

ECONOMIC SCIENCE AND WORLD PROBLEMS

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WE ARE living in what is termed a "science age". Science has greatly stimulated our ability to produce, but the increased ability to produce housing, for example, has neither provided sufficient housing for all income levels nor eliminated slums. Nor has it alleviated the basic poverty symptoms of our country. It certainly has not eliminated the basic and original injustice in the distribution of wealth, a fact which has fathered an amazing galaxy of plans designed to do so.

The method of inquiry, now known as the "Scientific Method" first developed by Francis Bacon in 1620 in his *Novum Organum*, is one of the great reasons for the break-through of science to new levels of achievement. This method consists of getting, classifying and testing facts and experimenting in their use, from the most minute fragment of truth involved in the make-up of the atom, to bodies of the most massive physical proportions, even the secrets of the universe itself.

The "scientific method" teaches that there exists in nature, with all its factors, elements and principles, endless cause-and-effect patterns affecting every phase of man's life — moral as well as physical. From an understanding of these cause-and-effect patterns we develop the power of predictability — of determining how we can cause a desired result. As engineers have used this power to produce such amazing results in their special fields, so, by seeking like patterns, can we learn the conditions whose inevitable end "product" is peace, not war, freedom and dignity of the individual, not state enslavement, and a state of welfare, not a welfare state.

The very development of transportation, communication, modern housing, and all we have, has been mainly due to the phenomena of modern science. It has been made up of observing, testing, experimenting — always seeking the better way; always being discriminating and selective as to parts and phases of the instrument — never being totally revolutionary. New forms emerge from the old, seldom replacing the old entirely. Even today's auto could not have been built a year ago.

People may disagree on what constitutes ideal gardening, but they generally agree on what are weeds and what are desirable garden products — plants, fruits, flowers, etc. We seek to improve the various phases of

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gardening and farming by scientific-evolutionary means — not by revolutionary ideological conflicts. We study and improve the ways of cultivating — better ploughs and bigger plough-ratios. We improve methods of harvesting and storing the product. We eradicate the weeds and even place them to good work as compost.

The "scientific method", with its insistent demand for discrimination between parts of a whole and things that are different, always works. There are no "ideological" issues, no kind of class struggle. Truth alone is wanted. The causes of many symptoms are sought and the corrective effort is directed at the causes, not the symptoms themselves. Application of the "scientific method" to the problem of malaria has led to its elimination in many parts of the world. We have learned to prevent the breeding of flies, rats, mosquitos, etc., and we have prevented many of the ills these pests can cause. In cities we are learning smoke and smog prevention; we have done much to assure fire prevention and the like. Scientific research has been a great boon to the art of prevention.

With all the evidence that prevention is worth endless amounts of costly cures; with all the proven results of the use of the scientific method in so many areas of man's human experiences, why is this method not used in any truly basic way in the area of most desperate need of man — in the social area? In this area the dominating trends are based on human animosities — vested rights, economic privilege, "class struggle" attitudes and political power domination. These involve such issues as labour vs. capital and management, big vs. little business, cheap vs. dear money or inflation vs. deflation, governmental vs. free market price controls, home markets for home industry vs. free trade, private vs. governmental practice and control of medicine, regulated, vs. free market determined wages, voluntary agreements and actions between nations vs. super-government force, and war vs. peace. In these areas the "ideological" attitudes of people, regimented into political pressure operational groups, are locked in constant and often vicious struggle.

There is much use of the "scientific method" of inquiry in seeking to benefit those who show obvious symptoms of ill-health or of poverty, exploitation and other phases of social problems. This research lacks depth. However scientific it may be it cannot reveal the basic causes of the symptoms investigated. To those engaged on it prevention means nothing. They simply want more funds to relieve more symptoms — and this compounds our problems. Today our basic system of

economy is under attack from many groups who wish direct relief for individuals and aid for many distressed groups, or to wreck the system. These attempts are based on the assumption that these conditions represent an uncorrectable fault of the freedom-way system of economy. Thus the attack is on the system itself, and not on the cause of the specific evil results they cite as proof of the failure of the system. How scientific are laws directed at one or two specific problem-symptoms? How scientific could these methods of analysing local, national or world problems become?

We live in a cause-and-effect world. This is as true in the social field as in any other. There are causes for slums, endless labour-capital strife, constant conflicts between nations and even war. Man and his universe were created for plenty for all willing and able to work. Under conditions of natural economic justice, very few would be unable to take care of themselves. The people of each community, through church and welfare groups, and using moral and efficient "social service" practices, could easily care for the needs of those who cannot care for themselves — and they would. Not only would the number in need be reduced, but the ability to care for them more generously would be increased. It would not be a problem of government. The proper function of government is to protect life and honest property, to curb special privilege and monopoly and to assure equal rights to all and special privileges to none. By our own ignorance, we have made the poverty and insecurity problems of our people so massive that even Government cannot cope with them.

Local, national and world problems, especially those involved in people taking care of themselves, are seriously and universally related. The same principles of economic science hold the key to their solution. That requires truth in economic education. Because this has been lacking, the belief has gained ground that Socialism or Communism may be the solution. The art of prevention of the problems applies.

Economic science is the material science most basic to all social studies. It tells us what to do, or not to do, to secure specific types of good or bad economic results. The failure to present it as it can and must be presented, has caused mass failures in all social studies from sociology to history. Economic science is the one science that has as its particular core the word "wealth" — its nature, its production, its distribution. It is the one science that can give guidance on the use of natural principles that can lead to economic justice which is the foundation element for achieving social justice.

We can use economic science principles to make land — the source of all job opportunities and production — *low priced instead of high priced as we do now*. We can use them to make products and services, which only exist because of human effort, and provision of Capital, *low priced instead of high priced as we do now*. Any thinking person will see in this arrangement the open-

ing up of job-opportunities and an increase in the competitive demand for labour by would-be employers. Under such conditions wages would naturally tend to a maximum and monopolistic exploitation of people, as consumers, could be less possible either by organised business or labour groups.

Further, economic science can help people to see the true nature and function of competition; how it tends to increase both quantity and quality of goods and services at lower prices. It can help people to see why we must find ways to prevent, or control or eliminate, monopoly of any kind; how competition instead of being an evil as so many foolishly maintain is, in truth, a method of selecting the most efficient productive unit or situation; and the most efficient co-operation between units and nations. Competition is good — a method of serving mankind, and not an enemy to free and wonderful co-operative association.

Economic science reveals the natural factors of production as Land, Labour and Capital and the natural avenues of distribution as RENT-of-land, Wages and Interest — a form of reward for human effort in Capital creation. Simple observation and deduction reveals that these shares of distribution are also the basic sources of public revenue. The distinction is seen between law-made taxes, and the natural and simple sources from which these taxes draw income to government.

A tax is no more a source of public revenue than a pump is the source of the water it pumps. No single truth of economic science is more important than this. If properly used, this fact is sufficient to greatly change the moral tone of the manner in which governments draw income from people by taxation, and of its servants who man the tax pumps. This one fact, if applied, can greatly increase the productive power of existing Labour and Capital.

Economic science reveals the greater abundance of good results that will follow from recognition of the scientific difference between products and services made possible by Labour and Capital owners, and our free gift, Land. It helps us see clearly that the publicly-earned RENT-of-land can be separated from other income as surely as cream can be separated from milk by physical processes; and this RENT-of-land can be used for public purposes with great benefit to all productive Labour and Capital owners.

As we observe the generally recognised symptoms of economic and social evils today, and their attempted treatment by pressure politics, it is clear that the spirit of truly foundational scientific methods has not yet infiltrated into the minds of those who propose today's best known social and economic reforms. We see the Conservatives engaged in trying to "conserve" our evils and special-privilege "deals" along with the good in the system, and we see the Progressives and Liberals destroying the good in the system without making any effort to eradicate the fundamental cause which underlies these evils.

More and more we can ask just what did the Conservatives really conserve when they had political power for so long? What errors did they correct? Did they produce a State of Welfare sufficiently good to prevent what happened to our country after the fatal economic collapse of 1929? Did they prevent the taking of power by the Liberals and Progressives of both parties which gave us the 30 years of New, Fair and Middle-of-the-road Deals that followed from 1932 to the present? On the other hand, what has happened since the shift of power to the Liberals and Progressives? Have they exposed a single basic wrong in the operation of our system? Have they ended a single basic evil? In spite of billions for relief and charity, no one can say they have. The most that can be said is that they sought, by planning, to give Social Security, more unemployment compensation, more health and welfare measures, more public aid to education, more old age benefits.

Given a true scientific economic understanding, and working from the present background and general viewpoints of both the Conservatives and the Liberal and Progressive thinkers, the leaders of both these groups would ultimately achieve, not the destruction of the system itself, but a far greater working perfection of the Free Enterprise Economy. And this increased perfection would give the people of the world just what they most need, a truly amazing example of a Freedom-way Economy that would then attract the people of the world; for it would give all people, not the prison-like security of the Marxist or Welfare State system, but a finer, individually provided security and freedom too. Such a system can be made so overwhelmingly good compared to what any "planned economy" under political domination of the State could give, that Communism would be buried by the competition — and in peace.

THE NEW WEST GERMAN BUILDING LAND TAX

By ERICH ZINCKE

LAST Autumn the Federal Building Law came into force. Its aim is to regulate building and town planning according to the constitutional rights and the present law situation.

One of its main parts, which was discussed most and is of the highest general interest, concerns building land. The law provides:

1. The official land prices fixed in 1936 are annulled.
2. As soon as a street is completed, the site owner must pay his share of the service-cost, whether or not he has a house of the site.
3. For sites, which are already fully serviced but not used, taxes will be increased. The present rate is 5 per mill (of the value assessed in 1936). It is to be raised now to 20 per mill; after two years to 25 per mill; and after two further years to 30 per mill.

The aim of these measures is to increase the supply of building land to be offered on the market. Unduly high price demands are to be prevented by having a board of independent experts judge the value of the lands offered.

The market price of single sites will be supplemented by authorised values for entire areas, which are to be published. These are meant to act as price mirrors and to influence price levels.

COMMENTS

When the law was under discussion the adherents of the free market policy in everything asserted that after abolishing the obsolete price freeze land prices would regulate themselves soon and come to a reasonable standstill.

The housing minister, however, and the majority of the Bundestag were sceptical and did something to influ-

ence prices. Thus they came to the two other points. The third point represents a genuine land value taxation, though not a general one. It is restricted to sites already fully serviced, i.e. to vacant sites within the town and its building margin.

Not included are the lands that are within the planning sphere of the town, as long as they are agriculturally used. Thus the profit that results when they are turned into building land is not touched at all, though this is the crucial moment when land prices grow so enormously, that they become a social danger. At present the estate owner whose lands have come into the planning sphere — or whoever owns them after him — can still sell them at any price he thinks appropriate.

THE EFFECTS

The abolition of the obsolete fixed price for land had an immediate effect. Prices rose tremendously and have not yet come to a standstill. And the two other measures seemed to have no influence at all. So last month there was a hot debate in the Bundestag about land prices. The housing minister was furiously attacked, because his law had the effect of raising land prices instead of lowering them. He admitted that up to now there was no satisfactory result, but that he trusted that the effect would come as soon as the land valuation boards were established and working in all communities. So he asked the Bundestag to give the law time to show its power. And he promised that if it should not prove efficient enough in its present shape, it would be considerably sharpened. And he was given that chance.

So there is hope. If the law proves efficient at least in some places, it may lead the way to a full success.