

A Clarion Call to Sanity, to Honesty, to Justice **by Weld S. Carter (1900-1989)**

This is the latest draft I was able to find among my grandfather's papers. In his eighties, as macular degeneration progressed (he used to speak of losing his vision, and I'd tell him that his vision was intact — only his eyesight was affected), he found it harder and harder to both keep up with the daily tasks he needed to do and reworking the paper, so its concluding section is not of the quality he hoped it would be. Nonetheless, it is one of the documents that inspires me, and perhaps you will find it useful, too. [Wyn Achenbaum]

You may recognize the influence of John McPhee's writing.

A personal note: Over Labor Day weekend, 2001, I attended a conference — my first since childhood — on Georgist ideas, in Pittsburgh. As my husband, son and I drove to the conference, I read to them this paper, written by my late grandfather, to give them some idea of why I was interested in these ideas. As I read, I found my grandfather's paper somewhat dated. Well, it was written in 1982, and nuclear war and inflation were big topics then. I wondered how he would have updated the paper to meet current issues.

Then came September 11, and not long after that, the collapse of Argentina's currency, and suddenly Weld's *Clarion Call* seemed quite timely once again.

I do not have the background in economics that my grandfather had, and some of the connections he makes didn't make obvious intuitive sense to me at first. But I have come around, slowly and cautiously, to his belief that the reform he describes is necessary — and possibly even sufficient — if we hope to cure the problems our current system inflicts on the vast majority of our citizens and countrymen.

Is inflation really *that* important? I find myself answering "no, it isn't very important — as long as we don't have it." [Wyn Achenbaum]

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by Weld S. Carter

Introduction

This world of ours is currently threatened with disaster of awesome magnitude on two fronts. The first is the danger of nuclear warfare, most likely occurring between the United States and the Soviet Union; the second disaster, of even greater likelihood, is that the currencies of all the major countries of the world may soon be rendered

worthless by inflation. Because the possibility of nuclear war may be lessened dramatically by the elimination of inflation, this article will address this second horror which currently engulfs us all.

This paper is predicated on the fact that there is one reform basic to the extent that no other reform, in its very nature, can possibly avail until this basic reform is fully adopted and instituted. The whole tenet of this paper is to demonstrate the verity of this statement.

The above appeal is based on the obvious fact that our entire socio-economic order has become riddled with lies, corruption and injustice. These claims, too, will be widely verified.

There must come a yearning for sanity, for honesty, for justice – and now – else we shall surely perish from the earth.

In March of 1879, a hitherto unknown author appeared on the American scene. His name was Henry George. He was described by John Dewey with the comment, "It would require less than the fingers of two hands to enumerate those who, from Plato down, ranked with Henry George among the world's great social philosophers." His first book, entitled "*Progress and Poverty*" was described on its title page by the author as "*an inquiry into the cause of industrial depressions and of the increase of want with the increase of wealth; The Remedy.*"

Following a remarkably accurate and persuasive description of the past and current economic situation, George states that remedy in a single italicized paragraph at the end of page 238 containing just six words:

"We must make land common property."

This remedy remains as true today as in his era, and vastly more important.

The failure of our societies to incorporate this principle as the foundation of their tax and legal policies lies at the root of the present monstrous inflation. In turn, it is the failure of those of us who know and understand George's teachings and his remedy to press successfully for such incorporation to discharge that special responsibility that accompanies such knowledge and understanding, that forms the main thrust of this paper.

Thesis

Our problem today, as yesterday, and the days before, back to the earliest recorded times, is POVERTY.

There are times when this problem is lesser. We call these "booms." There are also times when the problem is greatly exacerbated. These are called "busts." But, as the Bible says, "the poor have ye always with ye."

The purpose of this paper is to explore the core of the problem. It is not the position that there is only one single error afoot in our social organizations. There may be several, there may be only a few things to remedy. The position is, as stated earlier, that there is one basic cause of the problem. Therefore, the removal of this one basic error is the first, the primary step, for the simple reason that, until this basic social evil is eradicated, no other reform will avail. We will simply continue the boom and bust cycles until the economies of the whole world are wrecked by inflation or by a nuclear war triggered by the ongoing economic disaster.

Let us begin this study of the likely causes of our troubles by asking two questions:

- Are we over-populated?
- Are the earth's resources inadequate for this population?

Our stage, of course, for making this study will be this world of ours, for it is upon this world that the drama of human living is played out, with all its joys and all its sorrows, with all its great achievements and all its failures, with all its nobilities and all its wickedness.

Regardless of its size relative to other planets, with its circumference of about twenty-five thousand miles, to any mere mortal who must walk to the station and back each day, it is huge. Roughly ninety-six million miles separate the sun from the earth on the latter's elliptical journey around the sun. At this distance, the earth makes its annual journey in its elliptical curve and it spins on its own canted axis. Because of this cant, the sun's rays are distributed far more evenly, thus minimizing their damage and maximizing their benefits.

Consider the complementarity of nature in the case of the two forms of life we call vegetable and animal, in their respective uses of the two gases, oxygen and carbon dioxide, the waste product of each serving as the life-giving force of the other. Any increase in the one will encourage a like response in the other.

Marvel at the manner in which nature, with no help from man or beast, delivers pure water to the highest lands, increasing it as to their elevation, thus affording us a free ride downstream and free power as we desire it. Look with awe at the variety and

quantity of minerals with which this world is blessed, and finally at the fecundity nature has bestowed so lavishly throughout both animal and vegetable life: Take note of the number of corn kernels from a single stalk that can be grown next year from a single kernel of this year's crop; then think of the vastly greater yields from a single cherry pit or the seeds of a single apple, or grape or watermelon; or, turning to the animal world, consider the hen who averages almost an egg a day and the spawning fish as examples of the prolificacy that is evident throughout the whole of the animal world, including mankind.

If this marvelous earth is as rich in resources as portrayed in the foregoing paragraph, then the problem must be one of distribution:

- how is the land distributed among the earth's inhabitants, and
- how are its products in turn distributed?

Land is universally treated as either public property or private property. Wars are fought over land. Nowhere is it treated as common property.

George has described this world as a "well-provisioned ship" and when one considers the increasingly huge daily withdrawals of such provisions as coal and petroleum as have occurred say over the past one hundred years, one must but agree with this writer. But this is only a static view. Consider the suggestion of some ten years ago that it would require the conversion of less than 20% the of the current annual growth of wood into alcohol to fuel all the motors then being fueled by the then-conventional means. The dynamic picture of the future is indeed awesome, and there is every indication that that characteristic has the potential of endless expansion. **So how is it that on so richly endowed a Garden of Eden as this world of ours we have only been able to make of it a hell on earth for vast numbers of people?**

The answers are simple: we have permitted, nay we have even more than that, encouraged, the gross misallocation of resources and a viciously wicked distribution of wealth, and we choose to be governed by those whom we, in our ignorance, have elected. As the principal focus of this paper is on inflation, let us give this process its full name which is fiat money inflation and let us define this as the process by which a government continues the issuance of irredeemable paper money until the quantity so issued finally renders it worthless.

Since the founding of our country, there have only been two first-class countries guilty of this process. The first of these occurred in France in the late 1700's; the second was in Germany in 1923. In both, the results were devastating, and not limited to the offending parties: World War II, for example, resulting directly from the German inflation of 1923, and the rise to power of the madman Hitler. When one

recalls the horrors of both of these, one should be dumbfounded at the insanity currently rampant throughout every single so-called first class country in the world today.

The effects of inflation could be accounted for in the words of Edwin Kemmerer, who introduced his first lecture on the German inflation of the early 1920's with the statement that, whereas money must not be confused with wealth, it does serve three extremely important functions: as a measure of wealth, as a medium for the exchange of wealth, and as a storehouse of wealth. This was at the start of a series of six lectures presented in the mid 1930's (for \$5.00) at the New School for Social Research in New York. The disaster of inflation might best be described by a contemplation of the destruction of this storehouse. Money in the bank today has a specific worth; a year from now, it may be worth significantly less.

A great American economist in the field of money and banking, a past president of the American Economics Association, Kemmerer taught primarily at Princeton University. He emphasized the fact that everyone in Germany suffered terribly, although mentioning the fact that the landowners suffered the least. Before it ended in 1923, over 475 quintillion marks had been printed, and people were taking wheelbarrows of them to market.

We tend to think that the awful inflations that affected Germany and France in the past century couldn't happen here, that "they" wouldn't let it. However, under the current paradigm of economics, "they" have no control. Politicians in power praise the skills and the impact of the efforts of proponents first of fiscal and then of monetarist policies, as if these two approaches constituted the only two available solutions.

They don't know any answer. We're on a roller coaster which we cannot stop and from which we cannot escape. The inevitability of the terrible future that apparently lies ahead is so awesome that people tend to bury their heads in the sand, taking the attitude that they might as well enjoy the present because the future is so far out of their control. Economists generally have not provided much reason to do otherwise, and no one, including the general run of economists, has come up with any hope of salvation, of rescue.

Suffice it to say that history has shown inflation to produce an outcome that an intelligently run economy should avoid at virtually any cost. The ultimate outcome of the inflationary course we are now pursuing is the repudiation of the current money system.

While the nuclear issue has been widely and emotionally discussed, been the subject of a widely-viewed TV movie, and is generally acknowledged to be a major threat to this world's future, the fact that **the decision-making process for nuclear war could be reduced to a single individual who can launch weapons that can themselves produce or directly lead to our mutual and complete destruction** contributes to making that subject a popular topic. On the other hand **the economic situation, despite the fact that nearly everyone would agree that inflation is a bad thing, is not given the primacy in popular opinion that the issue deserves.** This may be due to a lack of understanding of the interrelationships between various causes and effects.

In our economy, land is a ready object of speculation, and its value is constantly reflecting this evil. What happens in a rising market, the up side of a business cycle, is that investors see rising prices in land as indicative of a boom. Thereupon, they try to increase their holdings in such land, only to discover that their present returns will not pay for the present costs of land; the current price of land is not based on what the yield of that land is today, but on what it is projected to be two or three years from now. The difference tends to increase until a point is reached where the imarginal buyer of land suddenly finds himself unable to meet the rising costs to which he has subjected himself. With bankruptcy threatening him or having already been forced upon him, the land passes from his hands, and the market temporarily becomes overpriced. The bankruptcies increase, and ultimately land values are brought back to levels which represent current productivity, at which point the new boom will have started.

In 1933, the University of Chicago published a book by Homer Hoyt entitled ***One Hundred Years of Land Values in Chicago***. This monumental study consists in 7 chapters, of which each of the first five describes one of the five major business cycles of the period in great detail.

What was so outstanding about Hoyt's book was its compelling confirmation of George's analysis, some thirty-five years after George's death in 1897! What is even more significant is Hoyt's handling of his data in chapters six and seven, the balance of the study. In these two chapters, he selects some sixteen events which not only are present in each cycle, but which occur in the same order in each cycle.

Mr. Hoyt concluded with the usual caveat: that the mere fact that this sequence is observed this many times does not guarantee that it will ever happen again; which is to say that we can never prove truth, we can only fail to disprove it.

The [GRAPHIC RENDITION](#) of one such cycle appearing below was devised by John Monroe, the Director of the Commerce and Industry Division of the Chicago Henry George School of Social Science. For classroom use, Mr. Monroe had set up a large

magnetized blackboard with a large inverted "U"; the sixteen items of the figure were described on sixteen magnetized chips, which were shuffled and distributed along the participants. The author once had a class of five company presidents; after defining the task, he never spoke during the exercise. The individual members had sole control as to the place on the curve where each chip belonged. It was thrilling to see and hear the discussion and the ultimate positioning of the individual chips. At completion, they matched precisely the historically-based results of Hoyt. Five converts, one of whom had been the President both of Chicago's Real Estate Board and of its Building Managers Association, as well as a trustee of the University of Chicago, walked out of that session.

A Case History of Five Major Booms and Busts 1830-1933

1. Machine techniques, production methods improved
2. Population begins to spurt up
3. Shortage of housing, office & commercial space first felt
4. Rents begin to rise.
5. Selling prices of old buildings begin to advance
6. Vacant lot purchases begin to rise
7. Rate of new construction begins to rise sharply
8. Credit eases to stimulate volume of new building
9. Rapid growth of population projected far into the future
10. Prices of tracts near settled areas advance rapidly to peak.
11. Large tracts subdivided beyond needs of immediate development
12. Lavish public expenditures
13. Rate of population growth falls off
14. Vacancies reappear
15. Rise in rents slackens
16. Volume of building construction at peak.
17. Asking prices of land advance in face of fewer land sales
18. Financial institutions continue loans on peak values in face of lessened construction
19. Holders of 2nd mortgages begin to foreclose with faith in 1st mortgages
20. Stock market crash
21. Unemployment mounts to peak; wages down
22. Increased movement of population to small city or farm; doubling up in city
23. Vacancies mount to peak in houses, apartments, offices, stores; industrial rents down
24. Interest charges high in proportion to net rents
25. Taxes high in proportion to net rents
26. Second mortgage holders wiped out in flood of first mortgage foreclosures
27. Bank failures mount; loaded with real-estate "frozen assets."
28. Volume of new building at bottom
29. Subdividing stopped; most vacant land not salable at any price
30. Construction costs at lowest point

source: *Homer Hoyt: One Hundred Years of Land Values in Chicago*, Copyright University of Chicago Press, 1933
see also the photo at [HTTP://WWW.COOPERATIVEINDIVIDUALISM.ORG/MONROE-JOHN-1962.JPG](http://www.cooperativeindividualism.org/monroe-john-1962.jpg)

There are banks which have gone under supporting rising land prices, loaning money on land at speculative price levels. The answer is not to rescue those

banks; it is to rid ourselves of the fundamental process of speculation in land values.

The wringing out of land speculation from the dynamics of economics will remove that unacknowledged offence which has so labored the economic profession and the public at large. As Henry George discovered and as Homer Hoyt so brilliantly depicted speculative land prices as the cause of this bitter cycle, so will its removal rid society of this hitherto hidden defect. It will put the land market on a current value basis and eliminate the terrible risks to which that market has always been subject in the past.

The reason for such speculation under the present practices is obvious. All products of labor are subject to increases or decreases depending on supply and demand. When an oversupply of any commodity begins to rear its ugly head, prices tend downward and production is thereby lessened until there is a contrary swing upward. Land, on the other hand, is of fixed supply. Nothing man does can increase or decrease the amount of land, and therefore that brake that operates in the field of production does not apply to land values and prices.

Just think of the social benefits that would accrue to a society that could, at a stroke, rid itself of the potential hazards to which all prior societies have been so subject. Production will then occur on a steadily rising level, demand increases as the well-being of society improves, new techniques develop, new inventions are made, and all these will be benefits to the community as a whole, and not just to the land-owners as in the past.

Back in the early days of this century, Winston Churchill saw and recorded an example of this. There had been a ferry fare over the river Thames for the common laborers who lived on the wrong side of the river to pay in order to get to work. A spirit of nobility prompted the absorption of this fare by the City, and almost immediately rents in the working class area were increased by the same amount as the fare had been. When this thing was done, the guys who got the benefit were not the poor working class people, but the owners of the homes in which they lived, or, more accurately and more critically, the owners of the land on which those homes stood. The laborers were thus charged a higher rent, and that rent diverted the benefit from the seemingly intended beneficiary (i.e., the public) to landowners in the affected area.

This occurs every day in this country. A new road is built, or a superhighway is constructed, which makes access to a particular site much easier. We tell ourselves that we justify this as an expenditure of public funds by the benefits that accrue to the traveling public; but the benefits go, in the form of higher land prices and rents, to the

owners of the sites that are served by this new road. If you doubt this, consider the jockeying for the insider information or for influence over the selection.

Robert Caro, in his biography of Robert Moses, recalls the time in the early 1920s that Moses suggested to the authorities the building of a causeway from the Long Island mainland over to Jones Island. This proposal was rejected outright by the Long Island Park Commission. Some months later, Moses presented them with a drawing showing precisely where this causeway would run, and, after a suitable period of during which these public employees could buy up the land along the proposed highway, he resubmitted his proposal. This time, they officially approved the suggested construction.

In the town of Antioch, Illinois, there were two developments underway almost simultaneously. In the one, roads were provided, together with water and sewer lines, but no sidewalks; in the other, just across a main road from the first, the mayor of the city had storm sewers, curbs and sidewalks installed at public expense, for which of course, any prospective buyer or tenant would gladly pay for use of that land the higher price these added benefits provided. Any reader will recognize this chain of events and set of economic relationships as being the course of everyday life and business at the local, state and national level. **The cynic would say that a primary motivation for entering local or even national politics would be the opportunity for personal gain offered daily by publicly financed improvements.**

Another example relates to a piece of farmland in central Pennsylvania. In the early 1940's, an 18-acre farm complete with a two-story house with five bedrooms, a large barn that would among other things hang 3½ acres of tobacco and store hay, straw and corn on the upper level, with stalls for 6 milking cows and a half dozen steers, housing for 100 laying hens and for fattening a few hogs plus a shed for equipment – all in all, not a large farm by local standards at the time – sold for \$7,500. Twenty years later, with about \$12,000 in residential improvements, that land and its buildings were sold for approximately \$20,000. In those twenty years, the neighborhood and the general economy in the county had not changed a great deal. Within the next year, a decision was pending on the exact location and routing of a new superhighway. The decision, which was announced some time later, carried the route of the highway via a bridge across the local road on which that farm was situated and a cloverleaf access was built nearby. Soon, the value of that piece of land jumped to \$10,000 per acre, which, ignoring the value of any improvements to the original piece of land, was an increase of 800%. That increase, from \$20,000 to \$180,000, benefitted the most recent purchaser of the land. However, the increase resulted from the effects of public (i.e., taxpayers') spending, and, in a more just society, would have been returned to the taxpayers, rather than accruing to the private benefit of an individual who either made

a good guess, had some private information, or even perhaps lobbied for that particular routing of that publicly financed highway.

Thus, the benefits of a tax-supported public work accrued once more not to the benefit of the public at large, but to that of a very limited and narrowly defined class, those who were rich enough to own land in that location.

There are undoubtedly many other problems to be resolved before the ills of our society are cured; but what many do not recognize and understand is the primacy of the adoption of land value taxation over all these other corrections. The reason for that can be very simply stated: **If any of these other measures already adopted have no merit and have only added to the burden of our problems, then they are disqualified at the outset. On the other hand, if they are of themselves beneficial, any benefit from them will be immediately capitalized into land values and will therefore exacerbate the very problems which otherwise might be helped toward a cure.** Thus it is that our first step toward any possible remedy for the awesome plight into which we have been led increasingly over the recent years must be the adoption of land value taxation.

Conclusion

Suppose a great fire was sweeping across an area of the country, and the people in its path found themselves endangered. What would you recommend that they do? Would you suggest they write to their congressman? Would you recommend that they send in \$5.00 as their contribution to a campaign to end the fire? If they can't get away from it, then they must fight it or it will kill them. Digging a hole in which to bury one's head is not the solution.

I recognize the difficulty of achieving what I hope for. I also recognize the immediacy of the problems confronting populations over the entire face of the globe. To reform this society will require a drastic change of attitude toward the relationship of man to this earth on which and from which he makes his living. Nothing short of a world-wide movement, a real appeal for a tidal wave of opposition to these existing institutions, is going to rid us of the evils confronting us.

This paper is entitled "*A Clarion Call to Sanity, to Honesty, to Justice.*" It is insanity to pursue a course which is leading inevitably and rapidly to the destruction of life on this planet. The enemy is the two-headed snake of inflation and nuclear war. The good news is that neither of these need be inevitable. The bad news is that unless we change course soon, we shall most assuredly end up where we are now headed.

In his autobiography, "Justice", Illinois Senator [Paul Douglas] said* "The most unjust thing you can possibly do is so to order society as to ensure the continuation of poverty among huge masses of the human race."

- In his memor, "In The Fullness of Time," Paul Douglas wrote: "When I pass before the Great Judgment seat, I hope Saint Peter may forgive my silence as a senator on the increase in land values and accept my later efforts as at least partial atonement."