

HENRY GEORGE NEWS

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Wages, Profit and Interest By HOWARD W. L'HOMMEDIEU

THE NATIONAL Association of Manufacturers, in magazine advertisements appearing in April issues, featured a "pie of distribution" indicating that average business profits on sales were quite moderate, being less than half the 10 to 15 per cent that the general public, according to a nation-wide survey, considered reasonable. Profit, however, in a financial statement, merely comprises income above expenses, signifying solvency. As no firm can walk a chalk mark between income and expenditures, every business, with or without monopoly advantage, naturally tries to spend, as it goes along, somewhat less than it takes in. This practice is a matter of course, but with the general public under the impression that profits are made up entirely or largely of unearned income, and averaging about 25 per cent, an effort was made to correct that impression.

One cannot justify any degree of unearned income, and it must be that a moderate "profit" was assumed to be warranted as interest on capital. That "interest," however, as will be shown later, is made up of rent, wages and insurance, and is not a net return. There is, in any case, no relationship between sales and capital investment.

Wages are defined as a return to labor. In a free economy, the return would equal the product of one's labor. The national income is equal to the national production, less the cost of government. Individual income is equal to individual production, less payments towards the cost of government, plus or minus monopoly profit—according to one's net income from or payments to monopoly. Profit is here employed in its only useful economic sense, as income resulting from monopoly, over and above what could be obtained in free competition.

If all money wages were raised in the same proportion, all prices would rise accordingly. Most firms, having no monopoly, are selling at cost (including necessarily, a small margin of safety), and must raise prices, along with wages. Those firms whose monopoly advantage enables them to charge more than cost before granting a wage increase, are equally able to do so afterward. If a trade union had any power to prevent the latter, they could as easily force a reduction in price under existing wage rates.

We are inclined to think of our tribute to monopoly as being in the form of higher prices, yet, excessive as certain prices are, that profit is a minor factor. Our principal contributions to monopoly are through the indirect method of supporting the government by the taxes we pay on what we earn, what we save, and especially on what we buy, as every stage of production is taxed. Basic monopolies benefit by not having to pay, in land assessments, more than a fraction of their full rental value, which rental would adequately support the government, in lieu of the aforesaid taxes on production. As rental value, representing the increased ease of production on superior land, is



created by community development, aided by nature where land is best used for agriculture, mining or forestry, it is obviously a value which the community is entitled to receive in the form of government services. The privilege of retaining most of this unearned rental value is the chief source of monopoly profit, not only where a few firms are enabled to control certain industries and charge monopoly prices, but also in the countless instances of individuals and firms who benefit only from the indirect subsidy of receiving ground rent which they did not create, but which the government taxing system permits them to keep.

If a landholder rents his land to a producer, his entire rental income, less any land assessment he may pay, is his profit (payments by the tenant for the use of buildings, machinery or other labor products furnished by the owner not included). If a landholder is also the producer on his land, he can charge as much for his products as do tenants who must pay the full ground rent, and the difference between what he pays the government in land assessments and what tenants pay their landlords for land of equal value is a hidden profit. A corporation in free competition, whose owners set their salaries (drawing accounts) low, in order to build up the business, increasing their inventory and reserves, is penalized by having to pay a higher tax on its "profits" (uncollected wages) than it would if it paid out all its net income to individual producers, as wages.

Where all the more valuable land is made available, by assessing it at its full annual rental, producers in all lines of business will be able to move onto better land, now held idle or put to trivial uses, called "taxpayers." Wages will rise and more leisure time be provided by the increased ease of production on better land, and the opportunity to keep the full products of one's labor, the two advantages probably quad-

rupling one's potential net income. Until the basic monopoly in land is solved, however, the elimination or alleviation of other evils will serve mainly in the same way as increased production: to increase the rent which surplus labor will be able to offer for land in the effort to employ themselves. Other monopolies thus merely cut into the landholder's profit, and have only limited and temporary effects upon the general wage level. We are so far from tackling our main problem, of providing surplus jobs, that a recent magazine article proposed to "solve" our production crisis with a certain program involving 96 per cent employment—which it considered normal. It is exactly that abnormality which prevents real wages from rising and keeps us from being able to purchase the products of our labor, resulting in periods of so-called overproduction, when many more people are unemployed.

The increased productive power resulting from the use of machinery cannot bring in a return to the user, as the same machinery is available to others, and therefore yields a common return, in the form of lower costs, and not an individual return, over and above wages, which could be called interest on capital. And as there is also no monopoly in farming or ranching, the reproductive power of nature cannot yield a return above wages. Wages, in fact, can be determined only by noting one's income in free competition, and if interest must always be accompanied by labor, there is no way of separating it from wages, defined as the return to labor.

Nor can we speak correctly of interest, even assuming it to exist, as a return to capital. No one applies interest to capital supplies, to goods in process, nor to equipment purchased for turning out a particular order. Interest is applied only to equipment of long life, to cover the carrying charge on the investment and the risk of premature obsolescence. Nor is the functional definition of capital—wealth used to produce more wealth—correct. Goods being processed are not helping to produce themselves or other goods, yet they, as well as machine tools, are capital, and all forms of capital must be treated alike. Only the structural definition, stating what capital is—wealth in the course of production—applies to all capital, as goods worn out in processing other goods may be said to go into the finished product.

Many believe that monopoly feeds upon the cumulative effect of economic interest in a free economy. They also believe in "income producing buildings," and therefore attack monopoly by taxing profit, interest and capital goods, which may or may not include unearned income, instead of removing the source of the unearned income. We should not attempt to justify profit and interest as separate economic entities, any more than one should defend the morality of unicorns. One has first to prove their existence.

How Much?

By BRUNO J. TWORSEY

After giving a good deal of thought to the question of collecting all land rent, and to eliminating all taxes on the products of labor, some students of the Henry George philosophy begin to wonder if land rent, alone, would be enough for all government needs. Some of them take pains to calculate the total amount being taken, now, by landholders in the United States, and on such rough figures base discussion as to whether we may have to supplement land rent with other sources of revenue.

Perhaps, these students, in giving such figures, attempt to be realistic rather than visionary. But, isn't it true that we who are inspired to give effort to this great reform, do so with the belief that living can be tremendously more full than now? To us, it does not mean, merely, regaining a right to the wealth which we, now, produce and do not get. It means, also, retrieving the freedom to work and produce so much of the good things of life as inspiration in liberty is capable of.

Let us ask, then: How much rent will there be when land is used by all who want it? And who can answer? One must know how much more man is capable of accomplishing in a really free world.

This great possibility of the human mind must give inspiration to everyone desirous of bringing about a better world.

But, first of all, we grasp firmly the meaning of the law of rent. With that we stand securely on the ground while soaring upward in our estimate of what we could do if given the chance. We can do that, now, in computing the amount of rent there would be, and behave as realistically as is possible under the circumstances.

Robert Clancy's column, "A Word with You" will be back next month.

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VIEWS OF THE NEWS

By SYDNEY MAYERS

As we entered Canada on our recent vacation, Canadian customs-men made certain we brought nothing with us to sell or give away. Sighed our seat-mate sadly: "Ain't it funny? They don't care what you take away, but when you want to bring good things in, they won't let you!" (And we'll bet he never read *Protection or Free Trade*.)

A number of Olympic athletes from Russian-ruled countries have politely declined to return to their native lands. It is odd that decadent capitalist nations like the United States should erect bars to keep eager immigrants out, while the Soviet paradise must lower an "iron curtain" to keep their happy people in.

Even at 70 cents a package, cigarettes are so short of meeting the demand in Britain that inevitably a black market in smokes is flourishing. Panicky master-planners are now considering increasing tobacco imports, on the curious ground that "there is danger of an adverse effect on industrial production from lack of cigarettes."

Since taxation has a vitally important bearing on social relationships, declared a speaker at the International Conference of Mental Hygiene, psychiatrists and psychologists should take an active part in influencing writers of tax laws. Science seems to support the opinion that our tax-legislators "ought to have their heads examined."

The Agriculture Department has courteously informed the taxpayers of America that the potato parity support program has operated over the past five years at a net loss of \$170,169,000, for which millions we have not received a single spud. Of course, we are privileged to buy them—at the increased prices "parity" compels.

A Pago-Pago dispatch reveals most natives of American Samoa are indifferent to offers of full citizenship, since it would mean higher taxes and widespread grabbing by moneyed speculators of land now held under a patriarchal tenure system. Bright people, these Samoans!

British Foreign Secretary Bevin makes a revealing confession: "I do not know that Marx educated anyone; what he did to me was confuse me." Those who have wondered whence spring the Labour Party's strange economic antics need wonder no more; Mr. Bevin has Told All.

Thanks to L. L. Greenwald, we learn that the good citizens of Wisconsin, to beat the staggering taxes on margarine, have taken to a practice called "oleolegging"—bringing it in by mail from nearby Illinois. Even residents of "America's Dairyland" prefer a 40-cent substitute to 90-cent butter—if they can get it.

Unable to enforce "adequate" income tax collections, the Italian government has bolstered its income via a profitable tobacco monopoly, buying 20 million packages of cigarettes for 11 cents each, then selling them for 65 cents, a nice round 600 per cent increase. The intriguing gimmick is that the two clever American lads who sold Italy the cigarettes had bought them for six cents a package!

To "curb inflation," governmental controls on consumer credit have been restored, cutting out of the market anyone who cannot afford large down payments and installments—and incidentally causing retail business to decline, thus discouraging production. Of course, the huge amounts of cash thrown around in nightclubs, racetracks and such have nothing to do with inflation—or do they?

While we were enjoying Canada's brisk mountain air, we asked our genial host why he had bought an enormous tract of land, when all he needed was a small plot on the lake for his summer home. Quoth he: "You come back in five years and see how this area has developed; the busy resorts are only 25 miles away." (See? You don't even have to read *Progress and Poverty* to know how land values are born.)

Contributor Harry Lundin sends the story of Philadelphia's threat to take dire action against a young man for failure to pay \$5.55 in wage taxes. The tax-debtor ignored the warning—he was occupied at the time awaiting execution for homicide.

Econo-quiz

By HENRY L. TIDEMAN

A merchant has a piece of land on which he erects a modern store building which he stocks with merchandise. Thousands of people are attracted. His land value increases along with that of his neighbors. Is this not a case in which the consequent increase of the tax on his land value becomes a tax on the result of his labor? How can we answer such a question?

The catch in this question lies in the expressions "he erects," "he stocks" and "his land value." Nice symbolic expressions, but very poor fact. The people who produced the materials for and who worked upon that building erected it. Without them there would be no building nor anything in it. The entire community took part in these operations, and of course they were paid for all they furnished as the merchant was paid for every dollar he spent. Both gained by the transaction.

The customers who now frequent his store trade less at the places they formerly patronized, so there rents and land values will decline. Real estate brokers will say "land values have shifted."

Let us suppose that the improvement has a labor saving quality which increases the total rent of the community. Would that increase of rent be accomplished or maintained except as men continued their daily labor? Who would be producing the increased rent? Must it not belong to them? And if the entire rent were taken for the community would not the merchant share in the benefits along with the others? Let us suppose the improvement is one which attracts population to the city and that the new supply of workers should produce still more rent, greatly increasing the value of his location. Again the answer is a question: Who produces the increased rent, day by day, at labor? The people who do the work.

Surely the enterprising inventor may deserve applause; but he is entitled only to what his labor produces and his capital yields from day to day, the same as anyone else. If he gets more, he takes it from the labors of others.

[Noah Alper, who inspired (and named) the "Econo-quiz" suggests that future questions be solicited from our readers, and Henry Tideman is agreeable to this. You are therefore invited to submit economic questions for consideration in this column.—Ed.]

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"Too Many People" By ROBERT CLANCY

IN 1798 appeared *An Essay on the Principle of Population* by the Rev. Thomas Robert Malthus—a book which asserted that there are too many people in the world, and that those who cannot support themselves and their families have no right to a livelihood; Nature commands such to "take themselves away" under penalty of having it done for them through pestilence, famine and war.

The fortunes of Malthusianism have varied in the century and a half since its promulgation. In 1879 Henry George in *Progress and Poverty* dealt what should have been the death blow to the overpopulation theory, and indeed it fell from favor up to the present. But today the cry is being taken up again—"Too many people!"

The current neo-Malthusianism asserts that most of mankind is terribly guilty of having wasted the world's limited resources in the face of a rising birth rate.

As for laying waste our resources, more will be said later. As for "too many people," this is a curious reversal of the accepted attitude not many years ago. Before World War II, we were told by scholars and statisticians how sparsely populated the world actually is; the State of Texas, they said, could comfortably support all the people in the world with no crowding. Hendrik Van Loon in his *Geography* told us that all the people of the world could be placed in a box of one-eighth of a cubic mile. The dictators were urging their subject peoples to increase their numbers—special honors were paid to large families. The big problem of the day was "overproduction," glutted markets. All this at a time when world population had tripled since the days of Malthus!

Then came a war which cost millions upon millions of lives. The practice of genocide accounted for more millions. And all of a sudden we have "overpopulation." The rising birth rate is pointed to—even though the same thing has happened after every war. The neo-Malthusians, who pride themselves on a long-term view, assume that this trend is here to stay. "Malthus was right, after all," and even his absurd formula on the geometric increase of the population and the arithmetic increase of subsistence is regarded with favor.

The scholars studying the population-resource problem call it ecology—man's relation to his environment. They are careful to point out that they are not concerning themselves with economic and social factors—which is a pity; they might discover some things which would shed light on the "overpopulation" problem.

The basic problem, according to our modern ecologists, is agricultural—the ability or inability of the soil to produce man's subsistence; for man is completely dependent on plants that secure their own nutrition directly from the soil. Here is another almost comical reversal of position. For the past fifty years it has been drummed into us that land is no longer so important as it was, that industry and manufacturing are the forces to be reckoned with today. Now, it seems, the focal issue around which hinges the very survival of the human race is not only land, but the most elementary form of production on the land—agriculture.

This year, besides a stream of magazine arti-

cles on the subject, two important books have appeared which have produced a storm of discussion—*Our Plundered Planet* by Fairfield Osborn, and *Road to Survival* by William Vogt. These ecologists give a double answer to the population-resource problem. 1. Conserve our resources. 2. Check the increase of population.* Not quite so merciless as Malthus, they would not have the present unwanted population "take themselves away." Their plan is for the future—the near future, they warn.

We are deceived, say Messrs. Osborn and Vogt, by the size of our planet. Three-fourths of the surface is water. (At any rate, no water shortage!) Of the 50 million square miles of land surface, or 32 billion acres, one half is uninhabitable. Why one-half must be written off as permanently uninhabitable is not thought necessary of explanation. Have not men made gardens bloom where there were deserts? In many sections of the globe that are now desert, it has been found that the soil is actually rich in the elements needed for agriculture and lacks only water. There is plenty of water, but not in the right places. Why, with all our modern engineering marvels, couldn't water be diverted to these potential gardens? Messrs. Osborn and Vogt admit that our industrial advances have been phenomenal, but it does not seem to them that they could be applied to agriculture—"Too costly and impractical." And what of vast arable areas in Brazil, Africa and Asia, now unexploited? "Who would want to live there?" asks Mr. Osborn. Well, who wanted to live anywhere in the New World 400 years ago?

Nevertheless, let us accept the reduction to a mere 25 million square miles, or 16 billion acres of the world as habitable. Of these, says Mr. Osborn, only 4 billion acres are suitable for agriculture. In passing he mentions that less than 2½ billion acres of this fertile land are in use. It is a pity that ecologists are not more concerned with economic and social factors, for here indeed would be a fruitful line of inquiry. But the only lesson Mr. Osborn draws is that because of insufficient land "no wonder there are world-wide shortages and that the people of a number of nations are facing starvation."

Granted that the earth's resources are not limitless, and that through carelessness and neglect, mankind has plundered and wasted much of the planet's supplies. Can we afford to ignore the social causes of this neglect? It is an ob-

* Robert C. Cook, the New York Times reviewer of Mr. Vogt's book, respectfully calls the United Nations' attention to the model example of Ireland: "The population of Ireland in 1848 was 6,000,000. Today it is less than 3,000,000—and Ireland is the place where Britons go to get a square meal." Mr. Cook might have selected a different country for an example of population control. The inference is that Ireland is facing better with less people. Our reliable sources inform us that the people of Ireland are living in as wretched squalor as ever. As for Britons going to Ireland for a square meal, we wonder whether Jonathan Swift's "modest proposal" has finally been adopted!

† An excellent example of such a transformation may be found in the August 16 issue of Life magazine, which describes how California's once barren Imperial Valley was converted into the country's richest garden spot by irrigation from the Colorado River. Production there has paid many times over the cost of the project.

served fact that tenant farmers have little or no interest in the land they cultivate. In many cases, before moving on, they exhaust the soil within a few years where more interested application and conservation would keep it productive indefinitely. In the United States farm tenancy has steadily increased until now over 50 per cent of farm workers are tenants or sharecroppers. In most other countries, farm tenancy is even greater and land monopoly more notorious.

Mr. Osborn draws lessons from past civilizations. The once fertile Tigris-Euphrates valley is now a desert. The soil was blighted. Overpopulation? Conquering armies overran the area, leaving ruin in their wake and carrying away the agricultural workers as slaves. Says Mr. Osborn, there were "not enough men left to carry on the perennial work of restoration and land care which alone would preserve fertility." (Italics mine.) A clear case of underpopulation! Can there be any doubt of the parallel with what has been happening to our own resources?

But the most astonishing example of shortsightedness by our neo-Malthusians is their failure to reckon with the fact that, even with vast areas of fertile land unused, even with the neglect caused by farm-tenancy and migration, even with the havoc wrought by war, there is still a farm surplus on the market regularly. Only recently the U. S. Government had to buy and dump 196 million bushels of potatoes that farmers couldn't sell. More bumper crops are forecast for this year—a "problem"! Livestock men are deliberately reducing their cattle production because they cannot sell. All this, even with the European Recovery Program! How can the problem of maldistribution still be overlooked?

Mr. Vogt castigates our obsolete thinking processes that cannot see entire problems but only a narrow, over-simplified aspect. Elsewhere in his book Mr. Vogt reminds us that every bit of food we put into our mouths "must be replaced by another bit of the earth—somewhere." And that while our demands grow, the capacity of the earth is constantly shrinking. A superb example of one-way thinking!

Recently I had the opportunity to speak with a professor of economics, a neo-Malthusian. He spoke of the dense population of Europe. I reminded him that Denmark, with 400 people per square mile, is still able to produce dairy products for export. "Yes," said the professor, "but they must import wheat." It didn't seem to impress him that the countries sending wheat would get dairy products and that this exchange caused extra wheat to be produced. Somewhere in the world, wheat was being depleted because of the demand of the Danes! As long as such one-dimensional thinking dominates, the real nature of the world problem will be obscured.

It is to be hoped that the current interest in ecology will lead to recognition of the real problem. Just now it is going into the blind alley of "overpopulation." Not many years ago, the myth of racial superiority had its final ghastly day at court before it was exploded forever. Perhaps this is the last stand of the overpopulation myth.

Shall We Soak the Utilities? By GILBERT M. TUCKER

THE "UTILITIES" are always fair game—why not tax them to the limit? They benefit by special franchises and enjoy certain monopoly privileges, so of course they should be taxed, and taxed good and plenty, but how? Well, let's see!

Henry George's answer to the utility question was that these businesses—the railroads, traction lines, gas and electric, telephone and telegraph companies—should be owned and operated by the nation, state, city, or whatever political entity was most directly concerned. This sounds logical, but it is not a very satisfactory solution, especially to those who have had insight into politics or experience in public service.

Practically always, operation by any political body is marked by inefficiency, waste and often by a general looseness which inevitably leads to corruption and graft. Under public operation a vast army of workers would be immediately shifted into governmental employment; with an enormous increase in the numbers, already large, of those whose votes are determined by self-interest. Incidentally, from a Georgist viewpoint, advocacy of public ownership is unfortunate for it gives color to the unjustifiable charge that our philosophy is tainted with socialism.

In discussing the utilities with the late Mrs. Anna de Mille, I was interested to find that she too disliked a socialistic approach to these problems and felt that if her father were writing today he would advocate regulation rather than public operation. Mr. George wrote his great books at a time when control and regulation of quasi-public activities was almost unknown. The Interstate Commerce Commission had scarcely been thought of, and it was not established until four years after publication of the book *Social Problems*.

Most Americans distrust political operation, particularly if they have had experiences with publicly owned utilities abroad. Well do I remember an incident in French North Africa when my car bogged down to the hubs in the deep mire of a "chott." The telephone exchange was closed down for two hours in the middle of the day and to get help from the nearest town where cars and garages were to be found (and distances are not short in Africa) it was necessary to send a runner for many miles. Then, in view of the irresponsibility of the natives, another runner had to be sent to check up on the first. Finally, when we had arrived at our destination and wanted to send a telegram of safe arrival, we sought out the telegraph operator in a comic-opera cafe. He agreed to send our message some time the next day, for the offices were closed all night.

But granting the advisability of regulation rather than public ownership, the question of how these enterprises are to be taxed, still remains. The principles of Henry George suggest taxing on the full value of all land, right-of-way and franchises, even though it may be difficult if not impossible to assess these values fairly. There is, however, a simpler approach to the problem. Don't tax such companies at all!

Assuming a just regulation to prevent exploitation and at the same time allowing for efficient service—the imposition of a tax means

that rates must be set higher to cover the tax costs, while still leaving the company a fair net return. Taxation simply takes money out of one pocket and puts it into the other; it takes a toll from the company for public use, and then authorizes higher rates to enable the company to re-collect from the public. This hits hardest in the lower brackets. The cost of a telephone is a far heavier item to the proprietor of the little shop than to the owner of a large one, and heat, light and similar services are much more serious matters to the little fellow with a little budget than to his flourishing neighbor. Even the costs of railroad transportation are spread and passed on in such a way that, proportionately, they increase the cost of living more for the poor man than for the well-to-do.

We are all paying the costs of government through inflated charges for public services; the taxes that are concealed in your bills are far greater than those openly charged—as they are in the case of railroad tickets or telephone service. The consumer must pay to reimburse the utilities for taxes on franchise, plant, realty, equipment, payroll, purchases, sales and countless other items. And next time the consumer pays an additional (sales) tax on these services when he buys essential appliances, such as electric light bulbs or a gas stove.

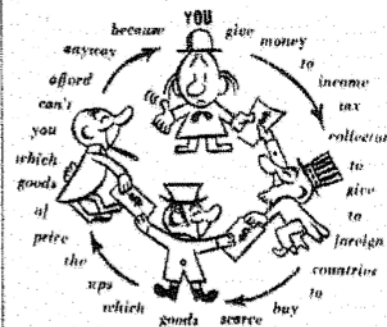
Is it wise, just now when people are restive under the burden of inflation, to inflate these costs of common necessities? One is tempted to question not only the sincerity but even the integrity of politicians who, shouting for lower prices and "deflation," deliberately increase prices which would normally drop, telephone charges or electric services for example, by plastering on a tax to absorb the savings that should go to the consumer. How infinitely preferable would be a simple and direct tax on land values which would reduce and not raise price levels!

To achieve a reform will not be easy. The demagogue and the rabble-rouser picture "the trusts" and the "great soulless corporations" oppressing the people by exorbitant bills. Really, if the wretched tax collector kept his thumb out of the pie, these costs would shrink very considerably. But we continue to fool ourselves and each other into thinking we are "getting back" at "blood-sucking octopuses" owned by a few billionaires. In our short-sightedness we do not realize that these corporations are giving efficient service that has done much for our progress and, instead of being "the tools of Wall Street," they are owned by hundreds of thousands of "little people." The American Telephone and Telegraph Company has more than 700,000 stockholders. No one stockholder owns even a third of one per cent of the stock, and many of the larger holdings are in possession of charitable institutions, life insurance companies and foundations representing and serving the masses and often the very poor.

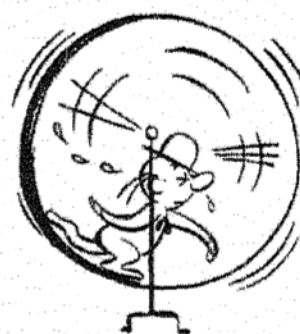
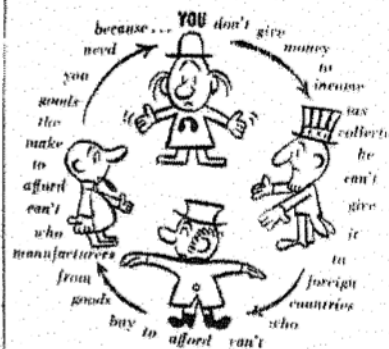
Let us think these things over, keeping clear of any socialistic approach, and consider if it is not folly to impose a peculiarly objectionable indirect tax by levying on large companies—then authorizing them to raise their rates to reimburse themselves. Let's quit the whole silly business and do what we can to simplify our tax structure.

HOW TO UNDERSTAND ECONOMICS

By Don Calhoun



On the other hand if



If we all look at it like this I'm sure it will seem very simple

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Georgism and Popular Government

By GEORGE A. BRIGGS

I HAVE a deep admiration for the Henry George School and the work it is doing. When I first encountered *Progress and Poverty*, back in Chicago, fifty years ago, there were no such schools. I was thrilled by the book and read it again and again. Every week, however, I would discover what I thought to be a flaw in doctrine. Then on Friday night I would attend the weekly meeting of the Henry George Club, where I would describe the fatal flaw to some of the "big shots." Within a few moments they would convince me that I was wrong and Henry George was right.

In those days doubtless there were tens of thousands of people who were interested in *Progress and Poverty*, who discovered what they thought to be flaws and who did not have access to Henry George Clubs. The majority of them perhaps went through life believing that the book presented a beautiful dream which would not stand up under the test of practical experience.

Even now, I wonder how many recent graduates of the school have a thoroughgoing understanding of the philosophy and its ramifications. All that our school can do for them is to give them a solid foundation upon which they may erect a superstructure of beauty, insight and understanding. The day they receive their diplomas is in a very real sense Commencement Day. The superstructure will not be built unless Georgism continues to be one of their chief interests throughout their lives. Such a course will be full of intellectual and emotional rewards, but it will also be beset by pitfalls.

They should beware of an overwhelming desire, factlessly and inopportunistly to try to share these rewards with others, lest they cause their friends and associates to think of them as intolerable bores. What could be worse than a

one-track mind trying to bludgeon others with a logic whose primary assumptions are neither accepted nor acceptable?

Georgists, if they are to keep their faith, must be prepared to lose many illusions. One of these has been already suggested. It is a naive belief that if their program is presented clearly, opportunistly and tactfully, it will be accepted as a basis for political action. This belief is based upon a misconception as to the nature of popular government. Such a government theoretically depends upon a disinterested and public-spirited electorate. The difficulty here is that our electorate is neither disinterested nor public-spirited. Most people from cradle to grave are rather narrowly self-centered, seeking ways and means to promote their own material prosperity without much regard for the opportunities of others.

Thus the history of our government has been characterized by constant efforts by individuals and groups to keep money out of the pockets of others so that their own eager pockets might be filled. Alexander Hamilton made this the cornerstone of his economic and governmental policies.

It will be recalled from history that the soldiers of the American Revolutionary Army were paid in part by scrip issued by the Continental Congress. This scrip became worthless because it had no backing except printing presses. At one of the earlier sessions of Congress, after the constitution was adopted, a bill was passed to redeem this scrip at face value in gold. Hamilton promoted this legislation and should receive great credit. But he also should be held responsible for his subsequent action.

The scrip was held largely by ex-soldiers and their families scattered throughout the country. Due to the slow communication facilities of

those days many months would pass before the scrip-holders could learn of the new law. Speculators had couriers and fast boats ready for action the moment the bill was signed by the President. Their design was to hurry into the hinterland and buy up the scrip before the holders knew about the redemptive legislation.

An effort was made to postpone action on the bill for six months so that the most remote holder would know of the proposed legislation. Hamilton successfully defeated this action. He wanted the speculators to succeed. He held that if some men were made rich by government at the expense of others, then the rich would come to the aid of government in time of need. So, the scrip-holders were robbed for the benefit of speculators.

These laws of special privilege were of course enacted by our legislatures, and our legislators were elected by popular vote. What a prudent lot they are. Albert Jay Nock goes further and says they are prize cowards. At any rate their main desire is to be elected and re-elected. The public interest is of subordinate importance. Thus we have never had a government of the people, by the people and for the people. What we have had is a government of the people, by politicians for pressure groups.

There are two groups, however, who are trying to find a way out of our economic plight. One of these, the socialists, believe in social planning and economic control of industry, as a means to public welfare. This would involve a high degree of economic regimentation. Even though we had a disinterested and public-spirited electorate, and therefore elected wise and public-spirited representatives, I believe this plan would fail. It is inconceivable to me that government could successfully manage all the infinite number of details involved in a developing industry and technology.

The other group, composed of Georgists, believe in special privileges for none, and equal opportunity for all. They believe that government should act as an umpire to keep open the way for free economic competition, and to kill monopoly wherever it may show its ugly head. If we had a disinterested and public-spirited electorate I am confident this plan would be successful. I favor it for the further reason that any welfare worthy of the name will come as a by-product of freedom, whereas to seek welfare directly is to close the door to freedom.

But why seek this goal if it is unlikely to be reached within the foreseeable future? My answer is, that it will enrich your lives. It will give you a yardstick with which to measure current economic trends. It will revive and sustain faith in freedom. It will convince you that our sorry economic plight is not inexorably decreed by fate, but is due to maladjustment to the source of all wealth, namely, land. Doubtless we as a people will go up many blind alleys of error, but a Georgist will recognize a blind alley when he sees one.

On the other hand, it would not be a public-spirited procedure for you to refuse your support and devotion to Georgism simply because you do not see how it can be adopted during your lifetime. This is a test to which every Georgist must submit. Your attitude will be the measure of your character.

How I First Became Interested in Henry George

I was born into a Georgist atmosphere. I don't know, but probably the first words to fall upon my infant ear, when my father came into the room to see what the stock had brought, were, "Oh! so it's a girl! Then we can't call it Henry George."

I knew the parlance of the philosophy long before I knew what it meant, or that it had a meaning. I recall, when a little girl of nine or ten, A. E. Freeland, who died within the past few years in Seattle, took me on his knee and asked, with a wink to my father, "Bessie, did Henry George want to tax land?" "No, sir," I replied promptly, "land values," thereby attaining (in Georgist circles) the reputation of a child prodigy. If they had only known I was merely parroting what I had heard my father say.

When in my early teens I began to explore the charm of popular novels and verse, my dad said to me, "Kid, if you want to read something really fascinating, read *Progress and Poverty*. Having keen respect for his judgment, I got the book down and essayed to read it. That was my first great disillusionment; my father did not have a discriminating taste in literature after all, to prefer George to Gene Stratton Porter or Ella Wheeler Wilcox! Later, of course, I knelt in remorse for my youthful dearth of discernment.

I gave the book to my son when he was about the same age that I was when dad gave it to me. Bill devoured it avidly, promptly became and has remained from that day, an ardent Georgist—which is one argument, I contend, that the intelligence of the new generation has not deteriorated but has increased over that of the elder one.

(signed) BESSIE BEACH TRUEHART

1536 7th Avenue
San Diego, California

Land Is a Magnet

By NOAH D. ALPER

"WELL, CHILDREN, if you insist, Grand-pop will tell you another economics story. Do you remember, Elizabeth, what we talked about last time?"

"Yes, Grand-pop, I do," said Elizabeth. "It was about cooperatives and how they grew; how they made land worth more if they were successful and made more tenants."

"That's right," said Grand-pop. "Cooperatives may be a way of living for those who care to join. They are no solution to our economic and social problems—they are no substitute for the magnificent 'cooperative' suggested by the facts of Creation, to which all are members because they are human beings."

"But tonight I want to tell you about T.V.A. I read an article about it in the Nation magazine, called, 'TVA—The First 15 Years.' There was a recital of the benefits from this project—flood control, crop increases, industry developments, population growth, and increase in the contributions to the total income tax payments of the area to the federal government. The article suggested that TVA might now pay its way. These are the statistical results observed in the first fifteen years. But the question is, what will be the end results."

"T. V. A. is a magnificent project. We should have more such projects for flood control, navigation, development of irrigation and power projects. Whether the states or the federal government organize the project or whether it is carried on by private capital as many of the California irrigation projects were is not so important... but I'm getting ahead of my story."

"Now to create a project similar to T. V. A., what must we first have?" Grand-pop asked Elizabeth.

"Land," replied his pet chick. "It must have land on which to rest and the land area all about it must be considered."

"Yes," said Dick, Grand-pop's favorite economist, "and we'd have to have labor and capital too."

"But, Grand-pop," said Billy, the youngest, "Don't you need money, too?"

"Yes, we find it convenient to use money in order to enable those who work on the project to claim the goods and services they want in exchange for their work. We get the money by government borrowing, by government taxation to pay as we build, or by inducing private capitalists to advance the necessary tokens of money to carry on the work."

"But, let's skip the details," said Grand-pop. "Let's assume the great project which rivals the T. V. A. was completed. And, wonder of wonders! For once all that was promised by the backers of the project came true. There was perfect flood control and navigation. A great amount of electric power was produced, and there was water for some irrigation projects. Farmers raised better crops on land formerly flooded almost every year. Big fertilizer plants, made possible by cheap electric power, assured the farmers for many miles around of plenty of fertilizer at low cost. Other plants requiring much cheap power sprang up in the area. There was a greater demand for labor and for that reason wages were high. The project was really a honey and things were booming."

"Is that all the story, Grand-pop?" asked Billy.

Letters . . .

A British View

A little belated perhaps but I should like to comment on an item in your issue of Henry George News dated June 1948. Under the heading "New York" you published comments from a notebook by a student, Mr. Kornbluth. Of course, Mr. Kornbluth is quite wrong. His confusion arises from the use of the word "exchange" in two senses. When we speak of wealth in the course of exchange we mean that exchange which takes place as a result of the division of labour when goods are produced, and political economy has no concern with goods after they have been produced and are in the hands of the consumer. If we were to accept Mr. Kornbluth's idea then any schoolboy who exchanges, say, marbles for a penknife is a capitalist. His idea that the interest arises as a result of the benefit received by the exchanges of wealth is quite fallacious, as quite obviously in an exchange both sides benefit, and if one wishes to argue that further wealth is created by an exchange then this can only be due to labour, but there again the type of exchange referred to is outside the realm of economics.

Perhaps to a certain extent Henry George

himself is responsible for this misuse of the phrase "wealth in the course of exchange." In itself it is not suitable as a watertight definition of capital. The definition we use* is as follows: "Capital is both wealth used to produce further wealth and wealth in the course of exchange"—extending, of course, exchange to mean that which takes place through the division of labour. We have found that when the definition "wealth used to produce further wealth" is used alone there is a similar confusion among students—many find it difficult to understand how a pair of boots on the shelves of a retailer's shop produces further wealth. The increased value which it obtains through being brought nearer to the consumer is due not to itself but to the land, labour and capital working on it, i. e., the site, fixtures and fittings, the salesman, window fittings, etc.

As usual I am extremely busy and have written this in haste should you care to quote for The Henry George News you are at liberty to chop it around as you think fit.

V. H. BLUNDELL
London

* Mr. Blundell represents the Tutoring Department of the Henry George School of Social Science in London, at 4 Great Smith Street.

From Enclaves to Exclaves

The comments elicited by Gilbert M. Tucker's article "What Is Land Value" call for the further comment that this problem of how to assess "taxation of land values" has for many years been solved by the "enclaves of economic rent" of which Falthope, Alabama; Arden, Delaware; and Free Acres in Plainfield, New Jersey; are the outstanding examples in America. These enclaves set about assessing and collecting the full economic rent, or ground rent, of land long before the great public enclave of Canberra, Australia, was on the blueprints. The practice in these enclaves cuts the Gordian knot of confusion on this point in the same manner as do the cooperative housing projects cited by Eloise E. Freeman, in the same June issue of the News in which Mr. Tucker's article appeared, by a quotation from James P. Warbasse. In fact, the cooperative housing projects are to all intents and purposes enclaves. The enclaves are cooperative efforts of people who have the faith in the collection of ground rent that seeks to translate itself into works.

The advantages of enclaves are, that they can start anywhere any time without political action; they cost enclavians no more, and often less, than do similar situations outside of enclaves; they train enclavians in the processes of assessment and collection of ground rent as well as in self-government; they can be established without regard to existing political boundaries or contiguity of holdings; they can be organized into an exclave capable of absorbing municipalities, states and even nations as their significance and advantages become appreciated and their personnel acquire political power through experience in self-government. Understanding of the purposes and principles of the collection of ground rent plus the will to cooperate are the prerequisites. Business sense and a flare for picking bargains in real estate help.

JOSEPH L. RICHARDS
Harvard, Mass.

"No, that's not quite all. Years passed. New industries continued to come into the area and population increased every year. You hardly knew the old place. Practically all industries and businesses now had competitors coming in. In time this is what happened:

"Because workers continued to move into the area, wages for labor had adjusted downward to the level of similar labor over the country, climate and other circumstances considered. Because capital poured in in response to the demands of the area, interest rates leveled off to just about what they were in other areas. The value of land increased greatly. By comparison with land rents a few years earlier, they were enormous. Speculators continued to hold vast areas of land. The greatest long-run beneficiaries were the land title holders. That was only natural. The whole nation improved the area for them and paid the costs. Why ignore a 'gravy train'?"

"This, children," said Grand-pop, "is the story of America. We have built many dams in our country; with and without power development, with and without irrigation. We have improved all industrial processes in the past fifty years under the guidance of men like Edison, Goodyear, Ford, and a host of others, seemingly without end. Yet booms and busts persist."

"I read the chapter on the 'Rent of Land' in Adam Smith's *Wealth of Nations* this morning. In the conclusion of this chapter the author says: 'Every increase in the real wealth of the society, every increase in the quantity of useful labour employed within it, tends indirectly to raise the real rent of land.' John Stuart Mill and Henry George came to the same conclusion. A wise guy was that Adam Smith," said Grand-pop musingly. "Land is an economic magnet. Wonder why economists and politicians can't see this economic 'Law of Gravity' that Adam Smith, Henry George and Mr. Mill saw."

"Maybe they do," said Elizabeth.

"Nah, they're too dumb," said Dick.

West Coast Portal of Hope

THE LOS ANGELES extension of the Henry George School has behind it a record of six years of continuous progress. The work was started, as it was in many other cities, by volunteers like George Briggs, whose article "Georgism and Popular Government" appears in this issue, Harry Ferrell, Hollis Joy, and Cary Colburn, who organized and taught classes in Fundamental Economics. In the fall of 1942 William B. Truehart was appointed Director.

The original "home" of the Los Angeles extension was a small one-room office, which served as a classroom as well.

One of the outstanding things accomplished by the school in its early days was a 15-minute weekly radio program entitled "Facing Post-war Problems," which ran for eight weeks during the fall of 1944 over Station KPAS in Pasadena. Mr. Truehart and members of the faculty participated in lively panel discussions about the causes of war and the solution of postwar problems.

In June of 1945 Miss Norma Cooley, for many years editor of the monthly Georgist journal, *Tax Facts*, passed away, leaving her home to the Henry George School for use as an office. Says George Cartwright, whose column "Our Groundhog World" appears in labor papers throughout California, "In my opinion that's the most practical and admirable monument any of our people can erect for them-

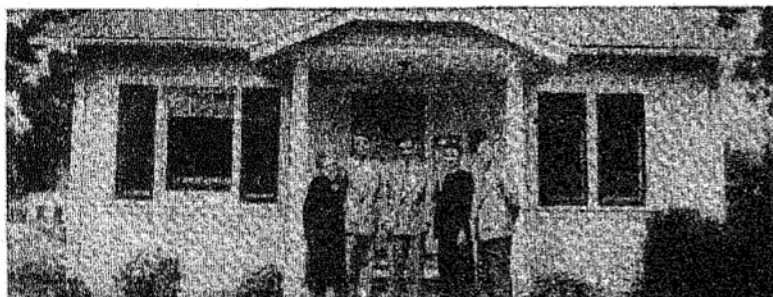
joined the staff as Associate Director, and took over the duties of class promotion and publicity. Dave hails from New Jersey, having taken the first two courses by correspondence, and Political Economy at New York headquarters before leaving for the "land of sunshine."

A forward step was made this past year in the organization of informal community groups, where graduates can meet for discussion, class promotion, fund raising, etc. These groups give the graduates a chance to participate in the activities of the school, as transportation is a real problem in Los Angeles, which has an area about as large as New York and Philadelphia put together.

As in most other extensions, a large amount of the work is carried on by volunteers. Besides the instructors, and those who address folders and place posters each term, there are a few who help out from time to time in the office. Deserving of special mention is Milton Shuman, who has been faithfully donating two or three full days each week for the past year and a half. There's a real Georgist!

Appreciating the all-important need for funds, a number of graduates have made regular monthly or quarterly pledges. For the past fiscal year they have contributed over \$5,000.

With a record of achievement behind them, those who make up the Los Angeles Henry George School look to the future with confidence.



The Henry George School of Social Science, 333 North Madison Avenue, Los Angeles. This was formerly the home of Norma Cooley, whose bequest made possible the school's present headquarters. Mrs. Bessie Beach Truehart (left) is director of the Henry George School in San Diego; David Simmons is the new Assistant Director in Los Angeles; Mr. and Mrs. William B. Truehart direct the destinies of the expanding Los Angeles Henry George School; and George Cartwright is an old-time and loyal friend. Salvador Jiron of Los Angeles was the photographer.

selves in any place, and I hope others will be inspired to do the same."

William Truehart and Marcile Chapman, a graduate of the school, were married in August, 1945, and since that time Marcile has been a full-time "volunteer" in the office. That's one way to get an employee!

In the fall of 1945 a Board of Directors was named, and the Los Angeles extension was incorporated under the laws of California as a non-profit organization, which of course it always was!

No one seems to know exactly what happened during the next few years, except that the number of classes kept multiplying until today the total number of graduates in the Los Angeles area is about 1500.

In February of this year David Simmons

St. Louis

Former Mayor William N. McNair will be guest speaker in St. Louis at a dinner meeting in celebration of Henry George's 109th Birthday Anniversary, on Thursday evening, September 9th. His subject will be, "Some Fallacies We Must Overcome." The second Commerce and Finance Luncheon will be held at the Mark Twain Hotel, also on September 9th, at which time Mayor McNair will discuss "The Pittsburgh Plan."

Certificates will be presented to summer term graduates at the evening meeting. The two summer classes convened at the school's headquarters downtown on Wednesday mornings and Thursday evenings respectively.

The "Gas House Gang" has recently been organized in St. Louis, taking its cue from Chicago and Los Angeles. You will hear from them at the New York Conference next year. They are a very well-mannered and friendly "gang" however, as we discovered one sultry night in July. Here are their names: B. M. Nevins, Chairman; Irwin Kauffmann, William C. Howard, Oscar Doetsch, Mrs. Ross Schachner, David Parnas, Joseph Widmer, Bertram H. Mann, Walter McNichols, Cyril Iffrig, R. B. Hanson, Mrs. Oliver Taylor, H. J. Johnson, James Kerr, Samuel G. Tucker, William White and William Copeland. In other words this is the so-called Steering Committee, and though Elizabeth Angell's name is not included you can bet that she is right in there steering too—or maybe she's a back seat driver. Anyhow, "Watch Angell!"

Philadelphia

On August 5th an interested group got together at a dinner meeting at Bain's, 1617 Chestnut Street, to hear a report on the Chicago Conference by Joseph A. Stockman, director and delegate.

The Philadelphia extension wishes to express its sincere thanks and appreciation to all who contributed so generously to the Conference Fund. The response to the request was heartwarming and gratifying, and to the many anonymous contributors to whom a personal word was impossible, the Philadelphia staff wishes to say, through this medium, *Thank You*.

More school news on Page eight, col. three.



Standing, from left to right: George Cartwright and David Simmons; seated: Mrs. Bessie Beach Truehart, William B. Truehart and Mrs. William B. Truehart.

The Kingdom on Earth

CHRIST'S OBJECT IN LIFE. By John C. Lincoln. Published privately, 1948, 134 pp. \$1.50. Available from Henry George School.

Reviewed by WILLIAM E. O'CONNOR

"MY FATHER," recalls Mr. John C. Lincoln, "was a thoroughgoing fundamentalist. He believed that the penalty for sin was eternal damnation, to be inflicted at some future judgment day, that Christ suffered the penalty of man's sins on the cross; and that by faith we can take advantage of this suffering and avoid the penalty of damnation that would otherwise be inflicted on us, and only by such belief could the penalty be avoided." Content neither to accept this rigid theological pattern nor totally to reject the basic philosophy of which it was an outgrowth, the author has probed deeply at the recorded foundations of Christianity. His precise conclusions, based on analysis and synthesis of sources richly documented in this book, reflect the objectivity of the engineer and an integrity that brooks no equivocation.

He found authentic sources extremely meager. Christ, like Socrates, wrote nothing. His entire recorded biography contained in the four gospels, brief in span and consisting of frequently unrelated and often inconsistent episodes, has been discriminatingly surveyed against the background of history. The author's decisions, of necessity eclectic, are neither arbitrary nor esoteric, but bear the stamp of reasonableness and scholarly detachment. The Synoptics, the first three gospels—Mark, written about A. D. 65 and Matthew and Luke, written perhaps a decade or two later—are relied upon in preference to John, the fourth gospel, by an unknown author. The Synoptics, in the author's opinion, present the true picture of Jesus as the Jewish Messiah and not as a divine being, and reveal that His real purpose was not to found a church or religion or make possible personal salvation, but to establish the Kingdom of Heaven on earth—a far greater task. He rejects as unfounded any injunction by Jesus that people should "believe on Him" or that one must be "born again" or be baptized or join a church. He did not preach the doctrine of atonement but constantly enjoined obedience to the commandments which, in essence, proclaimed and exalted the Fatherhood of God and the brotherhood of man.

Jesus, engaged in a critical struggle with the Sanhedrin, recognized, he believes, the dangers which confronted Him on His entry into Jerusalem but there is decisive evidence that He went there not to sacrifice His life to atone for men's sins but to set up the Kingdom of Heaven on earth. The Jews expected the Messiah to be the King of Kings and replace Herod by force. Jesus after meditating in the wilderness concluded that the new reign of righteousness could not effectively be established by force. It could be accomplished only by converting men's minds to accept the moral law, an essential part of natural law—the Fatherhood of God and brotherhood of man—or briefly the Golden Rule. Consistent with this conviction, argues the author, He urged His followers not to mention the miracles they had witnessed and He steadfastly refused to accept the challenge of His enemies to prove His power by performing a miracle.

In contrast to the contents of the first three gospels the fourth relates that Jesus relied on the miracles to prove His divinity and that Nathaniel recognized Jesus as the Son of God. Unfortunately, observes the author, Christendom has accepted the fourth gospel with resultant perpetuation of error. The teachings of Paul, who never knew Christ and who sought to reconcile the folk history of the Jews with his knowledge of the sacred philosophy of other eastern faiths, distorted the announced principles of Jesus into early Christian theology. The general belief of Jesus' followers after His crucifixion that He would reappear on earth and establish the Kingdom of God helped to create a mental atmosphere favorable to the acceptance of Paul's theories.

Christ's object in life, to establish the reign of moral law in the world, asserts Mr. Lincoln, has been sacrificed to the imposition of a theology unrelated to his proclaimed purpose and teachings. In the face of scientific knowledge of the antiquity of man and his environment, the churches continue to teach the story of creation occurring 6000 years ago, the fall of Adam, the doctrine of original sin, the vicarious sacrifice of Christ in atonement for men's sins, baptism, absolution, and postponed reward and punishment hereafter. A true interpretation of Christ's teachings, he contends, is that transgressions of moral law are not offenses against God but harmful to the sinner; that the greatest and universal moral law is "Love thy neighbor as thyself;" that "love God" means to do the right thing even if the hard thing; that the penalty for evasion by individuals or nations is inescapable and inflicted here and now; and that to those who make this their principle of living individual salvation is but a by-product. In these conclusions he has the acquiescence of one of the world's greatest philosophers, Emerson. "He (the preacher) assumed that judgment is not executed in this world; that the wicked are successful; that the good are miserable and then urged from reason and from Scripture a compensation to be made to both parties in the next life. . . The fallacy lay in the immense concession that the bad are successful; that justice is not done now. . . Justice is not postponed. . . This Law writes the laws of the cities and nations."

The reader may find certain observations or theories of the author, collateral to the main thesis, less clearly supported by the evidence submitted. The assumption, if such is intended, that individuals or groups can suffer the penalties for the transgressions of their forbears seems to be in conflict with the author's own argument that the fallacy in the theory of atonement lies in the impossibility of one other than the transgressor suffering the penalty. The challenge to Renan to account for the rise of Christianity without conceding the historical fact of the resurrection is tinged with the logic of *post hoc propter hoc*.

Religion has been a fruitful field of contention and numerous and irreconcilable theories have been espoused. *Christ's Object in Life* reveals a thorough and impartial examination of available sources of enlightenment. It is not only a constructive critique of religion; it offers as well an impregnable philosophy of living supported by sound and persuasive conclusions based upon painstaking research. It can be read—and reread—with interest and profit.

Chicago

A personalized campaign for promotion and financial support of fall classes was launched on August 17th. First in a series of loop session was a supper meeting of regional chairmen who are leading the drive for funds and students. Under the direction of Robert J. Kennedy, chairman for Greater Chicago, the campaign program was mapped in detail, to be presented on September 2nd at a second meeting that will be enlarged by the attendance of community area chairmen who will work with those making the personal calls. Activity will mushroom on September 8th into a blanket workshop of all chairmen and callers getting final instructions for the drive. After the 12-day period during which each one will personally talk with five graduates or other friends of the school, callers will return with community area chairmen for a report meeting on September 20th, two weeks before the term opening on October 4th.

In each area class promotion chairmen will supervise volunteer addressing of direct mail advertising and the placing of posters in trade centers. Capitalizing on the experiences of the Boston extension, Chicago will supplement this promotion with a series of advertisements in the Saturday editions of the Daily News and the Sunday editions of the Chicago Tribune for three week-ends preceding the opening of classes.

New York

If you have not received your copy of "The Georgists of New York," written and illustrated by Robert Clancy in commemoration of New York's Golden Jubilee, please let us know. This was mailed to all subscribers of The Henry George News.

The long awaited Teacher's Manual covering *Progress and Poverty* is being used for the first time in 11 New York summer classes which have an enrollment of over 300 students, many just out of high school. The manual is the monumental achievement of Domenic Della Volpe, Josephine Hansen and Isidore Platkin, who gave three years of patient study to produce it. The enthusiasm with which it has been received is a tribute to their conscientious work.

The Schalkenbach Foundation reports very interesting results from the quarter-page advertisement for *Progress and Poverty* which appeared in Life magazine on July 26th.

Coming Next Month

"He is a great man—he understands interest."

This *cum laude* endorsement in Georgist circles indicates how few have mastered the complexities of the subject, interest. It is important to all readers of The Henry George News therefore, to know that next month several pages will be given over to an article on "Henry George and the Causation of Interest," by Harry Garrison Brown of Missouri University. This serious and searching work will prove invaluable to all earnest students of economics. Be sure to avail yourself of this opportunity through your school publication.