

Land Is a Magnet

By NOAH D. ALPER

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

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

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

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

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

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

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

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

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

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

"But, let's skip the details," said Grand-pop.

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

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

A British View

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

Perhaps to a certain extent Henry George

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

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

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

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

"Maybe they do," said Elizabeth.

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

Letters . . .

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

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

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From Enclaves to Exclaves

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

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

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