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The Land Problem in Mexico

by DAVID MARTIN



THE fabulous archaeological ruins of Mexico bear witness to the fact that great civilizations existed there many centuries before Columbus discovered America. In view of its very early achievements, why isn't Mexico more advanced today economically? Partly, perhaps, because of the social structure which made possible the construction of such impressive monuments. It was not the type of society apt to foster individual initiative, and it left its mark on the character of the native peoples. Even more important was the conquest of Mexico by Spain, which brought the destruction of existing Indian cultures and resulted in the appropriation of most of the best land by the Spaniards.

For centuries after the conquest the concentration of land ownership continued. Even after Mexico achieved its independence the attempts which were made to remedy the situation were frustrated by selfish interests. It has been estimated that by 1910 only 2 per cent of the people owned over 70 per cent of the land. Furthermore, it has been affirmed by a well known

Mexican economist that 29 people owned 24 per cent of the land at that time. In the state of Chihuahua just one man owned over 23 thousand square miles.

It is not surprising that this led to a revolution, but the man who came to power as a result, Francisco I. Madero, was from a big landowning family. Although he refused to do anything about the land situation, the pressure for reform was too great to be ignored, and in 1915 a law was passed nullifying all previous expropriations of land which had originally been the community property of the indigenous people. However, very little was accomplished until 1920 when the Law of "Ejidos" spelled out just how this transfer of land was to be made.

The idea was to divide the "latifundios" into individual plots so that if possible each family in the community could own a piece of land. The main restrictions were that they must work the land, and they could not mortgage or sell it. This law has been

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A Word With You

NO sooner do we recover from the shock of the white man's massacre of the Negro in South Africa than we get word of South Koreans shooting down South Koreans. The real issue is not the race question, but man's inhumanity to man.

Nevertheless, the race question is too often the focal point for man's display of inhumanity. The white man believes he is superior to all other races and so thinks he has a right to exploit and abuse them.

Look, say the white supremacy addicts, at our superior civilization; what can the Negro, or any other race, show to compare with it?

Short is memory and long is illusion! It is only for 350 years that North European civilization, which has since spread around the world, has been dominant. For ten times that length of time the centers of civilization were around the Mediterranean, of very mixed racial components—and in the Orient for an even longer period. And it is only for one-tenth of 350 years that the spotlight has been on North America.

But such is human nature, that when the spotlight of civilization falls on any nation, they think that it was destined from the beginning of time and that it will last forever. "The Athenians! Who are *they*?" roared the Persian king. He found out—and by and by it was the Athenians turn-

ing up their noses at the Roman barbarians—who in turn recoiled from those primitive tribes up North. Now the northern tribes are basking in their moment of ineffable supremacy, looking down on Negroes and such.

Is it not clear, after so many examples, that the arts of civilization can be passed from nation to nation, from race to race? The Negroes of Africa as well as of the Western hemisphere, made giant steps in learning the arts of technology, self-government, etc. Just because they haven't much of a past, who is so rash as to say they have no future? The first country of the Western hemisphere, by the way, to adopt land value taxation, is a predominantly Negro country—Jamaica.

There is another island in the Caribbean dominated by Negroes and colored people. They hold practically all the important government positions, run nearly all the business and conduct the cultural life of the island. On this island there also exists a wretched colony of decrepit white people living as beachcombers, descendants of the early colonists, who still nurse their superiority and refuse to mix with the colored people.

Let the white man learn the true meaning of the equality of all men before he has to learn this lesson the bitter way.

—Robert Clancy

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

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

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Why Not Boston?

by MITCHELL S. LURIO

IT may seem like a pipe dream to maintain that Boston can be rejuvenated by means of a simple change in its tax structure. But a good idea is not necessarily embraced because it is a good idea. It is easier to get a bad law passed that benefits a few at the expense of the many than it is to get a good law passed that benefits the many at the expense of the few.

The Pittsburgh (tax) Plan is not widely known but that is no evidence of its unsoundness. In the early 1900's Pittsburgh had a most inequitable real estate tax law. Real estate was divided into three classifications: urban, rural and agricultural. The rural tax rate was two-thirds of the urban rate—and the agricultural rate was one-half the urban rate—and agricultural assessments were very low. This encouraged land speculation and created an artificial shortage when the time was ripe for use.

One group, followers of Henry George, came up with a positive program, namely to cut the tax rate on buildings and push up the rate on land values, so as to yield the same total amount of revenue. With the help of a progressive mayor, William A. Magee and many others, a law to that effect was passed in 1913. The building tax rate was reduced to 90 per cent of the land tax rate, and every three years, the percentage went down by 10 per cent until in 1925 it reached 50 per cent.

The new law also provided for the repeal of all personal property taxes. This helped to bring business into Pittsburgh. In Boston too, many have suggested the elimination of personal

property taxes, but no source of revenue is easily relinquished.

The present real estate tax in Pittsburgh is \$37 per thousand on the land and \$18.50 per thousand on buildings. In addition there is a school tax of \$16 per thousand on both land and buildings. The real estate tax brings in \$33,000,000, and the school tax brings another \$16,000,000 (1959), making a total of \$49,000,000. Pittsburgh is almost as large as Boston, yet our rate is \$101.20 per thousand on both land and buildings, to yield \$135,000,000, so you can see that Boston's budget is outrageously high as compared with Pittsburgh.

Let me give you a few examples of Boston's assessments, as they are today and as they might be under the Pittsburgh Plan. Because of the high price of government in Boston and the distorted assessments, the examples chosen will not show up as they would if assessments were more equitable and the amount to be raised were not so excessive.

All the buildings in Boston are assessed at 1.7 times the assessed value of all of the land of Boston. I refer to taxable real estate only. Another way of putting it is to say that the land values are 36.5 per cent of the building values. In 1929, land values were just about equal to building values—the ratio was one to one.

Does it not seem surprising that in Boston the buildings and improvements are not even worth twice the land values as assessed? Should not a decent and proper building on an appropriate lot be worth at least several times the value of the lot?

If overnight (and I do not recommend the change overnight) Boston were to introduce the Pittsburgh Plan, making the rate on land twice the rate on buildings while still bringing in the same amount of revenue, the rate on buildings would have to be \$74 a thousand, and on land \$128 a thousand. In that event, the owner of vacant land would have to pay 46 per cent more than he is paying today. The owner of a building assessed at the same figures as the land would have to pay 10 per cent more than he is paying today. If the building was assessed at twice the amount of the land, the tax would be 2.3 per cent less than it is today; if three times, $8\frac{1}{2}$ per cent less; if five times, 15 per cent less. It is a surprising fact—to me at least, to learn that some very fine buildings downtown are assessed at less than the land or slightly more than the land, and I can only conclude that the assessments are violently out of line. In order to make the point, however, I'm going to select a couple of dramatic and extreme examples where the buildings are actually assessed at many times the land assessment. The New England Telephone Company building on Franklin Street is assessed for \$14,468,000 and the land for \$1,532,000. The ratio of building assessment to land assessment is 9%, which is certainly unusual. The present tax is \$1,619,000. Under the proposed rates, the tax would be \$1,297,000.

The Second Bank-State Trust Building on Franklin and Federal Streets is worth a little less than twice the land, which seems very peculiar because the building is one of the newer and better buildings. On the proposed basis there would be a small saving. The Chamber of Commerce building, certainly an excellent improvement, is assessed so little more than $1\frac{1}{2}$ the land that the tax on the proposed rates would be higher than it is today. The

United Shoe Machinery Company building on 140-152 Federal Street is assessed for $3\frac{1}{2}$ times the land assessment and would save quite a bit more under the proposed rates. So should the owner of every modern or properly renovated building.

Under proper assessing procedures, I am sure you will agree with me that a good building, on an appropriate lot, should, even after depreciation, if well-maintained, continue to be worth several times the land value. Let me now give you the most extreme example of all. If the land for the Prudential development cost five million dollars and the improvements are to cost 95 million dollars, the present tax at full rates would be over \$10,000,000, which is prohibitive. If then the city discriminates against all the other property owners and makes a special deal say at 3 per cent instead of 10 per cent, the tax would be three million dollars.

But if the rate on land were \$128 a thousand and on improvements \$74 a thousand, Prudential would then have a real estate tax of \$7,690,000. And this is the kind of saving made possible for every other property owner and for new developments, without discrimination. There is no more reason to overcharge the rich than to overcharge the poor. Then there would be a real incentive for many national companies to come into Boston and to stay in Boston. Then the city would be self-renewing. A change like the one suggested, with a rate of \$128 on land and \$74 on buildings, would solve the politically difficult problem of assessments on the home owners and voters of Boston. Even if assessments were made at full value, all those with good homes would still pay less than they are paying today. And those whose homes were run down would not be penalized for painting and improving, for adding a bathroom or a garage—in fact

there would be every incentive to improve.

The resistance of a few real estate owners to a change like the one suggested has brought upon them a greater loss than would otherwise have been the case. From a \$28 rate in 1928 to a rate of \$101.20 in 1959 has caused them a greater loss in their income than if they had taken advantage of the Pittsburgh Plan.

The real objective should be the total elimination of taxes on buildings. If this were to be done in Boston, the tax rate would have to be \$278 a thousand on land values to get the same revenue being obtained today. This rate is abnormally high because the situation in Boston is abnormal. Just imagine what a difference this would make to the construction industry. No matter what was on the land, the tax

would be just the same, so owners of vacant land and poor buildings would have to build. And they would find it profitable to maintain their buildings, whereas today it is more profitable to retain a slum building.

Let me add that an increased tax on land does not lower its desirability but does lower its selling price, because the tax on land cannot be shifted to the user. But a tax on buildings is always shifted to the user. The fact that Pittsburgh's land values are still about 35 per cent of total real estate values shows that only a small part of the market rental of land is being collected by the community—otherwise land values would be very much less. Carried to its proper point, land would be available at a song to anybody who would pay the market rental for it, which he does now to a private individual instead of to the city.

Annual Report

The 1959 Annual Report of activities of the Henry George School and its branches has been issued. Copies have been sent to all member-contributors, and are available to others on request. Besides reports on extensions in the USA and Canada, there is helpful information on schools in other countries and the Internal Conference for Land Value Taxation and Free Trade held last summer in Hanover, West Germany. The Annual Report is enlivened with eleven interesting photographs.

Through an error the following material from the New Zealand and Formosa schools was omitted from page 26 of this report:

"There were no classes in New Zealand (Robert D. Keall, Secretary) but correspondence courses were kept going, and assistance was given to Dr. Rolland O'Regan and the New Zealand League for the Taxation of Land Values in publicizing information.

"In Formosa (Dr. Hengtse Tu, Director) no classes were held due to lack of funds, but 50 students completed a one-year correspondence course which includes a study of *Progress and Poverty*. Although nearly all students live in Formosa, many inquiries were received from other countries in eastern Asia. Dr. Tu is also editor-publisher of the Chinese magazine and director of the Chinese Language Institute."

From Rolland O'Regan of Wellington, N.Z. comes a gratifying report on recent polls in nine towns and countries, eight of which formerly had capital value rating. The ratios for and against land value taxation, are as follows: 770:456 — 920:643 — 1,817:695 — 289:66 — 260:91 — 162:43 — 328:52 — 165:126. One county adopted land value rating in 1956 and there was a proposal to reject it. However the vote was 726:567 in favor of continuing land value taxation.

Noah D. Alper's Brief Cases

"One thing has never been discussed and I propose to discuss it right now," wrote John Crosby in his March 29th column. "If we get pay-TV, how much should the operators pay for the use of public air waves? So far no one has suggested that they pay anything. But shouldn't they? Vast fortunes have been made already by the broadcasters grazing for nothing in these public pastures. Are we really ready to sit by and watch the emergence of a whole new group getting monstrously rich on the public domain?"

"It is my suggestion that for every dollar of pay-TV revenue that comes into the box office, 50 cents go to the government. (And don't worry. The pay-TV industry would get awfully rich anyhow and so would the performers.) You might say that 50 per cent is a steep tax. Actually it is not a tax at all. It's rent for public property. Fifty per cent is the going rate for all exploitation of a natural resource. That's what the oil companies pay Arabia for mulcting the oil from the land. And both the Arabian princes and the oil companies are thriving on that percentage.

"In any case, these are two aspects of pay-TV that ought to be discussed. How much do we, the public, pay for it? How much do the entrepreneurs pay us back for use of our valuable natural resource? Neither of these questions has ever been discussed, which is one of the reasons for the confusion surrounding pay-TV."

In other words "to the producer belongs the product"; rent-of-land (for use of natural properties of the universe) is a publicly earned value of the public domain and should be collected and used for the benefit of the people.

MORAL DECAY WITHIN THE LAW

Nobody burglarizes the soil banks—but do soil banks lead to burglary? Here are some "for instances," discovered by "house investigators" who permitted five Coloradans to "burglarize" via a soil bank.

Henry A. Hammer bought 1160 acres of land for \$30,250—\$15 an acre for land alone, exclusive of buildings and improvements. The committee placed a \$40 an-acre-value for "conservation" purposes, which would yield Mr. Hammer \$7.50 an acre over a 10-year period or some \$25,000. The four others worked the same game for sums in proportion. The report also stated that 49 farm operators in 16 Colorado counties had 8546 acres of state owned land in the soil bank as of last April first. Investigators said the land is rented from the state at annual rentals ranging from 30 cents to \$2.50 an acre. Soil bank payments on the land in turn range from \$1.94 to \$12 an acre, totaling \$62,157 annually.

So, because we fail to achieve justice for the "children of men" in their inheritance of the free gift of land, we set up a chain-like reaction of evil compounded throughout the land. The urge to substitute "social security" for "social justice" is winning its rewards—economic hardships and moral degradation. Do such "do gooders" have peace of mind? If not, perhaps they say, "we did not go far enough."

"LIBERAL, PROGRESSIVE ECONOMICS"

"The glittering picture of an American filled with prosperity and comfort—a picture painted by much of the press and many political leaders, is bitterly false for nearly a fifth of all Americans, over 32 million people," according to the Labor newspaper's report of a Congressional Economic Committee study by Robert J. Lampman, economics professor at the University of Wisconsin.

A more aggressive government policy, the professor stated, would hasten the elimination of poverty and bring about its virtual elimination in one generation. The basic part of the program should be one of insuring high levels of employment and increasing average product per worker, he said.

There you have it—liberal and progressive economists, since they are not economic scientists, seeking cause and prevention, are liberal with other people's money and progressive like a cancer.

The Influence of a Book

Following is a five-minute television talk by Russel Conklin, former Mayor of Great Falls, Montana, on the book which has influenced most.

ALL my life I have been struck by the injustice brought about by the unequal distribution of wealth, but long ago I became disillusioned about socialism and other forms of controlled equality. It has always seemed to me that man's basic nature to secure as much of what he wants for as little effort as possible should bring about fundamental equality of opportunity. And it would, if left to work. The primary stumbling block appears to be some sort of monopoly or special privilege granted to some and denied to others. I was still in high school when I found the book with the answer. It was, as a member of the high school debate team in a little school near Spokane in 1915, that I began my study of *Progress and Poverty* by Henry George.

This book pointed out that private property in land was the basic inequality in our system and showed the way to private control and public benefit through land value taxation. *Progress and Poverty* has influenced my thinking ever since. But I didn't own a copy and didn't even see one for thirty years.

And then in 1945 I got a postcard in the mail asking if I would like to take a free course in economics. My study of economics at the University of Chicago and the University of Washington had left me with a rather confused picture of the economic forces that underlie our system of private enterprise. So I mailed back the reply card. When the lessons started to come, I checked the book out of the

Great Falls Public Library—*Progress and Poverty* was the textbook. Every week I went back to get it again. I really studied this book.

After taking a series of these courses I was asked to become an instructor, and have since conducted a total of nine different classes based on *Progress and Poverty* as the textbook. Something over one hundred Great Falls people have been introduced to this basic philosophy through the study of *Progress and Poverty* by Henry George. Since becoming the Montana Director of the Henry George School of Social Science, I have attended national conferences of the Henry George movement in Cleveland and Philadelphia, where I met and talked with hundreds of land value taxation advocates from the United States and Canada. I find I am not the only person who has found in this book the answer to many of the world's basic problems, particularly the demand for land reform. I wish I could give you the whole story now, but you can go to the library where there are several copies of the book, and get a copy to read for yourself. You will be fascinated by the beauty of language and high level of thinking of this great reformer.

Unfortunately George died while campaigning for mayor of New York and did not get to finish the great work he had started, but he did leave a lasting monument which will enrich the lives of all who read it—the book, *Progress and Poverty*, which has been the greatest single influence on my life.





Donald H. Richman, Joseph A. Stockman and Raymond T. Bye in the new library at Philadelphia headquarters.

Philadelphia Family Party

VISITORS from seven states gathered last month in the pleasant house where Henry George was born, at 413 South 10th Street, Philadelphia 47, Pennsylvania. Do you have books relating to Henry George, or other relevant works on economics that you would like to dispose of wisely? Please send them to the above address—Director Stockman will be happy to receive them for the new library.

The program in the afternoon began with economics rendered most amusingly on a guitar by Professor Donald H. Richman of Drexel Institute of Technology—"everything that happens, whether happy, sad or comic, when you get down to the solid facts, is basically economic."

Next Dr. Raymond T. Bye from the University of Pennsylvania held everybody's attention for the very good reason that he was critical, though objective, about these single tax zealots.

To be sure he was in agreement

with the principle of land value taxation, believed it ought to have more influence and suspected that it would. But he felt that Henry George was mistaken in saying, in his diagnosis of poverty, that all profits go to landlords, and thinks we tend to exaggerate the influence of land rent. He feels the benefits *do* go to the laborers, and that the percentage of income to landlords is a small percentage and is not getting higher. Professor Bye agrees that land rent is a socially created product, but says there are other unearned profits such as monopoly profits, also patent and labor (organization) profits, predatory and windfall profits, interest on inherited wealth and some kinds of labor wealth..

Henry George reasoned that if we took profits away from landowners we could diffuse this amount around for all the things needed, the speaker said. He didn't reckon with the tremendous cost of federal government

which does not spend as much as it should largely because of the amounts spent on armaments.

The basic statement that the rent of bare land is not earned is absolutely right, he said, and it is unjust that this should go on—the rent of land *should go to the community*. But we have to be careful in determining just what is bare land, and careful not to penalize man for any improvements he has put into it.

This economist agreed with Henry George's taxing method and believes it is a good principle, if you do not expect too much from it. What *can* you reasonably expect from it? Some who are living off land rent may have to go to work, and that would be good, every able bodied person ought to be earning. Also holding land idle for speculative purposes would be stopped. By this reform we would get rid of the tax on improvements and would be able to reduce our taxes. Furthermore putting this land to work would add something to the product.

He would begin putting this into effect, then, by separate assessments of land and improvements, reducing

the rate on land year by year and spreading it over two generations, or fifty years. Gradually the tax on improvements would fall to zero. Sooner or later we may do this, he believes, and it will be one part for improving the economic condition of our people. But it would not be a "single tax."

Robert Major, a Hungarian economist and journalist from New York, was in the audience and was called upon for an impromptu reply. He concurred in the warning against too great expectations, but said there is a basic injustice in social life which will breed other evils, and we must begin with this. For if the trouble were eased even a little, many pressures of the world would be eased proportionately.

As zealots, he said, "we are extreme only in our ideals—in declaring that we believe in a just society—and in the belief that for the state to leave unearned incomes untaxed is unjust." We are, he concluded, "quite practical people."

Julian Hickok of Philadelphia was the chairman. Joseph A. Stockman, Philadelphia director, and Robert Clancy, New York director, spoke briefly.



Newly restored room showing bed in which Henry George was born, also (at upper left) a picture painted by his aunt—both treasures from Agnes de Mille, granddaughter of Henry George.

(Continued from page 1)

constantly added to and revised during the past 40 years. For many years after it was first passed the progress in the redistribution of land was very slow, and it wasn't until 1935 that it was pushed energetically under the regime of president Lázaro Cárdenas. By 1940 over 40 per cent of the crop land of Mexico had been transferred to the people who actually worked it, and the process has continued ever since, making it one of the most sustained programs of agrarian reform ever attempted anywhere.

Needless to say there have been numerous problems connected with this reform, and the economic situation of the agricultural workers has not improved to the extent expected. As a result, many people have become disillusioned and are urging a complete re-examination of the program. Although a more or less communal system has developed in some of the "ejidos," in other cases the small size of the parcels has made their exploitation uneconomical, and the agricultural production of Mexico has had a hard time keeping up with the population increase. As Henry George pointed out, to try and obtain a more just distribution of the wealth by an arbitrary subdivision of the land is to run the risk of diminishing the amount of wealth there is to divide. Experience seems to bear this out.

At present there is great optimism about the future of Mexico. Under its dynamic young president, Adolfo López Mateos, it is taking great strides forward. American investors have greater confidence in its political and economic stability and considerable industrial progress should occur during the coming years. Unfortunately this progress will be somewhat limited by the fact that the average yearly income in Mexico is approximately \$200 per person. Even considering that a dollar buys more south of the border, this is

a bare subsistence. Hence the majority of the people are not able to buy what the industry of the country produces now. It is hoped that the Latin American Free Trade Zone will provide expanded markets, but other member countries share the same hopes.

Although large areas of land have been redistributed under the agrarian reform, the actual value of the land affected is only a minute part of the total land value of the nation. It would be most interesting to know, today, 50 years after the revolution, what percentage of the people own what percentage of the land, calculated on the basis of land value rather than area.

Since real estate taxes fall almost entirely on buildings and improvements, land speculation is widespread. Residential building lots in some subdivisions on the outskirts of Mexico City are selling for as much as \$12,000. Contrasting this figure with the average yearly income gives a good idea of the unjust distribution of wealth that exists. These lots are advertised in full page newspaper advertisements as magnificent investments—they "go up in value every minute" says one ad! Considering that Mexico has one of the world's fastest growing populations, this may be so. The long term trend of land values will obviously be up, but temporary reversals of this trend are also quite possible. Perhaps it was with this in mind that the National Banking Commission recently ruled that "Financieras"¹ cannot invest any of their funds in real estate or in land subdivision companies, nor make loans to companies dedicated to buying and selling land.

The next logical step would be to make speculation in land unprofitable

¹ "Financieras" function as investment banks, underwriting securities issues, etc. They issue large amounts of bonds, but cannot accept demand deposits.

by taxing the unearned increment. The central principle of Article 27 of the Constitution of 1917 is that the land of Mexico belongs to the people as a whole, and that the nation has at all times the right to regulate the use of natural resources in the public interest, in order to make a more equitable distribution of the public wealth. Perhaps someday it will be recognized that the only practical way to achieve this is

by collecting for public use that value which the people as a whole have created.

A case study of a large scale agrarian experiment published by the University of Florida Press in Gainesville, is entitled *Land Reforms and Democracy* by Clarence Senior, and deals with the distribution of land to about 30,000 peasant families in Mexico. This is a pilot study for land reform movements with special reference to three major issues.

FROM UR TO NAZARETH, by Francis Neilson. Robert Schalkenbach Foundation, New York, 1960. 461 pages. \$6.

(Available from The Henry George News at \$5)

THE distinguished author, Francis Neilson read *Progress and Poverty* in his teens in England. In his home the principles of economic freedom were discussed by the outstanding radicals of the time, who were friends of his father. Also, the Bible was read every day, and it is to this heritage that he attributes the roots of learning and a disciplined writing style.

On reaching America before the age of twenty he learned to work hard at rather menial labor, but he continued the serious study of noble literature which was already a part of his nature. He was striking in appearance and possessed a vibrant voice, so it is not surprising that he became an impressive speaker and actor.

In 1902, having returned to England, he entered the political arena as a Liberal candidate for the British Parliament. He was then in the midstream of a career in the theater. Eight years later he was to become a Member of the House of Commons. It was during that period that religion and economics became absorbing interests which were to culminate in *From Ur to Nazareth*,

a crowning companion to previous notable volumes with which all Georgists should become acquainted.

Since 1915 Mr. Neilson has made his home in the United States. Just prior to his ninety-third birthday he spent two and a half years building this monumental book which John Haynes Holmes hails as a triumph—"the work of a lifetime of study and research." In a purely contemporary manner, he illuminates for us such familiar passages as the Sermon on the Mount, the concluding verses of Isaiah 65, and the poetry of the Psalms, discerning in them fresh economic and political texts.

The deeply-searching author has followed every forward step in this field during past decades, and when archeologists steadily produced facts confirming recorded evidence, he was unquestionably the philosopher best qualified to synthesize them. In a majestic modern transport the reader is carried from the teachings of Moses, "the first fundamental economist," to the gospel of economic justice as exemplified by Jesus. Let's turn off the television, close the door, and experience once more the joy of great reading. This book should be for Bible readers, a new light—for historians, a new continent—for students of economics, a revelation.

Stand Still, Little Lamb

Condensed from Economic News

FROM one point of view the "forgotten men" (virtuous citizens who pay their debts and taxes and are never heard of outside their small circles) are *not* forgotten. [An article distributed to half a million readers of Economic News published by the American Institute for Economic Research, Great Barrington, Massachusetts, entitled "Stand Still, Little Lamb, To Be Shorn," points out that their votes are sought, and they provide the funds for all public projects "ranging from the necessary to the sometimes worse than useless." On these citizens too rests the burden "of that hidden tax attributable to a depreciating dollar, the inevitable result of inflation."]

If the "forgotten men" understood the extent of this burden they would see how much they are relied upon by the beneficiaries of inflation and might, after recovering from the shock of counting their losses, develop a quiet pride in their burden-carrying capacity. Perhaps even a sheep develops pride in its ability to grow a good coat of wool, in spite of discovering that his fate is to be shorn.

The situation may be more calmly viewed by the victims of inflation if, instead of counting their losses, we count their contributions to the "success" of prolonged inflation. The fact that their contributions are made without their consent is an interesting aspect of the matter that perhaps makes "embezzlement" a more appropriate name for the process. However, different names do not alter the facts in the case.

The funds belonging to the nation's "forgotten men," from which they contribute to the "success" of pro-

longed inflation are held largely in nine principal forms of investments.

One of their largest single investments is in life insurance and annuities. The actual sum thus accumulated at any time is not the face amount of outstanding life insurance and annuity policies but the reserves held by the insurance companies for such policies.

A second important investment made for individuals is the total of trust funds held by the government for old-age pensions, employment and disability insurance, railroad retirement funds, and veterans' life insurance.

A third source from which contributions to the 'success' of inflation are made is the total of savings or time deposits in commercial and mutual savings banks. When the depositor is lucky, his loss of buying power in a year may be less than his interest earnings. In some years, however, the percentage depreciation of each dollar on deposit exceeds the interest earned during the year. In such years, the depositor contributes not only all of the interest he thinks he is earning but also some of his original capital.

A fourth principal investment likewise vulnerable to the thieving propensities of the inflationists is the total of accounts with savings-and-loan associations, with credit unions, and in postal savings. A fifth is in the form of U. S. Government bonds—about two-thirds of the total held by individuals are the U. S. savings bonds so widely owned. After these come bonds of states and municipalities, bonds of corporations, loans secured by mortgages and the currency hoarded by many individuals in inactive or idle checking accounts awaiting future purchases.

If this huge supplementary tax, this

forced contribution, made the process of inflation successful in stimulating sound and sustainable economic growth at a faster rate than would otherwise be possible, the results might be worth the price. But there is no instance in the known history of the world when such was the outcome. On the contrary, every prolonged inflation has fostered maladjustments such as those obvious in the United States today.

As a result of these forms of investments nearly \$200,000,000,000 has been contributed to the "success" of inflation since 1939. If the nation's "forgotten men" comprise about half the population, this forced contribution approximates \$10,000 per family involved. In relation to the federal income tax on individuals, the losses on savings alone attributable to embezzlement via inflation equal such taxes for 4 or 5 years at the current rate.

As a matter of fact the situation is worse, much worse than is indicated by the nearly \$200,000,000,000. That is only part of the loss and perhaps the smaller part at that. Not only did the "forgotten men" lose that amount from their accumulated savings, they and others lost still more from their current incomes. All whose incomes increased less rapidly than did the cost of living lost still more, an amount difficult to ascertain but assuredly large. Those whose incomes were relatively fixed, those dependent on pensions, annuities, income from bonds, and on salaries or wages that were not increased as rapidly as the cost of living rose, all those many millions of individuals also were forced to contribute to the "success" of prolonged inflation.

Many people ask us, "But what can I do, I am only one citizen, I am all alone?" We marvel that anyone can be so unobservant. The nation's "forgotten men" are not alone; they number many millions. If that were not so, they would not have so much that

can be transferred to the beneficiaries of inflation. On the other hand, the farmers today are a small minority, and only a few of that small minority benefit on a large scale from the farm programs; but the politicians heed them because they act, if not more like men, at least more like hogs than like sheep. They evidence their desires, and the politicians heed them.

The fact is that the power of the nation's "forgotten men" is vastly more than they seem to realize, enough to change the course of history whenever they choose to act like men instead of like sheep. In West Germany the "forgotten men" after two thorough shearings via inflation (in 1923 and again two decades later) finally insisted on an end to inflation; and they now have both a rapidly growing economy and a currency for which they can obtain gold on demand.

Does this imply that in West Germany the politicians are better informed than those in the United States on money-credit matters or are more diligent in voluntarily protecting the "forgotten men's" interests? Not at all, statesmen are always on the side of the "forgotten men" in any event, but politicians are alike the world over. Politicians don't have deep-seated convictions; they are keenly alert to the desires of any group that may hold the balance of political power in an election district. When such a group, especially if it is as numerous as are the nation's "forgotten men," evidences definite desires, the politicians will be eager to vote as the "forgotten men" wish.

Some readers may suggest that many politicians already have evidenced their intentions to stop inflation. This raises the question, what is satisfactory evidence of such intentions? No one should assume that words, however sincere they may seem to be, are sufficient evidence. Vigorous advocacy of and actual voting for restoring the

gold standard for the nation's currency at the earliest practicable date (perhaps setting a date 5 to 10 years in the future because of the many inflationary maladjustments to be corrected) would constitute, in our opinion, the only worthwhile evidence of an intent to stop inflation. As we interpret them, mere oratorical con-

demnations of inflation by politicians and assurances that the dollar will not again be devalued (like Sir Stafford Cripps' several denials that the pound would be devalued, the last on the day before that action), in short, all verbal shadowboxing with inflation can be translated thus, "Stand still, little lamb, to be shorn."



A Letter to Readers of The Henry George News:

IN recent issues of Economic News, the American Institute for Economic Research in Great Barrington, Massachusetts has exposed the inflation issue and issued a challenge that every Georgist should gladly accept (See page 12). The author, presumably Colonel E. W. Harwood, though the article is unsigned, stated that if the readers of Economic News alone would act, they would constitute a large enough minority to influence Congress.

The two preceding issues gave a clear picture of the monetary mess in which the U.S. finds itself, and which the Secretary of the Treasury realizes. The salutary effect of resuming the gold standard in the desperate crisis after the Civil War is a matter of history which Colonel Harwood related in preceding issues.

I propose a campaign by the Georgists of America (or those who agree with Colonel Harwood) to tell their Senators and Representatives that they are voting for resumption of the gold standard. With the letter should go a copy of, or clipping from, Economic News, with a brief explanation of the scope and purpose of the Institute for Economic Research. [As a possible substitute, the shortened version of the article in this issue might be used.]

There are fields in which Georgists should *act*, not merely educate. The fact that land speculation is the basic cause of booms is no reason for failure to tackle other related problems.

I request that Georgist publications in other cities print a copy of this letter.

I shall never forget the moving appeal Dr. Henry George III made at the 15th Anniversary dinner of the Newark School. It did not concern the gold standard, but rather prison reform. Dr. George begged Georgists, while not neglecting their principal mission, to join the ranks of those working for justice in whatever fields lay open to them.

Here is a cause very near the central issue. Let us write our letters today. A copy to the local newspapers might awaken many non-Georgists to join in the effort. Let us act before we are all so deeply in the prison of inflation that no power in the world will constitute enough prison reform to release us.

CATHERINE M. WASHBURN
Hackensack, New Jersey

A most welcome letter has been received from Henry George IV, a student at the University of Knoxville, Tennessee, enclosing a contribution which makes him a member of the Henry George School. It is a great delight to make the acquaintance of the great-grandson of Henry George.

The Henry George School in the News



NIANTIC, Connecticut was added to the list of towns where the principles of Henry George are being studied. Mrs. Ethel Stannard, center above, was the leader and instructor. Although her graduates numbered only four, they were persons of importance in Niantic and New London. Their graduation was therefore a pleasing occasion celebrated with a reunion dinner of Connecticut Georgists. Among the thirty guests were Mr. and Mrs. James A. McNally, Mr. and Mrs. Nathan Hillman, A. P. Christianson and family, and Robert Clancy, New York director. Helene Kavalier snapped Mrs. Stannard and her "fledglings" and we are always happy when people remember HGN.

DETROIT conference time is getting closer—soon there will be more program material. But meantime, check your road maps and make your reservation. (see page 16)

House Resolution No. 17, proposing investigation of the effects of a higher differential rate of taxation on land values as compared to improved values of real property has been laid before the House by the Speaker, having been included in the House Journal of April 6th. This resolution was drawn by the Honorable S. James Clarkson, former faculty member of the Henry George School in Detroit, and Representative DeMaso.

SAN FRANCISCO's director, Robert Tideman, better known locally as the executive secretary of the Henry George School and more recently as the secretary of the Governmental Finance Section of The Commonwealth Club, has shown his scholarship in a report on governmental finance published in The Commonwealth Journal of April 18th.

"What Kind of Tax System Should California Have?" This is the study which has occupied the club's Section on Governmental Finance. It hopes eventually to recommend a sound tax program which will promote the general welfare in California. First questions under discussion were: (1) Is a sound "tax system" composed of two or more different kinds of taxes? (71 said yes—17 no). (2) Is there one tax which can raise all the revenue required? (14 yes—75 no).

The kinds of changes required were discussed, also the matter of federal and state aid. Property taxes, income taxes, sales taxes and service charges were debated and voted upon.

All participating members were keenly aware that a study of this scope could merely suggest new directions and new emphasis in tax system improvement. The members of the club, and this section in particular, unite in urging that state and local officials give continuing and systematic attention to improvement of the tax structure, relying as far as possible on sound economic principles and objectives. All this, and more, made up the substance of the report by Mr. Tideman, whose growing stature in West Coast circles we view with confidence and pride.

You are invited to attend the

ANNUAL BANQUET

**of the Henry George School of Social Science
to be held**

WEDNESDAY, MAY 25, 1960

**in the Skyline Room of the
HOTEL SHELburnE**

Lexington Avenue and 37th Street, New York

SPEAKERS

ALBERT PLEYDELL, Director, Urban Renewal Study, Citizens Housing and Planning Council — "A New Chance for New York's Slums"

ERICH ZINCKE of Hanover, W. Germany, Translator of Progress and Poverty into German — "The Georgist Movement in Germany Today"

WALT RYBECK, Editorial Writer, Dayton Daily News — "The Reformer's Stake in and Responsibility to a Free Press"

Toastmaster: JOSEPH S. THOMPSON, President, International Union for Land Value Taxation and Free Trade

Dinner, \$5.00, (gratuity included)

Dress informal

Social hour, 6 P.M.

Dinner, 7 P.M.

Please reserve by writing to the Henry George School, 50 East 69th Street, New York 21, N.Y., with check attached, or make telephone reservation by calling RHineland 4-8700. Advance reservations are earnestly requested.

The 16th Annual Conference of the Henry George School will be held July 6-10 in the Pick-Fort Shelby Hotel, Detroit, Michigan. It will be preceded by a conference of the Henry George Foundation. Watch for more details in the June HGN. A program will be mailed to all subscribers to The Henry George News as soon as it is completed.

**Robert Clancy
3353 82nd Street
Jackson Hgts., L.I.**