax on Your Home," an illustrated, personal testimony by Charles A. Hall, president of the Erie Land Tax Association, who was as skeptical as his colleague, William E. Walker, when land value taxation was first presented by Wylie Young.

Later, he said, "a few of us agreed to take a brief course in Fundamental Economics. It was during that time that my ideas began to jell. The new concepts were slow to take shape. There were many notions, long believed, that had to be discarded. But the new ideas were tremendously exciting and when we had a chance to check the local assessment picture against the backdrop of our new understanding, we could see how Land Value Taxation might well change the face of Erie. It was then that we settled down to organize for action.

"Young men can afford to 'stick out their necks.' The younger generation has much at stake here. If we are going to live in Erie we may as well do everything we can to make it a better city."

Mr. Hall shares with the reader some of the stages by which he became convinced of the effectiveness of land value taxation. He began to see that the cause of poverty in backward countries was lack of access to land, and that in our country "the little" land value taxation that we have has been "the means whereby we have become a great and powerful nation." If we had never taxed land at all, he suggests, "by this time communism would probably have engulfed us."

He makes his appeal directly to citizens of Erie by giving assessment figures: Land \$60 million, buildings \$360 million, total \$420 million—with a ratio of buildings to land of 6 to 1.

After a little more straightforward arithmetic he says to Mr. Taxpayer, "check your tax duplicate. If your building to land ratio is more than 6 to 1, you save (under land value tax-

ation). If less, you pay more."

The following illustration entitled "The Unreliable Eye," appeared in The ELTA News to support Mr. Hall's land value presentation:

Your HOUSE as seen by . . .



. . . YOURSELF



. . . THE BUILDER



. . . YOUR MORTGAGEE



. . . YOUR FIRE-INSURANCE MAN



THE TAX ASSESSOR

Collier's

Jo Spier

Under Land Value Taxation the assessor would train himself not to see your house at all. He would think of your property as if it was a vacant lot. He would take careful note of all the other houses or stores which tend to give your site its value and would rate your land accordingly. He would say to himself, "Suppose there were no house there at all. What would the bare land be worth?"

OTTO CULLMAN

Otto Cullman, known to many Georgists, remained active to the age of 95 in the Cullman Wheel Company, founded in 1893, of which he was president. His death on January 22nd, at his home in Skokie, Illinois, ended a long and illustrious career. In a magazine, Cause and Effect, and in other writings also, he warned that negligence in allowing the economic rent of land to escape to private privilege would certainly lead away from freedom to tyranny in all its manifest forms. He sought constantly to demonstrate that the public appropriation of economic rent of natural resources would work out substantially into a voluntary revenue for which he coined the phrase "Volmatic Revenue."

A notice in the Chicago Daily News of January 24th requested that "in lieu of flowers, memorials to Schalkenbach Foundation or Henry George School of Social Science, both at 50 East 69th Street, New York 21, N. Y. will be appreciated." Sympathy is extended to Augusta Cullman, his wife; Betty Aileen, his daughter; and other surviving relatives.

Ohio May "Equalize" Assessments

by WOODROW W. WILLIAMS

THE questions raised in HGN and elsewhere on the difference between the "selling value" and actual value of land, suggest how confusing this must be to the novice, especially since opponents stress this very point, claiming that since a high land value taxation destroys the value, it is self-defeating, destroying the very base from which it is to be drawn.

In spite of statements in House & Home [August, 1960] about a tax on the selling price of land, this would actually have to be on assessed value. The institution of a more realistic assessment is equal to the full potential value of the land, or what the land would presumably sell for.

As to prevention of the decline in selling price and fear of revenue declining with it, I am sure that I would consider the tax on a piece of land before I bought it. And I would also attempt to check the probable future tax liability in prospect.

If a certain piece of land bore a tax of \$20 a year, and the prospects were that it would continue at that level, I would feel justified in discounting the price I would be willing to pay by around \$400; which is the capitalized value of \$20 a year at 5 per cent. In other words, if I thought the land was worth \$2,000 I would want to try to buy it for \$1,600. This would mean that the land would be costing me \$80 a year at 5 per cent on \$2,000.

To assure maintenance of revenue under increasing land value taxation, assessors would necessarily have to consider the capitalized value of the tax in making assessments. If a lot were to be taxed at \$100 a year it would mean that its real value was \$2,000 more than any selling value

that might remain. If land value taxation had progressed to nearly full operation, this lot might not command more than \$100 market or selling value. But it would still be assessed at \$2,000.

Present assessment practices make the use of existing figures very misleading in estimating the effect of the adoption of land value taxation. The first step in its application, it seems to me, would be to raise the assessment on land to more realistic figures, and especially to raise the assessment on vacant land as well as land under run-down, "blighted" buildings. I dare say that most vacant lots are assessed at no more than 20 per cent of true value—many as low as 10 per cent. Even farm land in my own county is seldom assessed at more than \$100 an acre—even though it is selling from \$500 up per acre. But if it has a fine set of buildings, and a good modern house, the improvements may be taxed more than the land itself.

Summit County [Akron, Ohio] likely has 400 square miles of land. This is 256,000 acres which would amount to \$256,000,000 at \$1,000 per acre average. But with much of it a thriving industrial center, surrounded by a fringe of valuable suburban space, I think the actual value would be as much as \$5,000 an acre—if not more—on an average. Lots in the commercial area could be worth enough to go at \$1,000,000 per acre. But a \$5,000 per acre valuation would mean a billion dollars land value alone—and 5 per cent of that would yield fifty million, with *no* tax at all on improvements. Obviously if the high priced vacant lots were heavily taxed they would not long remain vacant, and

their going on the market would make land cheaper for anyone desiring to start a business. This would also result in reduced costs for school expansion or any other public project, thus less revenue might be sufficient. Another effect might be the encouragement of private schools—especially in the field of vocational training—since cheaper land would make many ventures possible which are now prohibitive be-

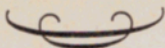
cause of the fantastic land prices.

Incidentally, it might interest readers of HGN to know that tax officials in Ohio are talking of a new study on "equalization" in assessments. "Real estate" is now assessed on 1956 building costs, less depreciation and obsolescence. Of course land doesn't depreciate. It is possible that some attention may be given to the ridiculously low assessments on much of the land.



HOPEFUL ASPECTS OF THE PROPOSED TAX CUT

The income tax reforms proposed by President Kennedy are a long overdue response to outcries that the income tax has reached an intolerable point. It is too much to expect that a truly sound reform would pass muster, and it is a shame that the best we can expect is some tinkering with a tax that is by its nature unsound. There are, however, a few hopeful aspects to the proposed reforms. One is, of course, the plan to reduce individual and corporate income taxes. Another hopeful sign is that oil and gas natural resources will pay a heavier tax; and that the investment in real estate as a tax dodge will be hit with higher taxes. Can it be that our lawmakers, in a cumbersome and fumbling way, will slowly move more closely to the principle of taxing land values and untaxing wealth? Can it be that Georgist proponents, unknown to us, are gradually moving into influential positions? We've seen evidence of this in recent years and we can only hope the process continues.



HURRY! RESERVE YOUR LOT IN THE SUN COUNTRY

During New York's newspaper blackout, all sorts of informal newspapers have proliferated. The most gimmicky was one I found on my doorstep one morning called the Sun Country News. There actually were some authentic news items scattered throughout this paper, but the main purpose was to promote the "Sun Country," that is, the Southwest, especially Arizona and New Mexico, and to sell land by mail. Here's your last chance, I was told, to buy a lot for \$395; on February 9th the price goes up to \$595. Only one dollar is all I have to spend to reserve my lot.

To illustrate the attractiveness of this bargain as a speculation for the future, one of the news items told the story of the White House grounds in Washington D. C. These grounds, comprising 18 acres, are listed officially as being worth \$1,000. Nonsense! snorts the Sun Country News. The land in the business area in which the White House is located brings \$150 a square foot. An acre of land comprises 43,560 square feet. Multiply this by 18 and multiply that result by \$150—and you will find that White House land is worth more than \$100 million! "How's that," adds the News with a wink, "for rising land values?"

R.C.

California Incentive Tax Study Completed

AN important publication from California is the impressive study entitled "The Effects of Tax Exemption for Improvements and/or Personalty, by Griffenhagen-Kroeger, Inc., of San Francisco, Consultants in Public Administration and Finance, announced last summer and completed in November.

It was undertaken in an attempt to present an unbiased view as to how a Constitutional Amendment introduced by Assemblyman Vernon Kilpatrick would operate in Fresno County, California. A reference to this amendment states that it "would in effect authorize experimentation to determine the effects of partial or complete exemption of property taxes on improvements and personal property," leaving them to the option of local governing bodies.

Buttressed by more than a hundred pages of charts, diagrams and tables, the report concluded that "conventional property taxation hinders central city development," but that the proposed amendment is not a simple or complete remedy and would need revision as to its purposes, since the study does not indicate conclusively that land value

taxation would reduce the cost of government as claimed, or strengthen local government.

It does however concede that there is "a strong likelihood that it would eliminate slums and rebuild cities", also that exemption of improvements and personalty would invite new industry since it "would add the tremendous competitive advantage of being able to offer commercial and industrial sites that could be developed to their full potential and utilize equipment and inventory without the penalty of taxation." The consultants reached "a clear and logical conclusion" that land value taxation would "encourage better use of land," since this has been the case in other places where it has been used, and since "certainly there is evidence in the present pattern of land use that the present tax system does not encourage the best use."

Another compilation from the West is a report from the Incentive Taxation Committee of California, of various news letters, press reports and articles favorable to the cause of land value taxation. John Nagy of San Diego is executive director of this committee.

Hungry for headlines? Here are a few that New Yorkers may have missed, owing to the strike—collected at random by the Tax Foundation, Incorporated:

States Spend More Than They Take In

Civil Spending Up \$12 Billion

Public Outlay at \$3,739 Per Family

\$10 Billion to be Spent For Federal Aids in '63

Big Debt

**Uncle Sam will pay an estimated \$9.7 billion
in interest on the Federal debt**

1962 Total Tax Receipts Equal \$3,005 Per Family

Per Family Debt: \$8,129

Spending by local Government Up 144%

U. S. Payrolls Up Five Times in 20 Years

Noah D. Alper's Brief Cases

INCIDENTS OF THE AMERICAN TAX STRUCTURE

The IRS has ruled that paper towels saturated with skin cleaners, lotions and similar substance are toilet articles subject to the Federal retailers' excise tax, on the grounds that advertising and promotional claims for the towels are beamed at the same market as those for other toilet preparations, which are already taxable.

CITY BORDER WARFARE

The city of Akron will levy a 1 per cent municipal income tax on individuals living and working within its borders. Two-thirds of the Goodyear Aircraft Corporation plant is located outside the city boundaries: "No tax will be imposed on non-resident employees who work in departments physically outside the city or at jobs that take them all over the plant, such as janitors. All of the company's top officials, on the other hand, come under the tax because the executives' offices are entirely inside the city."

LAND AND TAX RELIEF (FOR) REAL ESTATE RACKET

"Typically, a mail-order promoter will buy a big tract of cheap, undeveloped land and chip it into lots of an acre or so. Then an elaborate advertising campaign is launched in an attempt to sell the lots sight unseen. According to a study made by the University of California at Los Angeles, promoters in one Western state paid less than \$20 an acre for several thousand acres of parched grazing land; without making any improvements, they offered the land for sale at prices up to \$400 an acre."

From "Land Hucksters."

IF YOU CAN'T LICK THEM, JOIN THEM

"At a Santa Monica Mountain site overlooking Hollywood Boulevard, work is being rushed to divide 234 acres into 597 lots that will go on sale next year at \$25,000 or more apiece.

"It's not the high price or its breathtaking view that makes the project noteworthy, however. Owner and developer of the land is Financial Federation, Incorporated, a big saving and loan company. Financial Federation hopes to make a profit on the sale of the land, but it has another important objective: To produce choice mortgages and construction loans for its savings and loan subsidiaries."

This item and the two foregoing ones were noted in The Wall Street Journal.

The idea seems to be, if you can't lick them, join them. This is a way to have benefits of land speculation and to profit on making loans, too. And all because of a prescribed tax system which makes land for use scarce and high priced, and places abnormal tax-penalties on the cost of materials and construction and on the owning of a house annually. There is no end of ways to grease the skids under capitalism.

DAVID LAWRENCE ON TAXES

"What is a fair tax law? Books galore have been written on the subject and many legislators have conscientiously struggled with the dilemma for decades. Yet the present system of taxation—Federal, state and city—is inequitable and unfair to many people. If by chance all exemptions were removed and taxes were levied not on incomes but as an assessment measuring the benefits received by the citizen and his family from the Federal government, everybody would have to pay something for himself and family."

What a pity Mr. Lawrence, editor of U.S. News and World Report, a man of great influence in our country, does not see that the master plan for paying for "benefits received" is the public collection of the publicly earned rental value of land for public use; and that it applies to all levels of government since it and the people generally make Rent-of-land; and, furthermore, it is NOT a TAX.

We Must Learn, or Else...

WE must be on guard to protect our way of life—to analyze our position and be aware of our weaknesses—for free enterprise is on trial, and constant efforts are made to dilute it with various socialist schemes.

We all realize the injustice of the private ownership of the human factor in wealth production known as chattel slavery. Few, however, see the equal injustice in allowing private ownership of the other source of wealth production—the land—when the socially created rent of it is not returned to society.

Land titles, privately held, take an estimated 25 per cent of all wealth production for no service rendered—an unbearable toll on our free enterprise system. Land must be privately used, of course, but it becomes the greatest of all monopoly privileges if the socially created values are not collected for the community.

This monopoly of privilege is creating fictitious speculative prices in land, our greatest resource—enriching a few but burdening 90 per cent of the people unjustly. Furthermore, this speculation in land—a perpetual necessity for survival—is endangering the stability of our government and free enterprise system.

Land is still plentiful in the United States, but the present system of taxation is making it artificially scarce and high priced. Older civilizations with denser populations have long suffered under the oppression of the landlords. In England the exploitation of labor began with the enclosure of all the common lands. This forced many people to work in mines and factories for low pay.

In the production of wealth there

are three factors: land, labor and capital. Labor earns wages, capital earns interest, and both arise out of individual enterprise; but land yields rent, and rent is socially earned or created.

If society took in taxation this socially created rent of land exclusive of improvements, it would not need to levy taxes in normal times on the earnings of labor, capital, business or buildings. Thus we could have real free enterprise. Wages and interest would tend to a natural level and unions would not be needed.

In the past century wages have doubled, while interest has remained about constant. During the same time rent of land has increased a hundred times and more. Thus the rent of land is the natural source of revenue for government, and with taxes gradually removed from wages and interest, a balanced and generally even distribution of wealth could occur. We have abundant production of wealth. Our fault lies in its distribution.

Since most of the accumulation of capital accrues to land holders instead of the producers, they are crying for all sorts of socialist panaceas. Socialism is a false remedy as proven by history. If free enterprise is to be saved, this basic injustice of a 25 per cent toll on all production going to land holders for no service rendered, must be curtailed. If we will not recognize this and learn the lessons which history has taught, we will have to repeat past mistakes. This is why it is often said that if our government is ever destroyed it will be by our own hands, through injustices and mistakes internally.

—Fred W. Workman

"The greatest underdeveloped resource on our planet lies in the minds of men."

—Erwin D. Canham

A New Way to Teach Politics

DR. Bernard Hennessy, director of the National Center for Education in Politics, New York University, in a talk to a group of teachers at the Henry George School, described the political process as the way people find for resolving conflict without violence, though not on a permanent basis. We get along even though we disagree, and the government works pretty well through the two-party system, which is more stable than a multiple party system. (He said that small parties in the U.S. function as pressure groups rather than as political parties.)

Not many college trained people are getting involved in politics, possibly because the college courses have consisted of traditional study which has been considered dull. Therefore the above foundation was established for the purpose of suggesting that students be given an opportunity for a taste of real partisan politics. It has been found that to teach this subject—even at the high school level—it is advisable to give laboratory experience, with safeguards. Openings can be made whereby students participate in local politics, possibly by assisting a candidate for ten weeks in the summer, along with academic work. Some may talk to lobby-

ists in Washington or join legislative sessions, where they become imbued with the idea that "politics is people." Some, in fact, turn into politicians.

Politics is considered by the NCEP to be essentially local, and all undergraduate programs are therefore locally administered. Books and seminars are important, and both are needed. Dr. Hennessy's talk gave rise to the suggestion that a course in politics be offered at the Henry George School.

It was suggested by the chairman, Robert Clancy, that although Georgists don't seem to "organize" very well, they do things in their own way; and an increasing number are finding their way into politics. "Our role," he said, "is chiefly to impart the idea to as many people as possible, and leave it to them to work it out in their own way." The Georgist movement can be considered two-fold: educational and political. When Henry George emerged as a candidate for mayor of New York an independent party was formed around him. He was a man of both action and thought—these need not be antagonistic. Enumerating some of the Georgists now in public life, Mr. Clancy said, "there'll always be a Georgist mayor some place."

The sympathy of Georgists everywhere is extended to V. G. Peterson, executive secretary of the Robert Schalkenbach Foundation. Last September Miss Peterson became Mrs. Malcolm Graham, and on January 8th, her husband succumbed to a heart attack. This tragic bereavement, after three months of happy wedded life, saddened and shocked Mrs. Graham's many friends. "Pete" as she is affectionately known to us at 50 East 69th Street, is bravely continuing her work at Schalkenbach. She has not only our deepest sympathy but also our admiration and esteem.

The Henry George School in the News

BOSTON'S Assistant Director, B. D. Manton announces a five-week review course in *Progress and Poverty* to start February 4th at school headquarters, and a five-week course using *Protection or Free Trade* as the text. This short, relatively simple course, reinforces *Progress and Poverty*, and will throw considerable light on the European Common Market and its effect.

In addition to the usual term courses, a student group project continues to study real estate taxation as applied in a suburban town. This will later serve as a study of certain aspects of taxation practices and will provide material to be used in talks before local civic groups.

Mitchell S. Lurio was invited to speak on a radio forum program in January, and a speaking date has been made for him in Worcester by the Harvard Business School Alumni Group of that city. A Speakers' Bureau arranges engagements as requests are received.

This extension has been placed on a regular operating schedule, with Mr. Manton as a paid staff member. A charge of \$3 is now made to cover the *Progress and Poverty* textbook and lesson material. It is believed that students responding to the class announcements in the various media have been of a generally higher quality.

PITTSBURGH has reorganized its school known as the School of Economic Science, and Samuel Rex was elected president succeeding Robert C. Bowers who is greatly missed. One class was conducted in the fall of 1962 and further efforts will be made this spring.

MIAMI'S director, Raymond Abrams addressed a forum meeting "The People Speak," on the subject of taxes,

and a number of students enrolled as a result.

During his last course in Fundamental Economics a delightful romance developed when two students, Olive Moore, a faithful Georgist, formerly of Philadelphia, and John Dyckman, met and married. The director arranged a small reception to celebrate the happy event.

WASHINGTON D.C. will be listed in the 1963 school booklet as having its own extension. Two classes have been completed under direction of Lee Bottens, a trustee of the Henry George School, New York, who lives in Washington. The commencement address in February will be given by Lancaster M. Greene of New York. A new class begins February 7th at the Y.M.C.A.

NEW YORK headquarters is a busy place every week-day evening as the number of students enrolled in basic classes exceeds even the average number during periods when the newspapers were being published. Advanced classes too are well attended. Among the newer subjects are Logic by Robert Clancy, Current Events by Sydney Mayers, Great Books by George Royal, and Elementary Russian by Edward Chambers and Luiba Lechtman.

Friday at Eight audiences will enjoy Dorothy Sara, handwriting expert, when she speaks on February 1st; and will welcome the return of Mr. and Mrs. Joseph Jespersion on February 15th as they share with us their annual holiday abroad in France and Switzerland. The films on February 8th will be "The Mayflower Story" and "Constitution and Censorship."

Laurence Kobak spoke recently on Radio Station WWRL, and Peter Patsakos was invited to address senior classes at the Bryant High School.



The Henry George News just came today. Urquhart Adams writes remarkably well. I do not underestimate the value of university training, but Adams really writes better than a great many university graduates, especially on economic subjects. In fact, not one in ten graduates in Political Economy writes nearly so well on the subject as he does. Of course such a study of Henry George as Adams has accomplished constitutes quite a liberal education in itself.

ERNEST FARMER
Toronto

The interest here in land value taxation seems to hit snags when it is thought of in terms of the Colloquium of Important Books. If I may explain—

The first year readings of the Great Books discussion groups give *The Wealth of Nations* as the No. 11 reading. If additional reference or readings are wanted in the Syntopicon, it is with the idea that *Progress and Poverty* is a work by an author not represented in the collection of Great Books. I was rather puzzled about this until the thought occurred to me that each time reference is made to the No. 11 reading, that reference should simultaneously be made to the No. 1 reading—The Declaration of Independence.

This suggests to me that the land value taxers can declare themselves independent, and it is quite a bit more comfortable to think gaily instead of grimly about land taxes and "Great Ideas Today." Freedom to me means that we taxers can be independent citizens of our U.S. and can think freely about taxing that land. In addition,

we can feel free and independent of the influence of book companies.

This then is a 1963 independence idea. Regardless of the value attached to other works, the freedom should be preserved that land value taxation has value and is a great idea too. Practical English and practical taxation stand on sound foundations. We can still promote land value taxation as a great idea even though it is not included among the "great books." Let us exercise our independence of such official downgrading and continue promoting our ideas.

May our Declaration for Land Value Taxation in the United States be as encouraging as the first Declaration of our country.

R. L. McMULLEN
Laramie, Wyoming

In a book entitled *Cuba* by Teresa Caruso, ex-Castroite and delegate to the United Nations* it was stated that in 1920 two-thirds of Cuban Land was owned by U. S. companies. Under Batista the "Right of Permanence" favored workers who produced 375 tons of sugar cane annually on 33 acres. The peasants paid a rent of 5 per cent of the annual product of the land they cultivated and could not be removed from it.

The author relates that an engineer and Minister of Agriculture, Armadeo Lopez Castro extended titles to the peasants occupying lands known as *Realengos*. In Colonial times these belonged to the King of Spain, but many of them had come under American ownership, and therefore they had become a deeply embedded sore spot among the citizenry.

VICTOR S. WASICKI
St. Louis

* Random House, 1961

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would be five times as good for the economy as a consumer tax cut, which would be a mere shot in the arm.

The vast majority of buyers invest to hold for long term income and increase in value. Even they are given furiously to think, however, when we have a violent downswing. The Monthly Investment Plan buyers are a rather thrilled minority during a downswing, thinking this will help their average cost.

The speculators for the short, quick profit, often lose, but help make a market so that long term investors can shift their positions, or for example, so a widow can sell enough to pay estate expenses. These fast dollar speculators exaggerate any swing; they make money fast at times and lose it fast when we have a loss of confidence. Instead of trying to outguess the market, investment buyers should estimate the character and skill of management.

What does all this do for capitalism? It makes it easy to attract investment to new ideas at times, bringing great increases in competitive production and lowering the profits of the innovators. Then the ablest managed emerge and grow as the less able decline, are merged into the strong, or just disappear. Remember the many auto companies and the myriad radio companies of the 20's and how few they became?

Right now it is hard to sell the new and untried concerns. People want growth as much as ever, but they want a proven record of management, earning power and a good dividend record. The hordes of new stock salesmen have been decimated. Those who stuck it out are working hard to make a living, remembering that another time will come when customers call so fast they can't make calls themselves. Some clients will settle for 5 per cent (or better) income, others who are more

sophisticated will settle for 3 per cent or less, if the company growth record indicates future promise.

Among the blue chip managements General Motors at 58 paid \$3 for 1962 and may well pay \$3 to \$4 dividends for the next five years. Some speculators say it has too many shares to move rapidly. Investors are happy with the income and less concerned with rapid movement. No other blue chip yields as much, unless it be one of the railroad managements. Speculators have taken American Telephone up to a price where its yield is 3 per cent, for example, hoping for a modest increase.

Southern Railway has grown through the tough rail years and it yields about 5 per cent. Norfolk and Western earnings started to grow when they gave up prejudice against diesels, and it yields 5 per cent on the \$5.50 it paid in 1962 and more on its indicated \$6.25 for 1963 if the extra remains the same with the increased quarterly.

In aerospace it has usually paid to invest in a top quality management after it has declined on being a runner-up on a major contract. Boeing is down to a 5.4 per cent income, with the knowledge that 1963 will have lower earnings and that 1964 earnings should rise sharply due to major deliveries of commercial jets, around \$500,000,000, with much higher margins of profit than are allowed on the government work.

Grumman, a small aerospace quality management, has just won two major contracts which should double its sales and earnings within three years. Earnings might rise further for the long life of these contracts. Investors are willing to accept 3¼ per cent yield in the hope of higher dividends later. In looking for growth stocks it is often said that you have to count on seven years "from test tube to tank car."

U. S. Freight has the management

who have promoted piggy-back trailers on flatcars. It has built piggy-back patiently with the railroads and the Interstate Commerce Commission for the past seven years. Piggy-back accounts for between $2\frac{1}{2}$ and 3 per cent of U. S. carloadings and is far more profitable than boxcar loadings. It should be up to 10 per cent of all rail income in another two or three years. This is a saving grace for rails as the diesel power was for about fifteen years, but U.S. Freight is the biggest single beneficiary as a worldwide freight forwarder. Individual investors are willing to buy U.S. Freight at 38 to yield 3 per cent, hoping for continued growth.

The June 1960 House & Home issue on Land* and the September 1962 Reader's Digest article on "How to Stop Land Speculation,"** influenced investors as well as the SEC to reexamine the policies and bookkeeping of real estate investment companies. Management of good buildings may find encouragement in such studies, as land speculation companies are exposed through unfavorable articles on real estate syndication and trust practises. If taxes were shifted to land values the building trades would greatly benefit because everyone would "get into the

act," whereas now only the restricted few can use urban renewal laws.

On the New York Stock Exchange, where only quality concerns can now secure listing, there are nevertheless 1200 different companies listed. Bonds are considered a poor hedge against inflation and are bought mostly by institutions. Government bonds and treasury notes are promises that the government will pay you back out of your own taxes, and since they have always been paid in money worth far less than they were bought with, they are not popular with individual investors. The bond section of the New York Stock Exchange has steadily shrunk in the forty years I have been in Wall Street, to a small room where bonds are traded from card files. I have mentioned here a few common stocks which I hope may stimulate study as to how savings may be multiplied by long term investment in a market with plenty of government interference but still about the freest in the world.

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** Reprints from The Henry George News, 5 cents each.

Red-letter days to mark on your calendar are July 3-7 for the nineteenth annual conference of the Henry George School at the University of Toronto. Watch for further details in future issues of HGN.

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