

Railroads Urged to Relinquish 1800s Land Grant

The railroad problem in the United States involves much more than the inefficient handling of transportation. There is a growing body of opinion that an historic wrong needs to be righted—the lands granted the railroads in the late 1800's must be returned to the federal government.

From 1850 to 1871 the government granted a number of railroad companies tremendous amounts of land to aid them in providing railroad transportation to and for the Western states. This land grant totalled 187,785,850 acres—or approximately the same land area of the National Forest system—10% of the nation's total continental land area.

Unfortunately over the years, as Robert Mellem so aptly states in his article in the journal *Environmental Action*, most of these "landed companies" have found it extremely profitable to develop these land interests at the expense of their transportation services.

Millions of acres of privately-owned railroad land are within the National Forest system, and in order to consolidate the national park areas to allow for easier handling, a series of exchanges have been going on—not exactly in the public's interest. For example, according to Mr. Mellem, deals are currently being made in Gallatin and Beaverhead National Forests of Montana. Burlington Northern Incorporated is acquiring choice, developable land in the West Fork of the Gallatin River watershed while the Forest Service is gaining primarily steep, high, undevelopable land in return.

The Consolidated Coal Company, a subsidiary of Continental Oil Company, is

Fall Semester Marks Big Advance for School

The Fall semester marks a significant change for the Henry George School, and a vigorous increase in the School's impact on the New York community.

For the first time the School is offering courses in Social Philosophy that investigate George's role in the history of thought and evaluate his philosophical contribution in the context of other ethical positions. The three philosophy courses are taught by two young college professors who were introduced to Georgist thought in a lecture given at Hunter College last year by Barbara

leasing land from Burlington Northern in order to prospect and prepare to strip mine for subbituminous coal in the lovely and fragile Bull Mountains, 30 miles north of Billings, Montana. "The problems of lowered water tables and dried up springs, water, pollution, erosion, non-reclaimability due to poor soil and the death of wildlife," states Mr. Mellem, "threaten to be very severe."

A bill introduced by Senators Metcalf and Mansfield would help rectify this situation by providing that "no railroad holding any title of any kind of lands, other than rights of way, which were received as a grant from the federal government shall discontinue any regularly provided passenger or freight service unless it reconveys to the United States all land rights and titles in the amount of one hundred acres for each mile of service discontinued."

This may be going down the road in the right direction, but it will hardly lead to a solution of the basic problem. For if the corporations and the government are to continue to wheel and deal, neither will the need for conservation be met nor will the public receive the benefits of its share in the nation's natural resources.

Rockefeller. They subsequently became interested in George and in the School, and developed the three courses to present George in the light of the history of philosophy and the various "futures" proposed by thinkers through the ages.

"The Future of American Society" and "Man vs. Society" are taught by Dr. Lester Hoffman, a Harvard graduate formerly at Hunter and now at C. W. Post University. These two courses look to this century's changes in technology and society, and ask whether America can "get it all together" through a synthesis of the thought of philosophers and social scientists.

"Reform, Revolution, Utopia" is presented by Henry Epstein, one of Hunter's most popular and dynamic teachers. This course focusses on the question, "What is a good Society?"—perhaps the most important philosophical enquiry the School could entertain.

Together these courses have over 50 students. According to Mr. Epstein, "this is the brightest, toughest class I've ever had." Not surprisingly, the library is doing a brisk business in social philosophy books.

The other courses in the new "academic" category are proving themselves successful, too:

"The African Experience" is being given to some 35 public school teachers who have already demonstrated their appreciation of this course as devoted not to exotica but to land management and law and traditional systems of thought.

"Economic Policies for America's Cities" is an updated, hard-hitting look at the urban malaise, led by economics' foremost exponent of land-value taxation, Dick Netzer. "The History of Economic Thought" is being given again by

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George's Terms Clarify Accounting Confusion

The following article by Roy A. Foulke, retired vice president of Dun & Bradstreet, appeared in the NEWS back in 1949. We think it worth repeating.

In *The Wealth of Nations*, Adam Smith pointed out, over and over again, that all production is divided into three streams: one in the form of wages to employees, one in the form of rent to landowners, and one in the form of *profits* to suppliers of capital.

These terms, as used by Adam Smith, carry connotations that are somewhat different from their meaning in our presentday industrial life. In wages to employees is included payments to officers of corporations, to proprietors and to partners for their services, as well as to labor. The payment of rent represents the return to the landowner on the value of the land in its natural state without improvements of any kind, and not the payment of a monthly or yearly sum, which today has generally come to include two payments, economic rent on the value of the land, and a return on capital (i.e. the improvement). Profit, according to Adam Smith, is the return to capital after the payment of all wages and the rent of the land in its natural state has been deducted from production.

Then Smith carefully observed, "When those three different sorts of revenue belong to different persons, they are readily distinguished; but when they belong to the same they are sometimes confounded with one another, at least in common language."

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Dr. Schwartzman, this time to a smaller group for more intense discussion of the issues. All together the Academic Program has over 100 students, vivid illustration that the School has many new things to offer adult education in New York.

Meanwhile, the basic course centered on George's works titled "Reform for our Time," this semester drew almost 300 students, and the set of "practical" courses has over 75 students, for a grand total of almost 500 registered students. This is a large increase over past years' enrollment.

Because of the confusion in the term "profit" as used by Smith in 1776 as the return to capital, and by the general public as the excess of income over cost, Henry George in 1879 decided to substitute the word "interest" in place of the word "profit" as used by Smith to represent return on capital.

It is possible that that substitution in terms—although carefully explained with great clarity—has been the source of steadily increasing confusion in the mind of the pragmatic businessman. The *accounting* profit of business, representing the excess of income over cost, is a heterogeneous mathematical term and has nothing to do with economics.

Few business corporations were in existence in 1879. Not until 1886 did the Supreme Court decide that a corporation was a person in the meaning of the "due process" clause of the Federal Constitution. That decision gave an element of unprecedented security to the existence of the large corporation, which was just becoming a dynamic power in our economic life.

NO ACCOUNTING FIRMS

In 1879, there was no firm of public accountants in the United States. The first firm of public accountants of consequence was organized in 1883 in New York City. It was not until 1896 that the accounting profession was legally recognized; it was then that New York State first granted certificates of qualification.

From the viewpoint of classical economics, it is understandable that we fail to ascertain reliable figures for aggregate profits (George would say "interest") under the mathematics of accountancy as practiced today. The reason is that the "accounting" profits of corporations, which own land where some of their plants, warehouses or other installations are located, actually encompass economic rent. Moreover, we lack even a faint idea as to what represents rent earned on the value of land in its natural state and what part represents the return on capital invested in a business which includes improvements on the land.

What we run up against today is the confusing reality that "accounting" or the businessman's profit, in addition to being a relative mathematical concept, is not economic profit or, in the words of Henry George, is not "interest."

Phillip H. Cornick

Phillip H. Cornick, a member of the Board of Trustees of the Robert Schalkenbach Foundation and a leading student of Henry George, died at the age of 87 on October 24, 1971.

A former member of the research staff of the Institute for Public Administration, Mr. Cornick was frequently on loan from the Institute to government and quasi-government bodies. In the early 1930s he was responsible for a study of the Tennessee Valley Authority that led to many reforms in its administrative practices. He was also active in the work of the Federal Housing Authority.

Before his retirement in 1949 he helped a number of states develop land value taxation codes. He was the author of one of the first authoritative books on urban sprawl, *Premature Subdivision and its Consequences*.

H. Bronson Cowan

H. Bronson Cowan, former Research Director of the International Research Committee of Real Estate Taxation, non-agenarian and life-long student of Henry George, recently died in Ottawa, Canada.

His book, *A Graphic Summary of Municipal Improvement and Finance as Affected by the Untaxing of Improvements and the Taxation of Land Values*, which was published in 1958, clearly illustrates the beneficial application of the land value tax principle of Henry George in cities, both large and small, in Australia, New Zealand, South Africa, and Western Canada, and serves as a testimony to H. Bronson Cowan's dedication to the principles of Henry George which he helped to implement in his lifetime.

Philipp Knab

Philipp Knab died at the age of 83 on August 7, 1971 in Hallein, Austria.

Mr. Knab, a devoted student of Henry George, used a Marxist theory of monopoly to explain land rent. He wrote trenchant articles for various newspapers including *The Austrian Economist*; *Reports and Information*: the London newspapers *Land and Liberty* and the daily, *The Press*. One of his papers appeared in a Georg Fromme volume: *Taxes in the Light of Natural Right*.

Philipp Knab was a holder of the Iron Cross and was quoted as saying: "The Kaiser decorated me with one of the highest honors, but the republic does not thank me for a lifetime of work freely given."