A Professor's Progress

ECONOMICS, by Paul A. Samuelson, Professor of Economics, Massachusetts Institute of Technology, Fourth Edition, McGraw-Hill Book Co., New York, 1958, $6.75.

Reviewed by E. C. HARWOOD

Although I did not find in this volume Professor Samuelson's justification for creeping inflation, he perhaps would argue as does Professor Slichter of Harvard that ". . . creeping inflation is part of the price we must pay to achieve maximum growth." American economic developments from 1875 to 1890 suggest that such an assertion was not true then, and no one has provided scientifically based proof that it is true today. West Germany's experience since regaining the prewar level of output in 1950 also casts doubt on the creeping inflation theory. From 1950 to 1955 industrial production in West Germany increased 79 per cent; but in Sweden the increase was only 15 per cent, although the rate of creeping inflation there (measured by the rise in the cost of living) was about three times that in West Germany.

Dr. Samuelson's recognition of what he calls the "miracle" of West German postwar economic developments is encouraging. He describes the basis for the "miracle" as "a thoroughgoing currency reform" (p. 38), which seems an inadequate description of reforms that restored free markets as well as a redeemable currency, and, in effect, tossed into the discard the depression panacea Professor Samuelson evidently favors. Would it not be worthwhile in an economic textbook to devote more than a few lines to the experience of West Germany in recent years? Surely an economic "miracle" merits more detailed comment, especially when such consideration would reveal so much about significant aspects of American foreign and domestic economic policies.

Many writers of economics textbooks have given only superficial consideration to the potential effects of a tax on site values as differentiated from a tax on value of improvements. In a brief but clear discussion of this point (pp. 529 and 530) Professor Samuelson describes how a tax on site values would fall in its entirety on those privileged to hold exclusive titles to such sites and would not burden either those who labor or those who invest in the reproducible capital of our economy. An obvious conclusion is that shifting of the tax burden from investors and earners would encourage new investment as well as the process of production and would inhibit the speculative withholding of valuable sites and resources from production. That the net result could be more rapid economic growth with output more equitably distributed among those who participate in the productive processes seems equally clear.

The potentially far-reaching consequences of taking much of site rent for public uses might well have been discussed in greater detail. The Institute of Research of Lehigh University, another distinguished school of engineering, has analyzed and reported on the potential effects of exempting improvements and taxing only land values in the city of Bethlehem, Pennsylvania. Here is substantial evidence that the slum areas of a city reflect prolonged unwise apportionment of the tax burden and that the simplest remedy for "sick" urban areas would be shifting present taxes on improvements to taxes on land values. Moreover the experience of Sydney, Australia, and sev-

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Letters

To the Editor:

"Thou shalt not muzzle the mouth of the ox that treadeth out the corn."

Month after month letters and articles appear in HGN written by persons who are threshing out the corn of economic truth and trying to get it into a vehicle that will carry it, in some cases at least, to people who have never studied economics, or taxes, or social philosophy.

Now please, let's not put a muzzle on the mouths of these writers by insisting on some little technical peculiarities in phraseology that won't mean a thing to the potential enthusiast.

For example, Theodore Buehler wrote (March HGN) "It riles me up whenever HGN writers speak of the 'land tax' and 'land value tax.' There should be a more fitting word . . . let someone suggest something better."

Well, I can suggest something better — "land value tax." I challenge anyone to find a better term with which to introduce the uninitiated to the idea of getting public revenue from the value of land.

WALTER W. GERVER
Lancaster, Pa.

To the Editor:

By way of comment on the article "Inflation, the Obscurer" by Arleigh Chute (April). Sound money does not mean a constant supply (of currency plus bank deposits) per capita. For as more goods are offered in the marketplace they must be represented by dollars whose value will tend to increase because of the increase in the plentifulness of these goods. The ease and facility with which men can turn out goods, plus unlimited opportunity to turn them out and to exchange them, is what will make dollars worth more in purchasing power.

Making dollars redeemable in gold does not limit their supply. It simply means that they represent goods to the value of a given weight of gold that are being produced, or, of course, gold itself. And no one will want gold (except for ornament or industry) if he knows that the value of his dollars (in terms of goods generally) is not falling, or is actually rising.

It is true that inflation obscures the land problem somewhat, because people demand inflation without knowing the cause of the apparent need for it—things are being priced beyond their reach, but they do not know just what, nor why. When inflation brings relief, the cause of its apparent need is obscured — apparently the difficulty was caused by a lack of money in circulation (what caused the "drying up" of the money is not asked).

RICHARD T. HALL
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eral other cities indicates that even most of the landowners, surprising as it may seem, would benefit from such a shift of the tax burden. The experiences of Denmark, of New Zealand, and even of Pittsburgh, Pennsylvania, with its partial application of the principle, merit consideration by every student of economics.

So much for the evidence of some progress by Professor Samuelson [as contrasted with earlier editions]. In other respects the lack of progress is evident.