

the Henry George News

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Who Owns US

THE questions most often asked of Georgists are being answered every day in the national magazines and newspapers with increasing astuteness and urgency. Isn't land relatively unimportant now as compared to the high cost of labor and materials, people sometimes ask. A recent series of articles about New York's land barons should silence that. Why hasn't this tax reform been tried, will be asked less often as researchers are led inevitably to the fundamentals delineated by Henry George, especially with reference to slums and inter-city decay. Embattled students have long predicted that George's methods would be considered only when everything else had failed, and the signs are growing.

In February alone there were extensive reports in a number of publications which would not have been accepted if there were no "land problem." Even though land is usually bulked with buildings as real estate, more people know the importance of considering and assessing them separately. If the various periodicals have not gone so far as to see the solution, they are at least repeatedly calling attention to a situation that has long been neglected.

Another question often heard is, if you Georgists know land is so fundamental, why don't you invest in it and profit from your knowledge? For several years the answer to this was

thought to be, it's too late. But an article in the U.S. News & World Report (February 17) quotes the experts as saying "the biggest boom in America is in land—the rise is just beginning . . . new fortunes will be made . . . the end is not in sight." One reason is that the swollen land costs in the U.S. are outpaced by surging land prices abroad where population pressures and inflation fears are stronger.

In Tokyo commercial property is said to be ten times as high as Wall Street property—prices have risen 839 per cent since 1955. A Georgist correspondent from Japan writes that "Olympic boom" eloquently describes Japan, where boom has become "boomu" and has acquired a Japanized connotation to describe everything that is increasing in number and velocity—as leisure boom, car boom, travel boom, bowling boom, construction boom, and lately the traffic accident boom, which the populace angrily insists could be reduced.

In Hawaii land is so valuable it is usually leased, not sold, and this is becoming the pattern in New York and other large American cities. Land prices in Switzerland are among the highest in Europe and still rising. Britain's high land values too, are concentrated in industrial areas and cities. Farm land 45 minutes from London

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A Word With You

OUR society today is in need of a new "breakthrough." Accustomed habits of thinking and doing in our social, political and economic life have brought us to a dead end, and we know not which way to turn.

America no longer looks confidently to the future as she once did. Instead of pioneers blazing new trails, we have people thinking only of social security and fringe benefits. Instead of proudly facing the world, we shrink from every new crisis.

There is still much idealism in this country and in the world. But misguided idealism won't do. Much enthusiasm and energy in many countries is wasted on such causes as nationalism and xenophobia.

The "upper classes," traditional leaders of society, are for the most part leading us nowhere at all. If they are not thinking up new diversions for themselves, they are supporting futile (but tax-exempt) charities and research projects. The newer wealthy upstarts are too busy chasing the buck to think of anything else.

Every so often we get angry at something or somebody and want to rattle the sabre. But at some point in recent history, war simply stopped being a way out (not that it ever was). The change wasn't after the atom bomb was dropped, as we did have Korea since then. It may have been at the time of the Suez crisis. At any rate, "world opinion," perhaps

for the first time in history, no longer hankers for war as the way to settle things.

Our intellectuals have let us down. If they have not capitulated to the lower standards prevailing, they are off in a corner, specializing in their specialty. But the way forward will have to be a retreat from today's fragmentation and over-specialization. The kind of "breakthrough" needed is not the kind we hear so much about in medicine when a new "wonder drug" is discovered. We may find ourselves closer to the solution of such frightful killers as cancer when we look at the total environment.

And this looking at the whole picture is what is needed in general. We have come to the point where every avenue of our lives connects with every other avenue. We've been bumbling along, patching and improvising our laws, our taxes, our whole economy. A new and higher synthesis is needed—one that can look at all mankind, its needs and aspirations—one that can look over the walls of our blind alleys and see the green pastures beyond.

Moments like this have happened before in history. For a long time society goes its accustomed way, then—apparently all at once—stalemates, log-jams and disasters occur. Well, we've gotten this far in history; let's see if we can get through the crisis of the present.

—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 rental value to land, therefore the 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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Who Owns US

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jumped from \$700 to \$28,000 an acre when it was zoned for residential building. A farm on the fringe of a Toronto suburb recently brought \$2 million. In Montreal it was estimated that speculators had bought up enough land to "take care of the city's growth for the next 100 years."

Rising prices are changing investment patterns in France, Germany and Italy, where money is being taken out of stocks and put into "safe" land and buildings, because of a fear "that Italy's left-leaning government may nationalize more private companies." Inflation fears affect land prices in the U.S. too. "Historically, people have bought land as a hedge against the declining value of money, and that's still true today . . . money tends to depreciate in value but real estate and population keep rising."

With almost monotonous insistence we are reminded that the boom is "reaching out in all directions." At Squaw Valley, California, tiny 1960 Olympic lots that sold for \$250 ten years ago are bringing \$5,000 or more; and about 30 miles north of San Francisco residential lots along the ocean are in hot demand at \$25,000 despite warnings that in severe storms they may be flooded. Desert land near Albuquerque can bring as much as \$1,000 an acre. Apartment and office buildings in cities are mounting higher to make new "metropolitan acres" available, but other hindrances such as taxes and traffic, drive businesses out of the cities to cow pastures that sell for hundreds, even thousands, an acre.

In the face of this and other widespread evidence of the mounting census figures, the director of the Stanford Food Research Institute, Karl Brandt, maintained in a recent discussion on population, that this country

is underpopulated, and that other countries too, could produce all the food they need if they would use insecticides, pesticides, fertilizers and cheap motor fuels for pumping irrigation water (he didn't mention the importance of hard work).

Not All "Boomu"

Strangely enough there are some places where the price of land is not rising. They are mentioned at the end of the long and skilful article in the U.S. News & World Report. Ask any student of Henry George where the values are declining. Right! In the downtown sections of cities! In Detroit, for instance, a decline began in the late 1930's. One land broker said, "many properties in our downtown probably would have to be sold at less than assessed value, and the assessment is only 50 per cent of value." Of course the picture is completely different in the suburbs.

Perhaps the worst abuses will initiate the earliest solutions. It is from the Detroit area that some of the most encouraging successes have been reported, especially by Mayor Clarkson of Southfield, a flourishing suburb of Detroit. It is also promising to note that a bill has been newly introduced in the Michigan legislature aimed at separating land and building evaluations and increasing the assessments on land.

Yes, there is still plenty of land in these United States, but as stated in this report, "it's mostly where nobody wants to go. People want to be near other people. In those areas, land is at a premium and values naturally are going up." One of those areas is New York, and it is not surprising that a series entitled "Who Owns New York," drew attention and rebuttal when details of ownership and management were documented by Daniel M. Friedenberg in the New York Herald Tribune in February.

The "old families" whose fathers came over by slow boat, still receive high incomes; but the author concludes, after spinning rapidly through this historical narrative which he limits to the small area known as Manhattan, that the island is owned by 100 men who sit on the right finance committees and who say yes or no on questions of leasing and selling.

He describes a vast "overlay of shared interests—interlocked and interwoven." These include life insurance companies, commercial banks, the powerful old and the ascendant new families, certain churches, institutions and corporations, the union finance committees and pension funds. By comparison, he says, "most speculative builders seem like marionettes in a children's show who cannot move unless other people manipulate the strings."

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This would be incomplete without a brief sampling of the heady real estate figures. When we read last year that Lord John Jacob Astor had moved to France, it was because he wanted to avoid making his heirs pay an 80 per cent British tax on American holdings which were valued in 1919 at \$90 million. All buildings built on land leased from the Astors become their property when the leaseholds expire—to mention just one—the New York Hilton pays \$600,000 a year in rent, plus property taxes.

Among newer families the Rockefellers hold the largest privately owned real estate development in the world. Most of the land under Rockefeller Center is owned by Columbia University. It receives an annual rental of \$3.8 million and has already received about \$122 million from this leasehold, which has been extended to the year 2073.

The "Center" has been extended for several blocks to include a succession of dazzling elevations. The author be-

gan by casting no laurels at land-owning families for benefits to the city, but he relented somewhat in the case of the Rockefellers who gave the land under the UN buildings. As apparently no one can do good to another without benefiting himself, it is well known that the Rockefellers profited greatly from increased values to their surrounding properties.

The depression in the 20's made many painful changes. It is said that William Randolph Hearst "impetuously dumped most of his property, reducing his total worth to a mere \$400 million at death." Marion Davies will be remembered as one of the screen beauties who received not only jewels but buildings as gifts, several of these in New York are still in her estate.

In the 1950's we meet the syndicates—groups who pooled their funds to buy property and avoid double taxation (corporation and individual) and take advantage of tax-free depreciation charges. Lawrence Wein organized about 100 such syndicates with values close to \$1 billion, then abandoned the device in favor of trusts, better suited to postponing capital gains.

On the contemporary scene the star-studded speculators include such names as Zeckendorf, Tishman, Wolfson, Rose, Rudin, Glickman, Kratter and the Uris brothers, who have become very rich in 15 years and seem destined to last longest. Their buildings have been criticized by architects, but profit is the motive—forget about esthetics, say these individual builders. The better buildings, generally speaking, have been credited to corporations. Joseph Kennedy's holdings are estimated at \$400 million, largely in New York, and he is considered to have made \$100 million in these deals alone.

The author seems to hold the view that speculators, like the old families, have added nothing to the city. We



read, however, of Samuel J. Lefrak, a "master landlord" who will soon have a million tenants—more than all the persons living in public housing provided by the city—and he prides himself on never having accepted state aid.

This may be some sort of a benefit to New York in view of the urban renewal scandals disclosed in the March Reader's Digest by a U.S. Representative. Where the government pays two-thirds of the cost of buying and clearing slums and rebuilding the areas, these must be designated as "not worth saving." It was discovered (too late) in a Cleveland project, that many valuable and almost new buildings were summarily classified as sub-standard, promptly destroyed, and eventually replaced—at the taxpayers' expense.

It has often been said that if all wealth were divided equally among us, it would not be long before some people would again have much more than others. As we read the history of the real estate moguls it may be that "these too shall pass," for the individual builder seems to be losing out in the trend to bigness. The key to all building, the author points out, is capital—that's where the banks come into the picture, and recently also, with increasing forcefulness, the insurance companies, railroads and other

large corporations. The Metropolitan Life Insurance Company is now one of the largest landlords in the city. The New York Central and Pennsylvania railroads own vast properties.

Despite public protest, the architecturally splendid Pennsylvania Station is coming down to make room for a new Madison Square Garden, as money is pitted against non-monetary values, "with the money winning out." New York Central's extensive tracks under Park Avenue have provided the air rights for "ice cube office buildings"—most conspicuous of course—the Pan Am Building. The latest "improvement" announced by the Uris brothers is a leasehold for the ground under the Grand Central Palace, which means another fine old building will be replaced by "an insipid new one."

What caused this de-personalizing of our city's land? Could it have been taxes? Back in the 19th Century and early in the 20th profits in business were far greater than those in real estate. This changed with Theodore Roosevelt's "trust busting" and gathered strength through the New Deal, as the income tax, "a mere nibbling affair when enacted," began to "bite deeply into profits."

When the profit squeeze hit the national corporations, Congress, anxious to promote the construction industry,

gave it a tax-free depreciation analogous to the depletion allowance granted to oil. Congress might better have favored construction by simply moving taxes from buildings to fairly assessed land values. Builders then, unhindered by repressive taxation, might have produced better buildings, since they would have been free to compete with each other for tenants. If taxes were concentrated on land values, much of the big money might go into the kind of structures that would beautify the city and honor the builders.

Mr. Friedenberg explains that "the advantages of real estate are not limited to depreciation. Since buildings are built with mortgages normally running anywhere from 65 to 80 per cent of total cost of a new project, and as high as 90 to 95 per cent on FHA and special state-legislation money, the actual equity invested is very small. But depreciation is allowed on the entire building cost, not merely on the equity investment. Thus a small amount of capital has powerful

leverage in boosting cash return. And to cap the advantages, capital gains permit the seller after three years to reduce the tax on profits to 25 per cent . . . more than 70 per cent of today's real estate deals involve tax angles."

Speculators are optimistic, but there must be a limit to the office space the city can absorb, the author notes. There is a new 5 per cent tax on rents over \$2,500 a year and this will probably jump, since "such taxes always have in the past." With New York a "morass of unresolved problems," he concludes, "it can only look to realty taxation in order to raise the money needed to solve them."

So with the spectre of increasing inflation before us, we have taxes on profits driving investments into land, lightly taxed—when a simple reversal of this situation would spread the benefits equitably, preserving the time-honored American ideal of opportunity as freely available to all as it can be made.



Dr. Robert V. Andelson, now assistant professor of government at Northwestern State College, Natchitoches, Louisiana; formerly director of the Henry George School in San Diego, recently told a group of members of the International Student Club, "we may wind up as communists unless we become economists." Professor Andelson named ten advantages that could accrue from land value taxation, basing his statements on *Progress and Poverty*, and referring to Fairhope, Alabama as a "thriving city founded to exemplify the system."



Arnold Weinstein is an attorney in New York and a trustee of the Henry George School. His son, Steven, a fencing champion, now a sophomore at Columbia University, gladdened his father's heart and raised the morale of his university, by winning the Inter-collegiate Invitational Foil Championship — a competition which included Columbia's traditional rivals — New York University and Navy. Steven is the first sophomore to win the tournament and the first Columbia student to win since 1955. He is an eighteen-year-old Athletic League champion from Forest Hills, Long Island. After the exciting victory he was lifted to the shoulders of the cheering Columbians and, according to the New York Times, "took a good natured pummeling before they let him down."

"the poor but honest cottagers"

DR. ROLLAND O'REGAN of Wellington, who will be remembered for his effective lecture tour in America last year, has reported on the activities of his Georgist colleagues in New Zealand, along with some of the causes of their recent defeat, which, but for the enemy's cunning, would have been a resounding success.

In New Zealand, where many counties, boroughs and towns have adopted rating on the unimproved value of land (lvt), an attempt was made last year to extend this reform to Auckland, a city surrounded by 24 satellite boroughs comprising Metropolitan Auckland, the most populous and politically the most important area in New Zealand.

Auckland has the usual problem of inner city decadence—however, it is a city conceived in land speculation, and land value taxation had many enemies because it is known to thwart speculators. As the rating association is small, a few loyal members had to work long and faithfully to collect the number of signatures required to petition a vote on the proposal. By the time the petition was ready the enemy was also ready. The opponents made a concerted effort to block the votes for unimproved rating and gained control of "all the high ground and the guns."

The splendid work done by members has not been in vain, however, since a good deal of unexpressed sympathy has been won for the ideas of the association, and these may be crystalized when a bolder and more imaginative approach is made next year.

It is understood that in a period of change such as was proposed some hardship would naturally result and adjustments would have to be made.

These statistics were emphasized by the opponents — including the City Council, both daily newspapers and a number of influential civic, business and political groups.

An attempt to answer critics in the press was fruitless—editors refused letters from contributors expressing views favorable to lvt but published many against. In 1956 a sub-committee of the Auckland City Council reported on the changes rating on unimproved value would bring if adopted, and their analysis indicated the familiar result. Dr. O'Regan has repeatedly explained that removing local property taxes from houses, buildings and improvements, and taxing land values alone at the local level, benefits the community generally and results in 80 to 90 per cent of homeowners having their taxes reduced.

These figures were given wide publicity at the time and showed that adopting rating on the unimproved value would increase the rates on the city center by approximately £160,000, and would decrease suburban rates by a like amount. The enemy saw what would happen and set up a move to counter it. Since large changes in rates were involved in the inner city area, the conflict of interest was purported by the landed interests to be between poor owners of decadent properties and wealthy owners of well developed properties in the city. The former were represented as "the poor but honest cottagers whose property, through no fault of their own, was getting very valuable and to whom rating on the unimproved value would be a disaster." Really the conflict was between inner city interests in land—the most valuable in New Zealand—and inner city interests in high land use, i.e. good city buildings.

Sydney Mayers

VIEWS THE NEWS

A new madness is spreading over the earth, known to science as Beatlemania, inspired by the caterwauling of a quartet of young Britons whose Teddy-boy clothes and mane-like hairdos have brought them fame of a kind, and money of every kind. While we prefer more dulcet music, we do not begrudge these ingenious lads their peculiar success — after all, if some amass fortunes by monopolizing land, what's wrong with getting rich by monopolizing the Beatle?

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A plentiful supply of beef and other meat products has lowered retail market prices, bringing joy to the consumer but dismay to the producer, whose declining "on the hoof" income has occasioned a wrinkle or two on his brow. However, even breeders who never went to college understand economic law, and reports show that fewer pigs are being raised and fewer cattle are being fattened — so it won't be long before Up Goes the Price of Steak.

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Talking of the Law of Supply and Demand, it is interesting to note that this unwritten (and unrepealable) statute applies to labor as well as capital, that is: to men as well as commodities. A few years ago, when the great need for engineers was highly publicized, countless young men turned to studies in technical and scientific fields; but now the demand for such personnel has lessened, and many expert technicians are hard-put to find suitable jobs, some turning to other pursuits—all of which proves (again!)

that if you want to reach an economic balance, let Nature take its course.

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Despite fierce enmity and the actual existence of a state of war between Israel and her Arab neighbors, it appears that the two bellicose factions quietly continue to carry on considerable commercial activity. As always, to paraphrase an old popular song, trade will find a way.

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Considering the vast natural resources (land) and the enormous reserve of manpower (labor) they possess, it seems incredible that the new African nations have not even begun to develop their productive potential, but news accounts from this unhappy continent continue distressingly to report turmoil, riot, rebellion and chaos. Perhaps it is because a clear voice is not yet heard throughout the land, calmly making it known that peace and prosperity result from attention to economics, not to politics.

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While rejoicing at the news of the multibillion dollar cut in federal taxes, let us pause and reflect that (according to *The Wall Street Journal*) the bonded indebtedness of American states and municipalities has risen 448 per cent since World War II. Since the payment of interest on the gigantic amount involved, not to mention repayment of the principal, can come only from taxation, we may simply find ourselves expending the same sum or more, albeit to a tax collector nearer home.

HOMEOWNERS UNITE!

THE California Homeowner, a monthly magazine published in Los Angeles, is attracting wide attention for the Statewide Homeowners Association. The office of the editor, Jack Motley, is at 953 Eighth Avenue, San Diego 1. Other editors are Clayton C. Bauer of Spencerport, New York; E. Robert Scrofani of San Francisco; and Michele Hamilton of Los Angeles. The president and vice president of the Homeowners Association are John Nagy and Hyman Ledeen, respectively.

The February issue contains a preview of a report sponsored by the Homeowners to find out if more public revenue could be raised through true equalization of property assessments. Local support of California public schools is dwindling and there has been a clamor for more federal help.

Figures already examined show that San Diego county school districts could collect more than \$23 million additional annual public revenue if all property in the county were assessed at an equal ratio, and the San Diego unified school district could collect more than \$7 million of this.

The Homeowners Association has been patiently pointing out that their tax bills are too high because they are

paying taxes for land speculators and slumlords. More and more citizens are being made aware of the inequity of present assessment practices in California through the California Homeowner (\$5 a year).

Various community groups have voted to affiliate with the association. The fee of \$25 entitles all members of such clubs to the monthly magazine, as well as to classes in economics. Property owners are taking advantage of the benefits of organization and are gaining increased confidence in attacking local zoning and tax problems. Mr. Motley, who is well known for his ease and skill in preparing press releases, makes his experience available to affiliated groups when needed.

Fragments, an eight-page quarterly literary publication, now a year old, has started Volume II in a new format. Sydney A. Mayers, popular HGN contributor of Views of the News and a teacher at the Henry George School in New York, writes regularly for Fragments. Other names known to Georgists are Jack Schwartzman, George B. Bringmann and Frank Chodorov. The subscription is \$2 a year, and the publication address is 139 Hempstead Turnpike, Elmont, New York 11003.

The author of *American Ideals*, Heman Chase, and his wife Edith, were recent visitors to the Henry George School in New York. They regarded their visit to the school as "the highlight of their trip to New York."

Mr. Chase's little book, which we have been offering for sale at \$1, was a best seller and the supply was soon exhausted, but it is again available and may be ordered from The Henry George News, 50 East 69th Street, New York 21, N. Y.

The director of the Henry George School in Formosa, Dr. Hengtse Tu, is at present in France, studying international law at the University of Paris. The school in Formosa continues to thrive and Dr. Tu is now trying to build a good library. Donations of appropriate books would be gratefully received. The school has a broad curriculum, and books on literature as well as economics are welcomed. Send them to the Henry George School, 10 Tunghai Road, Taichung, Formosa.

Noah D. Alper's Brief Cases

WHAT ABOUT THE CONDITIONS THAT CAUSE POVERTY?

The war on poverty is not a new idea to Georgists. Eighty years ago an organization was born in the office of *The Standard*, edited by Henry George, known as the Anti-Poverty Society. Henry George, Jr., in the biography of his father, notes that the declaration of the purpose of the society could be stated in a single paragraph: "The time having come for an active warfare against the conditions that, in spite of the advance in the powers of production, condemn so many to degrading poverty, and foster vice, crime, and greed—the Anti-Poverty Society has been formed. The object of the Society is to spread, by such peaceful and lawful means as may be found most desirable and efficient, a knowledge of the truth that God had made ample provisions for the need of all men during their residence upon earth, and that involuntary poverty is the result of the human laws that allow individuals to claim as private property that which the Creator has provided for the use of all."

HIGH PRICE OF EDUCATION

"A junior college for 4,000 students in California requires 45 acres of parking space, enough for 4,500 automobiles," said the chief of the State Bureau of School Planning, as reported in an AP dispatch from San Francisco. "A high school for 2,000 students requires five to six acres for parking," he said, and "in some areas land costs as much as \$100,000 an acre."

WELL, NOW YOU HAVE IT

"The opposite situation arises where urban land is overcrowded with buildings," according to *Economics: An Introductory Analysis of the Level, Composition and Distribution of Economic Income*, edited by Knight and Hines. "A high building which is jammed close to other structures may yield its owners an income out of proportion to the value of its use to the city. Such is the case if its owners do not have to recompense owners of adjoining property for the damages done by shutting off light, fresh air and freedom of movement. Zoning requirements, maximum height limitations, or regulations calling for setbacks as offsets to height, are widely used to cope with this problem. If nothing else sufficed, the authorities would be justified in using selective taxes to discourage congestion."

SOUNDS LIKE PLANNED ECONOMY USA

"A dollar a month will pay a wage-earner's rent in Paris . . . While you pay these quite ridiculous prices if you are lucky enough to be in possession, on the other hand, if you are in search of lodgings you cannot find them at any price," states Bertrand De Jouvenel in the above volume on Economics.

THE CONFLICT OF INTEREST RACKET

It is reported that when Nebraska's Carl Curtis asked whether Bobby Baker's business ventures with Senate employees were known, Hautt, a tax accountant mentioned Smathers and Peek. George Smathers, a Florida Senator, quickly issued an explanatory statement to the effect that he had sold Baker and Scott Peek, his then administrative aid, a one-eighth interest (\$1,500) each, in his share of a Florida land deal near Cape Canaveral. "Fortunately," he added, "the transaction did turn out successfully and each of them has received slightly over \$1,000 a year on his investment the past seven years."

How could a fairly situated "Cape Canaveral" land deal miss, with government channeling hundreds of millions of dollars and increased population into the area? It is an accepted custom to have costs of public improvements raised by taxation, largely on incomes and consumption, while untaxing the very land values these public expenditures make. Conflict of interest involves more than hands directly in the public poke.

The Henry George School in News

MONTREAL has a group—the Canadian Research Committee on Taxation, formed by graduates of the school, which was recently incorporated under a federal charter. Members of the committee appeared before the Royal Commission on Taxation in Quebec in January. They presented a submission which was favorably reported in newspapers and on radio and television. This effort proved very successful in focusing public attention on George's proposal and social philosophy. This non-profit committee will function on a nation-wide scale while still working at the local level. They look forward to greater progress and more growth in the implementation of land value taxation.

Figures were detailed in the brief, covering forestry, underground resources, oil royalties and municipal and school costs. In conclusion there was left "no doubt that taxation as now applied . . . is unsatisfactory" and that "the one and only taxation system which is based on benefits received and fully meets the standards set forth is land value taxation—the collection by government of ground rent and royalties on natural resources."

Copies of this are available from Ray Perron, director of the Montreal extension, 4278 Dorchester Street, West; Montreal 6. But it is suggested that a donation be sent to help cover the cost, as this new organization is operating "on the margin" and does not want to go in the red.

LOS ANGELES extension was helpful in publicizing a series of discussions for homeowners in February. The director, Harry Pollard, spoke on "Making Free Enterprise Work." John Nagy, president of the Statewide Homeowners, and Jack Motley, editor of the Homeowner magazine, spoke at successive meetings, along with Los

Angeles city and county budget officials.

Included in a recent mailing from Los Angeles headquarters was a reprint from Reader's Digest on "The Fallacy of Too Much Planning."

ST. LOUIS weather did not cooperate with director Alper this term. January openings came during the worst two days of winter in many years. Only 40 were brave enough to come out for the six classes. Everything was done to make it easy for them to make up the first lesson however, and the second week twice as many came.

In a letter to graduates, Mr. Alper, contributor of "Brief Cases," invited all students to subscribe for The Henry George News at the new price of \$1 a year. He also enclosed a reprint of Peter Patsakos' "Assignment in Peru" to serve as a sample of HGN subject matter.

SYRACUSE volunteers received the new lapel pins for 30 hours or more of help in addressing mail, telephoning, etc. These honor pins were also given to instructors William E. Frank and Donald G. Roberts—to Jeremiah F. Enright, who distributed hundreds of announcements, and to four class secretaries: Ethel L. Burritt, Eveline M. Hull, Anne Roberts and Wilma Schreiner, who also helped Bette Breese with her multitudinous duties. Bette is one of HGN's best friends, she keeps subscription blanks handy.

NEW YORK'S Friday Evening series in March consists of a talk on March 13th by Miss V. G. Peterson, Executive Secretary of the Robert Schalkenbach Foundation who will show slides from her land value study mission—"Around the World in Seventy Days." On the 6th and 20th there will be films, including "The Age of Anxiety" made at the Menninger Clinic.



Begging Bessie Beach Truehart's pardon (Jan. HGN), I have never found a successful way to explain "profits" even to a well-informed Georgist. One economic explanation is negative in nature as when one says, under conditions of perfect production the amount realized will just equal rent, wages and interest and there will be no profit. Who is perfect?

Another explanation might be to say, when the controller of the purse strings becomes too lazy to search out the real sources of that part of his income from economic endeavor not regularly paid out under contract, no one knows what proportions should be allocated to rent, wages and interest. In most cases, these persons are not lazy, they are merely busy, and it becomes of little interest to them to carry their bookkeeping out to the assignment of the last penny. But this is one cause of our economic troubles. Too few realize the exact source of so-called profits and this leads to a mistaken concept of economic well being and the eternal frustration of those who know the many sins blanketed under the word "profit." And I am all for "profit," we couldn't live without it these days when governmental requirements placed upon businessmen remove any suggestion that they are lazy.

NEIL S. BOOTH
Chicago

In the December HGN Mr. Hall stated that prices contain no element of wages. If this is true I wonder why we have so many strikes. Why doesn't management avoid costly strikes by agreeing to meet the demands of labor? Better yet, why not double every-

body's wages and maintain present prices?

I believe Mr. Hall's explanation of the market and the relationship of prices agrees with the theories of many economists, but is superficial and contrary to the teachings of Henry George.

If we consider the market alone, divorced from the process of production (like a tree without roots) we might fall into the fallacy which Mr. Hall expressed, or have monopoly or government control, viz: the farmers could get a pressure block together to have government give them price supports and restrict production to obtain "parity" with fishermen.

But we are concerned with natural law, justice and freedom and under such a system the relationship of prices between potatoes and fish would tend to level off at the point or price where the labor and hardship of getting potatoes to market would about be equal to the labor of bringing fish to market, i.e., if that point is 10 of potatoes for 1 of fish it would be because either represented approximately the same amount of labor, other things being equal. Otherwise labor in the poorly rewarded enterprise would decline, and vice versa.

Since I am no expert, and Mr. Hall's viewpoint has been expressed here before and seems to be at odds with that of Henry George, I would like to see the confusion cleared up by someone who is an authority.

JAMES HAIR
Cincinnati, Ohio

On a recent trip to Western Canada, I noticed that Moose Jaw, Saskatchewan, is developing healthily. Buildings there are taxed on 45 per cent of the assessment; the experience of Vancouver shows that a 50 per cent exemption is not enough to prevent the formation of slum areas, but it has a considerable effect in keeping them

from becoming as bad as they might otherwise. Slums are mostly in larger cities (Moose Jaw has at present a population of about 35,000). Of course some cities in Ontario, Quebec and the Maritimes, no larger than Moose Jaw, have some pretty slummy areas; and of course the evil is more pronounced over much of Europe.

The Calgary Albertan had an article by a staff writer on January 29th describing an interview with the head of a large lumber firm, forecasting a sharp drop in buildings and lumber sales as a result of the impending increase of 4 per cent in the sales tax on building materials. Gunnar Myrdal's statement that the U.S. economy was settling into a pattern of brief recessions followed by incomplete recoveries seems more and more to be well founded, and to apply to Canada as well as to the U.S.

ERNEST FARMER
Toronto, Canada

May I amend my article (Jan. HGN) by stating that Hugo Salinas Price, the editor of the Mexican-American Bulletin, turns out to be the leader of the opposition National party in Mexico, according to columnist Daniel James (in column published here in Portland on January 27th). It can be expected, therefore, that more will be heard of him as a possible candidate in future Mexican presidential elections.

ERICK S. HANSCH
Portland, Oregon

The Journal of the American Medical Association (Sept. 7, 1963) stated, "a researcher says that the crowding, competition and other social pressures present in our society may serve as a

check to assure our survival. Experiments on animals showed that these pressures produced endocrine gland changes which in turn slowed down population growth, 'stopping' it completely in time, even though sufficient food, water and space were available." This could make the whole Malthusian theory inoperative."

This was quoted in Prevention Magazine in February, 1964.

VICTOR WASICKI
St. Louis, Missouri

When I became a Supporting Member of the Henry George School I understood that I would receive a scroll entitling me to certain benefits and privileges and also a lapel button. Just a few days ago I received this beautiful scroll with my name in red. I am proud to have this and have placed it under the glass on my working desk, so that I can be reminded always of the wonderful work of the great man, Henry George.

RAMON HERMIDA C.
Panama City, Panama

It is my opinion that we are in a better position to arouse interest in the Georgist philosophy now than in the 1930's. We have come to a point where the politicians who have caused the dilemma cannot cope with it.

May I suggest that all interested Georgists follow as many of the serious types of radio and television programs as possible and write to persons on these programs and let them know there is a solution to the problem. Opportunity is knocking at our door; we have the know-how so let us take advantage of it.

ARNOLD KLEINER
Califon, New Jersey

Don't forget the international conference in New York from August 30th to September 5th. Blanks for room registrations will be sent to HGN subscribers. However, in answer to numerous inquiries, we suggest that if you wish, you may write to the Henry Hudson Hotel, 353 West 57th Street, New York 19, N.Y., requesting reservations and specifying the Henry George section.

“Not Bad Because It Is Old”

THE EMERGING WORLD ECONOMY, by Harry Stark. William C. Brown, Inc., Dubuque, Iowa, 446 Pages, \$7.50.

Reviewed by
Josephine B. Hansen

Here is a find — a profusely documented, readable book on an intricate subject by a modern economist.

Dr. Stark is Professor of International Economics and Latin American Affairs at the University of Miami, Florida. His concern: what position should the United States take in its global commercial and financial policies?

He answers definitely, “My conclusion is that free trade is that which is best for that fully developed area called the United States and that a policy based on free trade . . . will most benefit the rest of today’s world . . . Dissenters may taunt that my arguments are the ones of yore . . . An argument is not bad because it is old.” To substantiate his theory he has written a book of factual material which is a reservoir of world trade information.

The history of trade — the exchange which civilized man — is briefly reviewed. Then modern trade, with its increasingly intricate barriers of duties, quotas, embargoes, exchange controls, government preferences, subsidies, dumping (to list a few) is examined. Maps, charts and graphs of today’s statistics lend authority and understanding to this work. The protectionist arguments and the free trade answers are ranged against each other. Dr. Stark reminds us, “the protectionist stand has the advantage of simplicity; it lends itself readily to dramatization. Free trade arguments are more difficult to understand. Following them

requires at least an elementary command of economic theory.” Therefore, he illustrates and explains many basic economic principles. The intricacies of the multiplier, the periphery hypothesis, money wages vs. real wages, international labor costs become understandable.

Japan and its resurgence, Britain and the Outer Seven, the Common Market, Latin America and the “underdeveloped” nations, foreign aid, international investments and industrializations are discussed. Charts and maps assemble much information for easy reference.

In chapters dealing with finance Dr. Stark’s position on the gold standard is that of the classical economists. The land question is sidestepped. However, interesting observations on land reform in various Latin American countries point to some of our misunderstandings of the difficulties involved.

This economist firmly advocates free enterprise. He holds that “economic illiteracy” is the Achilles heel that “enables witch doctors in high places to win the support of the public for such economic malpractices as currency devaluation, crop destruction, price and rent controls, expropriation, exchange control, high tariff barriers, and striving for national economic self-sufficiency.” Professor Stark’s students and readers will be among the enlightened. A fine teaching aid.

Josephine B. Hansen is a gifted Georgist, well remembered at the Henry George School in New York for her help in revising the manual. She is currently teaching the basic course and believes the above book should be available for use by teachers. It will be in the library of the Henry George School.

From England comes word of a pilot survey and evaluation of land in the town of Whitstable, which Land & Liberty describes as “a triumph for the advocates of site value rating.” We hope to have more on this next month.

Rent—Ambiguous Term?

A book resulting from a study sponsored by the Lincoln Foundation in 1959 by four professors at the Graduate School of Business Administration of New York University, recently came under the careful examination of James T. Gibbs, a research assistant at the American Institute for Economic Research at Great Barrington, Massachusetts. He was quick to see that the authors of *Theory and Measurement of Rent**—Messrs. Keiper, Kurnow, Clark and Segal—had overlooked the importance of the effect of population growth on urban land values and made errors in the computation of land rent that resulted in a serious understatement of its value.

"They gloss over George's important unrefuted hypothesis that population growth in urban areas greatly increases land values there and assert that 'land values are more heavily concentrated where agriculture is preponderant,'" said Mr. Gibbs. "This assertion may be refuted easily by anyone who compares the price of a site in the business district of any city with that of an equal area of farm land.

"The authors report the generalization of the term 'rent' by neoclassical economists to refer to a surplus that may accrue to any factor of production, and observe that 'rent as defined in economic theory is an ambiguous term,'" Mr. Gibbs notes. "The attempt to develop an adequate measure of land rent in the United States involves a grave error. The authors acknowledge that a tax on land might be included in the computation of land rent provided 'that the landowner bears the whole burden of the tax and cannot shift any part of it.' After citing brief and vague assertions by other authors to the effect that the tax may be

shifted under certain conditions, they decide to exclude it from land rent 'on the ground that the errors involved will tend to cancel each other.' (p. 99) The result is a seriously inadequate estimate of land rent.

"Consideration of the facts of competitive life reveals that a tax on land value ordinarily is not shifted. If the economic advantage of the use of a site, equal to Y , is paid to the owner by a processor, and if the tax on the value of the site equals X , then the owner's net income equals $Y-X$. Assume that the site owner, who has the power to permit or deny the use of the site, requires the processor to pay the tax as a condition of use. The advantage of the use of the site still equals Y , and the processor now can afford to bid only $Y-X$ for its use. In either case, the owner's net income is the same, and he bears the tax.

"The authors commit another error that results in a further understatement of land rent. To estimate the market value of land, from which land rent was computed, they divided the assessed value of land by the ratio of assessed value to sales price for land and improvements together, using data for each state provided by the 1957 *Census of Governments, Volume V: Taxable Property Values in the United States*. While the authors acknowledge that a given assessed-value-to-sales-price ratio does not necessarily apply equally to land and improvements, they assert 'there is no evidence which would indicate that they [errors introduced by using combined ratios] result in consistent upward or downward bias.' (p. 134) However, the 1962 *Census of Governments, Volume II: Taxable Property Values* provides evidence that the nationwide assessed value of vacant lots was about one-fifth of their market value, but that

*Published by The Chilton Co., Philadelphia, 1961. Reviewed in HGN December, 1961, by Robert Clancy.

the assessed value of nonfarm residential property, including both land and improvements, was about one-third. This evidence indicates that land is assessed at a substantially smaller percentage of its market value than are improvements; consequently, the use

of combined ratios to compute the market value of land alone results in an underestimate of land value and of land rent. Widespread underassessment of sites on which urban commercial buildings stand probably results in further understatement of land rent."

The Joseph A. Stockman Memorial Fund

The largest audience ever assembled at the birthplace of Henry George in Philadelphia, came on Sunday, February 9th, to honor the late Joseph A. Stockman, its curator and director of the Henry George School, who died on January 14th. Some sixty friends, relatives and students gathered for the informal program of talks that brought out the many-sided character of this remarkable man. Despite the numerous tributes the program did not seem long, and a warm-hearted spirit prevailed.

Among those who spoke were his son, George Stockman; the first director of the Philadelphia school, Julian P. Hickok; Lucia Cipolloni, the extension's faithful secretary; and Lancaster M. Greene, vice president of the Henry George School in New York.

Also John T. Tetley, Alexander M. Goldfinger and Dr. Geoffrey Esty, respectively, New Jersey's director, dean and president; Robert D. Benton, Detroit director; and several students and friends. A poem composed for the

occasion by Mrs. Mabel L. Rees was read. Robert Clancy, of New York, director of the Henry George School, presided. From the many messages received, tributes from Professor Harry Gunnison Brown of Pennsylvania; the school's president, Joseph S. Thompson of California; and the director of the National Home Study Council, David A. Lockmiller, were read.

Plans are being made to continue the Philadelphia extension and to install a suitable memorial. Funds for this purpose were spontaneously proffered by those present, including Mrs. Joseph Stockman, Professor P. H. Schweitzer of Pennsylvania State College, and many others.

HGN readers wishing to contribute to this fund may send their checks to the Henry George School, 50 East 69th Street, New York 21, N.Y., indicating that they are for the Joseph A. Stockman Memorial Fund. This will be used for the benefit of the Henry George Birthplace and the Philadelphia extension of the Henry George School—the cause dearest to the heart of its late director.

Mr. Robert Clancy,
33-53 82nd St.,
Jackson Heights, L.I., N.Y.