

"George Was Right"

Says URQUHART ADAMS

SOMETIMES we wonder whether Henry George ever made any mistakes in his development of economic theory and the consequences of it. After all, he was human and he lived a long time ago. No man is perfect and all men make mistakes—why should George be an exception?

If he made any mistakes I have never been able to find them and nobody has ever been able to show me any. Although it is hard to accept everything that he said as the truth, the whole truth and nothing but the truth, still, there it is, and if you will do some of what Elmer Leterman calls "creative thinking" you will see that it is so.

And it is not so strange, either. Many men have perceived various truths and been proved right in the principles that they expounded—Harvey about the circulation of the blood, Columbus about the general shape of the earth and Newton about the attraction of gravity.

Elmer Leterman, a top flight salesman, has written a book called *The New Art of Selling*. A very good book and useful to Georgists. In it he gives detailed instructions for thinking creatively—mostly a matter of arranging old ideas in new patterns. In a class recently we discussed what the effects would be on wages if the wages of a particular industry were raised above the normal. The general idea was that the high wages in the one industry would force a rise in the price of the products of that industry with the consequent lowering of the real wages of all who bought that product. George said that such would not be the case and since I am so sold on George I decided to do some creative thinking on the subject and after doing so I came up

with this idea. Prices depend on market conditions, what the traffic will bear, supply and demand—they have nothing to do with wages. So George was right.

Afterwards, talking over this idea with a friend who is not a Georgist, he cited a case where the railway workers struck and got a raise. Then the railway company went before the Transportation Commission and were allowed an increase in rates. "A clear case," said he, "of high wages causing high rates at the expense of all who bought goods on which the rates were paid." That was a puzzle until the old creative thinking came up with the answer; the increased rates were due to the decision of the Commission and not to any rise in wages.

But certainly wages and prices have both risen in the last few years and perhaps there is a connection. With an eye on the fallacious *post hoc, ergo propter hoc* we juggle the parts of the puzzle around and come up with the idea that maybe high wages are a result, and not the cause, of high prices. Higher prices cause a reduction in real wages and labor, resisting the reduction, demands higher wages. That is what the labor union leaders say and I believe they are right.

Another matter that puzzles Georgists is the prosperity that we enjoy. George predicted that increasing rents would force wages down, both as a proportion and as a quantity of the wealth produced but some Georgists tell us that George was wrong because wages are higher now than they have ever been and the condition of labor is better than ever before. Is that true?

If George was right in maintaining that in any economy wages and interest tend to an equilibrium, it is

not true, because interest rates on capital, as shown by interest rates on government bonds, which are set by the prevailing interest rates on capital, are not as high now when we are at the very peak of prosperity, as they were when George wrote, at a time when the world was just emerging from a depression.

There are some factors to be taken into consideration that are generally overlooked. One is that George was speaking of labor generally and not of labor in specially favored places like the United States and Canada—where Canada's vast expanse of marginal land affects the wages of both countries. Another factor is that both the United States and Canada have been influenced by George's teaching so that in both countries there is a considerable taxing of land values, an awareness of social problems and an awakened, or partially awakened social conscience, all of which has led to measures of

relief for labor from the disastrous effects of land speculation and unemployment.

Another thing we forget is that when George talked of the crushing effect of increasing rents on wages, he was thinking of the lowest class of workers, whereas we tend to think of the highest class. When we think of wages, we think of the wages of organized labor, whereas George was thinking of the wages of such people as domestic servants and farm hands, whose wages, he says, ultimately determine all wages. And when he spoke of the condition of labor he was thinking of its condition as affected by its wages and not of its condition as affected by such measures of public charity as social security, unemployment relief and baby bonuses.

No sir! (and madam)! George made no mistakes, and if you think he did it is time for you to do some creative thinking.

Urquhart Adams is director of the Henry George School in Edmonton, Alberta. His father heard Henry George lecture at the University of California on the Study of Political Economy. He became an ardent Georgist and passed the philosophy on to his son who says "my own experience makes me think that the school is our only hope."



ECONOMIST'S CREDO by ELIZABETH BEACH TRUEHART

Man is endowed by his Creator with three essential rights which are inherent in nature, and which spell LAW.

These are the right to Land for home and sustenance, the right to Air, and the right to Water.

To the producer belongs the product, and since all increments in value accruing to any or all of these three elements (Land, Air, Water) are produced by the growth of the community (population), the product should go to the community.

Furthermore the increased value of land engendered by the growth of population, but not improvements which are produced by the individual improver; the value of all franchises for use of air channels; and the value of franchises for water rights in any form, should also go to the community.

These sources of revenue are the only legitimate objects of taxation by governmental bodies and such taxation should be ample for the support of governmental services, since they constitute all the value which such services create or produce and confer.

Any levy upon the products of man's labor or savings is unjust and represents an "unearned increment" to government itself, and confers upon government a means of wastefulness and dangerous undue power.