

of five dollars be paid by each chapter to the federation.

A very important means of interfellowship communication was passed by the conference. This is the publication of a Fellowship bulletin for local chapters with aids, ideas and suggestions for their benefit, to fill the needs not accomplished by the *Freeman*.

Sample copies of the *Freeman* and LAND AND FREEDOM were distributed to the delegates, and all were urged to subscribe and recommend them to their students and friends.

Some concern was felt over an article in the *New York Times* stating that the Henry George Fellowship would enter politics. This was not authorized by the conference, and Mr. Hillman called attention to the error of statement.

At the final session the resolutions committee presented in better form the resolutions approved earlier by the conference.

Mr. Haxo of New York then explained the Correspondence Course, and each delegate was asked to write friends and relatives urging them to take the course.

Elections were held for the ensuing year. Those elected were: President, Mr. Nathan Hillman, Hartford, Conn.; First Vice-President, Mr. Morris Forkosch, New York City; Second Vice-President, Miss Grace Johnston, Berkeley, Cal; Financial Secretary, Mr. Mark J. Leonardi, Boston, Mass.; Corresponding Secretary, Mr. Sidney S. Siegler, New York City; Treasurer, Mr. Alexander Fox, Chicago, Ill.; Executive Committee, Mr. John Anderson, Montreal, Canada; Mr. John Bond, Springfield, Mass.; Mrs. M. Faust, Waterbury, Conn.; Mr. William Newcomb, Rochester, N. Y.; Miss Mildred Jensen, Dayton, Ohio; Dr. Schneidman, New York City; Mrs. Augusta Byron, Hartford, Conn. Editor of the Fellowship Bulletin, Mr. Morris Forkosch, New York City.

A Committee on Publicity and Charts and a Committee on Conciliation to promote cooperation between the New York School and the New York Fellowship were appointed.

A telegram was received from Mr. John Lawrence Monroe, congratulating the delegates and urging more classes for the fall.

The conference unanimously voted to hold its meeting in New York City again next July 4.

The conference ended with all expressing satisfaction at the work accomplished and with hopeful enthusiasm for the future.—WINFRED D. CHAMBERLAIN.

**P**RACTICALLY, then, the greatest, the most fundamental of all reforms, the reform which will make all other reforms easier, and without which no other reform will avail, is to be reached by concentrating all taxation into a tax upon the value of land, and making that heavy enough to take as near as may be the whole ground rent for common purposes.

SOCIAL PROBLEMS, BY HENRY GEORGE.

## Problems of Political Economy and Scale Models for the Construction of Prosperity\*

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**W**E have completed a study of political economy. We have learned that the law of freedom would solve the problem of maximum production and the problem of scientific distribution, and there is nothing else in political economy.

It is almost incredible that the simple law of liberty would solve all the political economy problems of the world, as incredible as the fact that the law of gravitation and the law of centrifugal force solve all the mysteries of the movements of all the planets in the universe. But the millions of stars have traveled in their orbits for millions of years in obedience to the natural laws, and they will never crash in final chaos unless human laws attempt to improve upon the law of nature and regiment the stars.

The only thing we can do in the way of further study is to watch the working of the law of freedom in the problems which beset the world, and to observe the effects of interference.

What are the problems of political economy?

They are all the situations which have inevitably followed violations of natural law; e.g., over-production, under-consumption, low wages, depression.

Are these problems numerous?

They are so numerous that no book could recite them all. There are new problems in the news of every day.

Why so numerous?

1. Because human laws have been made up largely of interferences.

2. Because every interference requires a myriad of other interferences to remedy the bad effects of the first interference.

3. Because one interference can produce a myriad of problems.

Should a work on political economy treat of all these problems?

It would be a physical impossibility.

Is it necessary to treat of all these problems?

No. It is enough to make a selection of the principal problems, and show how the natural law of liberty would solve them all.

What is an important difference between political economy built on natural law and one built on human law?

\*This was written as a supplement to a textbook, "The Science of Political Economy," which was published in *The Gaelic American*, New York City.

The natural law of political economy is one—liberty, and this is simplicity itself. The interferences of human law are legion, and the result is complexity and confusion. No book on this kind of political economy will ever be complete—or comprehensible.

### SCALE MODELS FOR THE CONSTRUCTION OF PROSPERITY

A Quebec Bridge or a Mississippi Flood Control Project or a Boulder Dam may be a dismal failure unless it is first worked out to success on a small model. We have wind tunnels to try out airplane models, and towing tanks for model boats.

The greatest construction job on earth is the building of prosperity, and it has never yet been successful. Dozens of plans have been put into operation on a nation-wide scale, one succeeding another after each crash into depression. If any one of these plans had been tried in a small community it might have been a failure without involving a nation in tragedy.

The writer can not secure even a small community to use as guinea pigs, but he suggests that a small group of imaginary men might be subjected to a plan, and if the obvious results are undesirable the plan should be discarded forever. A plan which should bring disaster to a dozen imaginary men could not possibly bring prosperity to a hundred million real men.

If some of the obvious results are so surprising that they are obviously incredible, the reader may at least extract some amusement by looking for the "catch." Our little community of men may prove as interesting as Gulliver's community of little men.

#### THEOREM I

### PRIVATE CONTROL OF LAND MUST PRODUCE DEPRESSION

We will use for our scale models twelve men and the following chart with twelve plots representing places where the men could make a living.

	Production per man per month.
Gold mine.....	\$3,000
Silver mine.....	2,000
Oil well.....	1,000
Coal mine.....	500
Factory.....	300
Store.....	200
Farm.....	150
Farm.....	125
Farm.....	100
Farm.....	50
Farm.....	25

Men are free to work anywhere, and they go to work at the gold mine and make \$3,000 per month until some

one secures title to the gold mine and the men must work elsewhere. They go to the silver mine and make \$2,000 per month until that also is sold. As each plot passes under private control the men must move, until they reach the plots where they can barely make a living, say \$50 per month.

Meantime, the owners of the plots must have workmen. Men will not take employment at less than they could make for themselves, and employers must pay something over \$50 per month, and the minimum must be enough to keep the workers alive, but there is nothing to force employers to pay more than \$100 per month.

When the men were making \$3,000 per month at the gold mine they bought the most expensive food and clothing, houses and automobiles and luxuries, and business was excellent. When their wages went to \$100 or \$50 per month they could purchase only enough to keep alive, and all kinds of business were suspended or stopped.

This is what is called a depression, and there is no conceivable method of avoiding this condition with private control of land. In the world there are a myriad of complications which we have not covered in our theorem, probably every one of which has been offered as a cause of the depression, until we can not see the forest for the trees. But there is no complication which can be inserted which will prevent depression where men have no place to work.

There is no interference by government which can bring living wages to such men except absolute regimentation, where each man's wages are paid by government regardless of his ability to produce. In other words, the only alternative to starvation is the rationing of labor and wages. This is the extinction of initiative, and reducing mankind to the status of the dairy cow. This is communism, and communism is the only logical answer to private control of land.

#### THEOREM II

### PROSPERITY WOULD BE PERPETUAL WITH LAND MONOPOLY ABOLISHED

We will use for our scale models the same men and the same plots as in the foregoing, but with the land owned by the community, and the rents collected for the community. This is not a proposition borrowed from Utopia. The people are legally the owners of all the lands of the nation under the law of eminent domain. The Constitution of the State of New York reads, Article I, Section 10:

"The people of this state, in their right of sovereignty, are deemed to possess the original and ultimate property in and to all lands within the jurisdiction of the state."

Let us apply this plan to our scale models. Sales of plots are now barred, plots are leased at their annual rental value, and the rents belong to all. Every man has an equal right to work on any plot, including the gold mine.



If the men lease the exclusive right to use a plot they are barring themselves from the right to use it, and allowing themselves to be restricted to less profitable work elsewhere. The lease money is therefore the price of a valuable right surrendered by all, and the money belongs equally to all. It goes into a general fund which must be divided among them on demand, or it could be used for general expenses, rendering taxes unnecessary.

Now suppose that some men have leased all the plots down to the sub-marginal, where the return is \$50 per month. Living expenses for a family are \$150 per month, and it is impossible for a man to support a family by his work, so he does not try. Instead, these men live as landed proprietors, on the heavy rents paid for the lands on which they could have made a fine living.

Of course, this condition is not profitable for the lessees, who must have workmen if they are to pay the rents and make a profit, and they start offering higher and higher wages until men are again induced to work; or else the leases are surrendered, and men must either go to work for themselves at the gold mine for \$3,000 a month or starve. This would hardly be called a depression.

These rents would not have to be actually divided among the men. Men who are equally free to work anywhere could not conceivably be unemployed. But let us imagine the impossible, that some of our men are out of work. These men could be supported out of the rents of the properties, of which they are the legal owners under the law of eminent domain, and they could be supported without the taking of a dollar in taxes from the earnings of the people who are working.

If New York State or any other sovereign state would *actually* own its lands, depression would be a physical impossibility. There is no condition or complication in any country on earth now suffering from depression which could introduce a depression into the problem we have been considering.

The thousands of paupers on "relief" in the State of New York, who are legally the owners of "all the lands in the State of New York," including the sites of the Woolworth Building and the Empire State Building, are an indictment of human intelligence.

### THEOREM III

#### PRIVATE CONTROL OF LAND REDUCES THE EARNINGS OF PEOPLE WHO DO NOT TOUCH LAND

We will use the same scale models as in Theorem I. The gold mine and the silver mine have been purchased, but men are free to work on any of the other plots, and they can work for themselves at the oil fields at \$1,000 per month. This figure sets the standard of wages. We will now introduce a physician and a school teacher.

Both these men had to spend years in expensive and

unpaid study to prepare themselves to serve the public, and no one would expect them to work at the pay of the mine workers, \$1,000 per month, and they would undoubtedly receive a compensation of \$2,000 per month, one as fees, the other as salary.

Our small world continues to progress, and men buy property until no free land is left except the \$50 farm, and wages go to \$50 or \$75, with half the men out of work. The school teacher who should expect a salary of \$2,000 per month while the parents of his pupils are making \$50 or nothing will be a disillusioned man. And the doctor who should expect to accumulate fees of \$2,000 a month from \$50 patients will come to a rude awakening. His fees must be drastically reduced, most of his patients will be served on credit, and a great part of his work will be done in free clinics.

To think that the preacher, the teacher, and the artist have no interest in the land system is to think that the steam-heated apartment has no need of the coal mine or the oil well.

### THEOREM IV

#### MACHINERY CREATES UNEMPLOYMENT WHEN LAND IS MONOPOLIZED

We will use for our scale models twelve men and the three plots diagrammed below. The other plots are available, but we are disregarding them.

Factory plot.....	product, \$300 per man per month
Farm.....	product, 300 per man per month
Farm (sub-marginal).....	product, 50 per man per month

All the plots are privately owned except the \$50 farm. Six of the men are employed at the factory and six at the better farm. Times are good, and wages are \$150 per month. The product of the two enterprises is enough to supply all the men, and as they are getting good wages the entire output is purchased.

Now the factory installs new machinery which allows one man to do the work of the six, and the farm installs a tractor with which one man does all the work. Ten men are discharged and go to work on the poorest farm making \$50 per month.

The factory and the farm produce, as before, enough for twelve men who formerly spent twelve times \$150, \$1,800. There are now two men with combined wages of \$300 and ten men with wages of \$500, a total of \$800 against the previous total of \$1,800. They buy \$800 worth each month, leaving \$1,000 worth to pile up. Of course, the factory and the farm must either close up or work on short time, with more unemployment, less buying, and more over-production.

Where men have no access to land on which they can make a living, they have no other way to live except by holding a job. When these jobs are done away with by

machinery or by anything else, the men have no alternative but to starve, or to make a wretched living on useless land.

#### THEOREM V

#### MACHINERY COULD NOT PRODUCE UNEMPLOYMENT WHERE THE LAND BELONGS TO ALL

Our twelve men are working for themselves on the farm and at the factory plot. Now a captain of industry wishes to lease the factory plot, and a gentleman farmer wants to lease the farm.

Before the men will consent to lease these plots they will see that the rental figures are high enough to compensate them for the splendid living they are sacrificing. The leases are made at a satisfactory sum. In the course of time, machinery is installed, and ten men are discharged.

These men will go to work on other plots and make a good living with the aid of the leases they have made; or if they have rented all the desirable plots they will live on the rents alone; or they could live with short hours of work, with ample leisure for study and recreation and self-improvement, but an "unemployed" man would be as impossible as a bonfire at the ocean bottom. The only kind of "unemployment" would be of the kind inflicted upon the Astors now permanently moved to London.

Short hours and good wages will result from machinery when the people really collect the rent of the land. They will never result from strikes nor from legislation so long as men displaced by machinery have no place to go, and hordes of helpless men must compete against starvation for the few jobs left by machinery.

#### THEOREM VI

#### "LAND VALUES" ARE THE CAUSE OF LABOR WARS

For simplification, let us take as our scale models only two plots, the gold mine, and the farm producing \$50 per month, and twelve men. The gold mine is private property, the owner leases it to a mine operator, and there is, of course, no legal limit to the rental he charges. The men can make \$50 per month on the farm, but the gold mine operator offers them \$150, and employs six of the twelve.

Our men produce \$3,000 each at the mine, \$18,000 per month. They receive \$900 per month, and the rent has been set at \$15,000 per month, leaving \$2,100 for the employer.

Times are good, every one is working, half the men at good wages. Real estate values are bound to advance, because "real estate values are the index of prosperity," and the rent of the mine property is raised to \$17,000.

Prosperity does not put more gold into the ground nor make corn grow faster, and the only place from which the \$17,000 can come is from the \$18,000 product. This leaves \$1,000, \$900 for wages and \$100 for the operator.

The employer is a conscientious man, hating to cut wages, and perhaps dreading strikes. The men are anxious to participate in the world-wide prosperity, and they are getting restless for a rise in wages. Meantime prosperity marches on, real estate values mount, and the rent is now \$18,000, the entire product.

The operator has saved some money, and he hates to see the end of his business. Perhaps he can hold out by cutting wages and dipping into his reserves, and he announces a cut in wages to \$100 per month. The men can not understand why their wages must be cut in an era of boundless prosperity, they hold meetings to execrate employers who grind the faces of the poor, and they inaugurate a strike. The only hope of the employer is to hire at \$100 the men who are making \$50 on the poorer farm.

Then follows a contest between strikers and strike-breakers which ends with the mine shut down, perhaps destroyed, and strikers and strike-breakers making \$50 per month on the farm, except those out of work and those in the hospitals. The mine property has been deflated, real estate values are down, and a depression is on.

Meantime, the owner of the mine property has accumulated a fortune at the rate of \$18,000 per month, and unemployment to him means only leisure. He knows that the stoppage of his income must be only temporary, that some one must use his mine and pay him tribute, unless men die off and the world comes to an end. He can rest comfortably in Europe, or he may be the public-spirited citizen who gives freely of his time to organize conciliation meetings, urging Christianity and brotherly love upon employer, striker, and strike-breaker, and the constitutional rights of strike-breakers.

We have three factors in our problem:

1. Men who have no place to work for themselves and must work for some one else, at whatever wages are offered.
2. Employers whose profits are limited, out of which they must pay living wages, plus unlimited demands for ever increasing tribute under the name of rents.
3. The land owner, who furnishes no labor, no capital, no management, no cooperation, but who is privileged by law to take 80 or 90 or 100% of the *proceeds*, leaving the employer and employee to battle over the division of the remainder.

No more satisfactory set-up could possibly be provided for the production of labor wars.

"Consequences are unpitiful," and the results will not be altered if our twelve men become 130,000,000, and our employer becomes the nation-wide industrial system, and our landowner becomes the national system of private control of land. Neither will it be altered by the fact that the employer is also the landowner. If he is not paying yearly rent he has already paid it in the purchase price of the property, and the rent must be subtracted to pay returns on the investment.



## THE COMPLETION OF THE CYCLE AND THE RETURN OF PROSPERITY

The mine is idle, perhaps for years, and can not be rented for \$18,000. The owner at last finds another gold mine operator who will rent it at \$15,000. Men can readily be hired at \$80 per month, and six men are hired. The product is \$18,000 per month, rent is \$15,000, and wages \$480, leaving \$2,520 per month profit.

Business is so good that wages are raised to \$100 and then to \$150, prosperity is coming back, real estate values "appreciate," and the rent of the mine goes up by easy stages to \$18,000, with the same results as before—the mine is idle, the men are out of work, depression is on, and *the cycle is completed*. The mysterious "Cycle of Depression," is nothing but the continuous and accelerating bleeding of industry by "land values" until industry faints from exhaustion, and the grip of land values must be relaxed until industry recovers sufficiently for a new course of bleedings.

### THEOREM VII

*The Sit-down Strike.* Employers who refuse the right remedy for labor troubles are forcing a wrong remedy far more drastic.

The logical ending of a system which bars men from the land and natural resources and renders them helpless in the hands of employers, is the seizure of the plants, the ending of private property, the reign of Communism and the extinction of the captain of industry.

Let us take for our scale model twelve men and a capitalist, and the same farm and factory as in Theorem VI. The land is no longer monopoly-controlled, men are free to work anywhere on equal terms, and they make a good living.

The capitalist decides to start a factory, and he must offer better than a good living to induce men to leave their places on the farm. The enterprise is started, and as the years go by, the capitalist desires to increase his profits by cutting down expenses, and he announces a cut in wages. The men announce an immediate return to self-employment, leaving the factory idle. The capitalist reconsiders his decision, and will be content with present profits. The factory remains running, with peace and prosperity for capitalist and workmen.

Now an outsider enters the picture as a landowner. He has bought up all the land, both farms and factory site. The men can work on the farm only at the wages he offers, and they are very low. A handsome rental is also charged for the factory site, and the capitalist's earnings are cut down.

Once more the men are faced with a wage cut, but now they have no farms on which they can make a living. If they leave their jobs the capitalist, for his own protection, must hire other workers, and he plans to employ strike-breakers, leaving the men high and dry. Faced

with the choice between low wages and idleness, the men decide to sit down at their machines and prevent the entrance of the strike-breakers.

This is the taking of the employer's property, and it is the essence of Communism. The law, which has allowed the private monopolization of all the natural resources, which has taken from the men the right to any place to work for themselves, has left them only the two alternatives of submitting to any terms of employers, or retiring peacefully to idleness and death.

Our small nation of fourteen men have made laws to insure life, liberty, and the pursuit of happiness. The laws have resulted in a condition where twelve men have no way to live except by the seizure of the property of the other two. Perhaps conditions indicate a change in laws.

*The Dilemma of the Men.* Two legal choices, low wages or no wages at all; and one illegal choice, the seizure of the plant.

*The Dilemma of the Employer.* He has a choice between submission to the men, and a succession of sit-down strikes and the ultimate extinction of his race.

*The Dilemma of the Law.* It may choose between submitting to the demands of the men and to the ending of private property, or it may eject men into idleness and helplessness, with its shadow of revolution.

No government has as yet been brave enough to uphold the right of corporations to eject workers from the plant in a sit-down strike. Government has ample laws for such ejection, but it recognizes that it would be too dangerous to carry out the laws.

If human laws did not bar men from the land and natural resources, if men were as free as their employers to use the earth, both the law and the employer would be justified in demanding that men either work for the wages offered or work for themselves elsewhere. There could be no such dilemmas as the foregoing.

There is no final resting place between freedom and slavery. The two will not mix. There is no final resting place between letting men make a living for themselves and the seizure of private property. Human laws may aim at a middle course, but there is no such middle course in nature or in natural laws.

The sit-down strike is the beginning of the end. It is Communism in practice. Where the natural resources of the earth are locked up from the human race, the question before civilization is, "Shall the workers choose helplessness or Communism?"

(To be continued)

THE efficiency of labor always increases with the habitual wages of labor—for high wages mean increased self-respect, intelligence, hope and energy. Man is not a machine, that will do so much and no more; he is not an animal, whose powers may reach thus far and no further. It is mind, not muscle, which is the great agent of production.—PROGRESS AND POVERTY.



## THEOREM VIII

## DESTRUCTION OF WEALTH CAN NOT BRING PROSPERITY

Jones is a farm worker and Smith a factory worker. Each is making \$2.50 per day, and living expenses are \$5; i.e., a depression is on. The government attributes this to low prices for food and materials caused by over-production, and orders the destruction of half the food and materials, causing a rise of 100 per cent in prices.

The cost of living is now \$10 per day, and wages do go up, perhaps, to \$3, certainly not to \$10, and the men can now purchase one-third of a day's supply, instead of one-half as formerly.

I must apologize to my readers for this chapter. Prosperity means an abundance of food and materials. The proposition that wealth (or prosperity) can be increased by the destruction of wealth is on a par with the proposition that health can be increased by murder. The newspapers carried a story that the mules on the cotton fields balked when they were forced to plow the cotton under. The mule might be a mule, but the philosophy of destruction is too crude for any one but the mule driver's driver.

## THEOREM IX

## A TARIFF CAN NOT POSSIBLY INCREASE PROSPERITY

Prosperity means that men have an ample supply of food and materials. We will take as our scale models two men, in a place where the land is owned by the community and men are free to work. Jones is raising food and Smith is manufacturing materials. Jones can produce twice as much food as he needs, and Smith twice as much "materials" as he needs. Each man trades half his products with the other, and both men are fully supplied.

If money is used instead of barter, and wages are \$10 per day, each man buys \$5 worth from the other, each is fully supplied, and there is prosperity.

Now let us suppose that soil and conditions in South America are so favorable for food production, or that wages are so low that food can be produced, and sold in the United States for \$2.50 instead of \$5. But the scarcity of raw materials and the lack of machinery make it difficult to produce clothing, and a day's supply of clothing costs \$10.

Food from South America is offered at \$2.50, and Jones can no longer sell food at \$5. Our two American workmen are now producing materials because Jones has gone where he can get the most for his work. Each man produces two day's supply of materials, keeping one for his own use, selling the other in South America for \$5, buys a day's supply of food for \$2.50 and saves \$2.50. Compared with his previous condition of prosperity, he is now enjoying a super-prosperity. The "materials" business in South America is abandoned because the goods can be bought in the United States for \$5 instead of \$10, and they save \$5 on each day's supply.

(To be continued)

## Some Thoughts on the "Plan of Action" Now Taking Shape in Michigan

AS indicated in a recent article by Mr. Louis Wallis, a way *must be found* of utilizing and opening up land and natural opportunities to our people (especially the youngsters), along lines of *intelligent and "constructive" taxation* as opposed to the restrictive, deadening and almost suicidal policy of today. If not, some form of Dictatorship and "government tyranny" will ultimately and surely result. "Same causes," as we know, bring "same effects," and as the result of certain wrong economic adjustments, our sins are merely catching up with us, as a certain great American economist foresaw many years ago, when he commented on what would happen as "the pressure increased and the safety valve (emigration) to the New World" no longer would be operative. Gunpowder, as he said, does not explode until confined, and the moral applies to us as well as Europe.

Through the kindness of Mr. A. Laurence Smith, of 2460 East Grand Boulevard, Detroit, Michigan (a well-balanced, cool-headed gentleman with Georgeist ideas and with a successful business experience behind him), the writer received for comment a brief little booklet of "progress" and economics, as issued by one of our great national food manufacturing companies. The work of preparation was done by the J. Walter Thompson Company of New York City,—and using Brooking's Institute data, etc., in their various illustrations. These show simply and dramatically the abhorrent features of various "isms," also the futility of the "Limit Production" idea, the ultimate failure of "Share the Wealth," "Communize," "Go Fascist," etc. Further on in this simple but catchy presentation, the Thompson Company brings out the failure of "Divide all the farms," "Increase Taxes and Spending," etc. Each division has an excellent cut or drawing together with a short story which shows the "will o' the wisp" feature of these ideas, and winds up using Brooking's Institute conclusions indicating clearly that our only hope (while giving the profit system a chance to work), is to "reduce prices" and *get more for the money*—a primary recommendation, as we know, of the Brooking's report, "With lower prices we flow with the tide of competition, not against it."

Illustrations bring out these points most convincingly as they refer to what has been done in such commodities as rayon, electric lamps, gasoline, and of course the automobile under high prices and under low. In conclusion, they bring out that "Business must have profits," and that taxes are now almost confiscatory and are rapidly *destroying incentive*.

And yet, as we study the booklet, we know that while helpful, and performing a patriotic service, it is merely