

classes in Fundamental Economics and 300 enrollments for the advanced courses.

A revised "Progress and Poverty" course is in operation, which is extended over a fifteen week period instead of ten weeks, as formerly. This means a more intensive study of Henry George's great classic. Formerly the first fifteen week course included five weeks on "Protection or Free Trade." This latter book is now being reserved for an advanced course.

An interesting advertising program is being carried out at headquarters, under the direction of Albert M. Gants. During September, "Progress and Poverty," together with a free correspondence course, was advertised in various magazines with a total circulation of over two million, resulting in the sale of nearly 500 books and enrollments for the course. Thanks to this campaign, there has been a 25% increase in active correspondence course students over last year.

W. L. Crosman sends us the following news from Boston: "The Henry George Institute of New England has rented a former residence at 90 Beacon Street, Boston. There are rooms for classes of the Henry George School which were opened on September 22, 23 and 24. It is proposed to rent two floors. A housewarming was held on Monday evening, September 15, when about 150 friends of the cause and graduates of the School were present."

The Chicago extension has commenced publishing its own periodical—a friendly monthly bulletin entitled *On the Campus*. News of this closest rival of the New York School, presented in a sparkling manner, serves to bring friends and students of the School in closer contact.

From Helen D. Denbigh, co-leader of the East Bay extension of the School comes an interesting account of how Georgeists spent Henry George's day in San Francisco:

On the evening of Henry George's birthday, September 2, there met for dinner a group of his friends old and new from the East Bay and San Francisco area. Judge Jackson Ralston presided. Two of the guests of honor were of special note, one being Stephen Potter, secretary to Henry George when the latter was editing *The San Francisco Evening Post*—"a bold, fearless reform paper"; the other being Edward McGlynn Gaffney, a nephew and namesake of Father McGlynn, and a member of the California State Assembly. Mr. Potter's talk was of particular interest, and it is to his message that I should like to direct your attention.

"Let us imagine," said Mr. Potter, reminiscing on the youth of Henry George, "the close of a bright May day in 1858 with the rays of the declining sun gilding the waters of the Golden Gate, embracing a moving vessel, and outlining in gold its course into the harbor. Upon her deck stands an eager young man of nineteen, filled with wonder at the beauty of the scene, ready to take his place in this new world.

"Today we meet to honor him. Yesterday Labor celebrated its day, crying for justice for a great part of mankind. Today we think of Henry George's spirit crying for justice for all humanity.

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A Reply to the Ricardians

By RAYMOND V. MCNALLY

IN their article, "In Defense of Ricardo," which was written as a reply to my article, "Three Theories of Rent," the Committee of Ricardians raise a number of interesting points, and this affords me an opportunity to offer a fuller explanation of some of my statements. Furthermore, they bring some of their own definitions and concepts out into the open where we can use them as a basis for discussion.

Despite their protestation that the Ricardian theory of rent is applicable only to an exchange society, they seem to shy away from any semblance of exchange. They start each time by discussing an exchange situation, but before the argument progresses very far, they chase A and B back into an individual or primitive economy. I believe this is due to their failure to grasp the real meaning of the concept of exchange. They seem to think that the renting of land by A to himself and the collecting of rent from himself constitutes an exchange relationship. This seems to be the only alternative they can offer A so that he can escape the equalizing effects of exchange. If we wish to grasp the realities of economic life in an exchange society, we must constantly keep in mind that exchange takes place only when there is a voluntary transfer of goods or services from one person to another for a voluntary compensation. For A to rent land to himself is like a lawyer acting as his own client, which is nothing else but an individual economy. Now this Committee cannot logically deny that the occupancy of land in an exchange economy involves an exchange relationship, for they admit that "rent is determined by demand," and demand implies exchange.

Here is another example of their shifting rapidly from an exchange to an individual economy in an attempt to avoid my conclusions: I say in my article that A and B sell their respective products in the open market and that B receives twice as much for each bushel of potatoes as A receives for each bushel of corn, in which case A enjoys no advantage from his superior land and so there is no rent. The Committee reply by supposing a third man, C, producing either corn or potatoes on still inferior land and pose these questions: "In such a case, wouldn't both A and B enjoy an advantage? And wouldn't that advantage be due to the superiority of the natural qualities of their land?" The answer to both questions is no. If C were as able as A and B, he would not produce corn or potatoes, for by producing something else, say barley, and selling it in the market, he could earn just as much as they.

These Ricardians have done some amazing things with my quiet little island so that I scarcely recognize it. They have populated it with "thieves and murderers of all kinds," but have succeeded only in making the policemen's job more difficult. They have evinced a curious tendency in all of their discussion to introduce additional factors into my simple island illustration and then to hold me responsible for the inadequacy of their own theory. One would imagine I was trying to defend Ricardo's law instead of criticizing it. I have merely used the island illustration which is employed generally by Ricardians themselves and have even admitted that their theory is applicable to that kind of a primitive economy. They have even gone so far as to create a speculative land boom on this island and to transform poor, hard-working A into a wicked speculator who receives his just deserts when the rent of his land drops from five to three bushels. In the process, the margin is raised from five-bushel land to seven-bushel land. If speculation can do this, let us by all means have more speculation. Any novice reading their description would certainly get the idea that Ricardo's law operates only when the speculator appears upon the scene.

All of this is a beautiful exhibition of what is called a running defense. In the seventh paragraph, they vary this a little by doing a bit of zigzagging. They summarize my various conclusions in connection with rent in order to show how they differ. What purpose this serves is not clear, unless it is designed to create the impression on the careless reader that I have been self-contradictory and inconsistent.

Suddenly without warning, these Ricardians change their tactics and stand their ground, when they respectfully conclude that I misunderstand Ricardo's law. This move proves fatal for them, as I shall soon demonstrate. They deny that rent, according to this law, is determined by measuring the wealth produced on a given location with that produced at the margin by men of identical ability but affirm that "the rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use." The words "same application" can easily be interpreted to mean "identical ability," but I shall accept them in the sense which this Committee probably intended, namely—equal exertion or equal expenditure of energy. They contend that rent is determined "just as easily whether the bidders be of the same or varying degrees of ability." Now I, in turn, respectfully submit that they do not fully understand their own theory, for to calculate rent by measuring the products of men possessing different abilities would require something like a fourth-dimensional consciousness. Let us try it and see.

Suppose B possesses more ability than A in producing corn to the extent that if both occupied land of similar quality, the former could produce fifteen bushels and the latter only ten with the same application—that is, with an equal degree of exertion. This means, in other words, that superior skill enables B to produce more than A even though he does not exert himself to any greater degree. Now, with their respective abilities fixed, let us, as before, place B on the marginal land and A on the superior land. Even though B occupies inferior land, it might be very possible, while A is producing ten bushels by applying a certain degree of energy, for B with his superior skill to produce the same number of bushels by an equal application. What ingenious device would the Committee employ then in this case to determine what part of A's ten bushels is due to the superior qualities of his land? By permitting the introduction of a difference in the abilities of producers or bidders in computing rent according to the Ricardian formula, it is obvious they have made a shambles of Ricardo's law and placed themselves in a pretty predicament. They have shown here that this law does not even apply to individual economy, let alone an exchange economy. Now what is the cause of their confusion? They have simply ignored an elementary scientific principle: *The relationship between two variables may be computed provided it is not obscured by a third variable.* According to my understanding of the Ricardian theory, the margin and the superior land are the variables, and the ability of the producers is the constant factor. The Committee regard the expenditure of energy as the constant, but they admit a third variable in the form of the varying abilities of the producers. Thus no computation of the relationship between the first two variables, or, in other words, of rent is possible.

These Ricardians continue with their defense of Ricardo by attempting a half-hearted defense of the neo-Ricardians, but it is obvious that they are not too familiar with the ideas of the latter. They take this opportunity to insist upon retaining "social services" as a factor in determining rent. I ask the reader to pay particular attention to their definition of this term, for it goes far to show why there is a difference of opinion among the three schools of thought. According to them, "social services, as distinguished from governmental services, are nothing more than the activities of people spring-

ing from the division of labor." Now I submit that this definition is so broad it is meaningless, for it embraces the whole field of economic life. It can include not only the convenience of being located near private business and cultural services, but it can include these private services as well and also the public or governmental services. Are not these private and public services also the activities of the people springing from the division of labor? And if they are, would they not all constitute "social services" and would they not then, according to the contention of these Ricardians, all increase rent? But they disagree with the neo-Ricardians in this respect and correctly state that "no individual service can increase rent." Here is a paradox they try to avoid by stating that "the convenience of being located near the various services rendered is a service over and above that rendered by individual business men." But why is it "over and above?" They answer this by saying that it is "caused by the presence and activities of the population." If I were to describe the banking business simply by saying that it was "caused by the presence and activities of the population," would anyone recognize it? Yet this Committee expect us to understand what they mean by "social service" or "community service," as they prefer to express it, by offering us this vague generalization. If this "social service" is the same thing as the services rendered by private business-men (and this is admitted by their definition), then we are confronted by the fantastic spectacle of a service that is "over and above" itself. The cause of this *reductio ad absurdum* is quite clear. This Committee seem to have a pre-conceived notion that the population as a whole renders a special service of its own which they call a social or community service for which rent is paid. As the population consists of individuals, each one renders a service of his own, this special service then must be furnished in their spare time, if any. Otherwise we are forced to imagine that it is provided by some sort of mystical process. Evidently there is need for some realism here. The convenience of location is not a social service but a social advantage that arises out of the association of individuals. It is in the same category as proximity to the markets (Note—I have accepted their correction that proximity to the markets is a social rather than a natural advantage).

Now while landowners distribute the natural and social advantages to their tenants (this is a deduction from the remarks in my article that I had hoped the reader would make for himself), they can charge no rent for them, because they are *not* services. Voluntary payments are made for services and for nothing else. *A service is any human activity that commands a voluntary recompense.* Landowners are subject to the same conditions as anyone else who is in the market. The Committee do not deny that landowners are subject to competition, but they try to support their contention that they always charge for natural and social advantages by saying that they have an advantage over the "landless man." Of course, men have to use land to live, but landowners cannot exist as such unless they receive an income, and they cannot obtain this income if they do not rent their land. It does not seem to occur to these Ricardians that if landowning were so profitable, more people of means would invest in land instead of preferring to be tenants. It is true, as the Committee say, that sites near the market command more rent, but this is no proof that rent is paid for such convenience. The landowner can charge only for his own distributive service plus those services, if any, that he himself has bought for the purpose of resale to his tenants. (The taxes on his land are involved in the cost of his own service just as other lands are involved in the cost of private services.) While he distributes all public facilities, such as highways, sewerage and sanitation systems, libraries, etc., today he cannot charge rent for the maintenance of them nor for such other activities as police and fire protection, because he does not buy these production

services from the government, and, therefore, they do not reach the market.

The Committee condemn the landowning class for the misdeeds of some of its members, but these are no more inherent in the landowning business than are the misdeeds of individual manufacturers, merchants and bankers inherent in those particular businesses. And to indict landowners for their domination in the past of the state is to ignore the shifting trends in the historical development of society. Manufacturers, merchants and bankers later became powerful enough to control the politicians to the detriment of other groups, and now we see the labor unions and the indigent in the dominant political position with the resultant disintegration of private enterprise and civilization.

The backbone of the realist theory of rent lies in the conception of the market as I have described it. The Committee have not been able to reject this conception, and so the realist theory remains intact. Again they fail to make the proper deduction from my remarks when they try to give the impression that abolishing all taxes with their concomitant restrictions and permitting landowners to supervise the public employees would not benefit the user of land, but would only benefit the landowner. It is true, as I state, that abolishing taxes would increase rent, but it would not do this absolutely but only proportionately, depending on the ratio between the amount of public capital and the amount of private capital employed and between their respective turnovers. Both users and owners would benefit.

These Ricardians deny that the landowner renders any service whatsoever, in making the advantages of his site available in an orderly and democratic fashion. They say that "they are there for people to come and take, and he is merely standing in the way." This should gladden the hearts of those people who imagine the world owes them a living. But if these advantages distribute themselves, then they are not obtained in the market, for nothing is obtained in the market unless it is distributed by the owner. And if they are not obtained in the market, then *no rent can arise*. Thus, what the government would demand under the system of these Ricardians would not be rent but a *tax*. They profess to see no difference between a landowner and a bureaucrat, although the former obtains his income in the market by contract and the latter his income by seizure. They blandly assure us that "a tenant would have a free choice to move to another site if he so desired—even to a site where there was no rent to be paid at all—the margin," although there is nothing in our experience with government to support such a promise. Men have never been free to engage in any enterprise they desired without being subjected to taxes, license fees and regulation of all kinds, but we are asked to believe that government would act differently when it came to land. And, of course, it would be blasphemous on our part even to intimate that the politicians might place their favorites on the choicest sites. Like the Marxist (who includes the capitalist), this Committee seem to believe that purging the landowner would transform government into an omniscient and benignant body of men. They appear to be more concerned with political democracy than they are with the democracy of the market. Yet apparently they are somewhat uncertain as to what democracy is. They assert that permitting the landowner to supervise the public employees would "be the end of democracy," and a little later they express the hope that we may *some day* attain it.

But there is no reason to be downhearted, for they point to a happy future for all of us. Not only will we pay what they call rent, but we will be given the privilege of working for nothing in our leisure time at supervising the government. And we can expect to be so enlightened that we could do a better job, even though we were not trained nor paid for such work, than landowners who would give all

of their time and attention to it and be properly compensated by the market.

It is small wonder that these Ricardians do not hesitate at the use of a little force to put land into use, even though they do not deny my statement that production is a *voluntary* process. Why quibble over words, they say? The end justifies the means. The force that we use is nice, but the force that others use is "ugly." Such are the ways of "democracy."

[This discussion will be concluded in our next issue with a rejoinder by the Committee of Ricardians.—ED.]

HENRY GEORGE DAY IN SAN FRANCISCO

(Continued from page 165)

Many of the leaders of labor accept the George philosophy. A shining example was the case of the late Andrew Furuseth. So long as labor presents such men we may look to our closer approach.

"Tom L. Johnson, another great follower of Henry George, once remarked to George of his inability to write or speak. George replied: 'You do not know whether or not you can write or speak; you have not tried. Take an interest in political questions.' Johnson followed this advice. Shortly after, he came to San Francisco and addressed a great meeting in old Metropolitan Hall, where Henry George had just raised his standard. And Tom Johnson stood on that platform, his powerful frame in fighting stance, his fine face alive, his eyes aflash, and met the questions coming to him like bullets from a modern machine gun. What a night that was!

"Mr. Johnson subsequently invited a body of us to join him on a steamer trip out through the Golden Gate beyond the Farallones, down the coast beyond Point Pedro; and returning, we followed the course Henry George had followed on the *Shubrick* in 1858, thus fulfilling Mr. Johnson's desire to enter San Francisco Bay as Henry George had entered it.

"Another active follower of Henry George who visited San Francisco and won many friends was Joseph Fels, who had accepted the truth of George's teaching with all its implications, establishing a five year plan of financial assistance. Fels said, 'We can proceed no further in our social development unless account be taken of its essential rightness.' In other words, we must conform to the moral law, or die.

"Father McGlynn was another who with rational mind followed George's arguments, and like the others accepted the teaching as the truth. Then followed his great crusade at the side of the leader, with the slogan, 'A place at the Father's table for all of his children.' Possibly that time is fast approaching. The tremendous changes that are taking place before our eyes may point to just that. In all the campaigns up to the present day, many great leaders have carried on, all evincing unassailable trust as to the power of Truth. The noble leaders of today are working with the same idea. The greater influence of women, with their finer sense perceptions, may be a controlling factor in bringing about the final result.

"You will remember that Henry George, Jr. placed the words of Mazzini before the first chapter of what he classifies as the second period of Henry George's life, treating of the formulation of the philosophy—'One sole God; one sole ruler—his Law; one sole interpreter of that Law—Humanity.'"

Mr. Potter's inspiring talk closed a very worthwhile evening spent together by followers of the philosophy of Henry George. And this prompts the following suggestion:—That groups great and small, who know this philosophy, shall meet together for dinner, wherever they may be, on September 2 of each year, to the end that they may become better interpreters of that Law.