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The Cause of Inflation

by SIEBE SEVENSTER

ECONOMISTS are thinking about scarcity of products but they ignore scarcity of land and the fact that we are not able to make any more of it.

As Georgists we are concerned with the circumstances of today's affluent society, still exhibiting much economic and social damage. The critical point just now is inflation. How can we correlate inflation with the major economic fault as we see it—the private collecting of the rent of land.

Economists deem it necessary to allow for some unemployment in order to keep inflation on a "real" level (1 to 2 percent), as if a little stealing is all right—more is not allowed. The director of our central bank tells us however that the inflation of today is the unemployment of tomorrow.

To compare different points of view we must begin with the Keynesian idea as accepted today, that people save too much and for all these savings there is no employment. The needs of the people, it seems, do not absorb the capacity of production, so it is the duty of the government to print more money in order to enable people to buy more products. We see that this works but not always in the right way. The director of the international banking service in Washington suggests that under inflation "righteousness" can be approached only partially by "an excessive and intricate system of welfare."

Where is the flaw in the Keynes statement? Why are people who receive normal wages not buying enough and leaving many products unsold? The answer is that the wages may be all right but taxes take a share of them. If the farm worker's wages for one hour were equal to the price of one kilogram of sugar he ought to be able to buy one

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The Spiral of Frustration

Urban Dynamics by Jay W. Forrester, a professor at Massachusetts Institute of Technology, is a much talked about study in which the author points out that excessive low cost housing in cities draws such great numbers of depressed persons that the job opportunities fall far short of the demand, resulting in a downward spiral of frustration and crime.

Professor Forrester, in testimony before the subcommittee on urban growth of the U.S. House of Representatives, expanded this view by saying legal and tax structures and the zoning laws "practically guarantee that we generate slums."

Cities are built by internal economic pressures, and he believed they could be revived and remain self sustaining if the incentives that cause decline were eliminated, such as the graduated state income tax, payroll tax and tax on improvements rather than land. This destructive process which repels the people and activities most needed to maintain stability and vitality, is widely recognized, he said, but "the short-term pressures are thought to be so high that little is done to get off the declining spiral."

He deplored the property and income tax laws which permit old buildings to decay with little tax penalty. The income tax laws which allow a building to be depreciated several times against current income give an old building value and help to keep it in place even though it contributes to urban decline.

Professor Forrester stated in his supplemental paper: "Perhaps the quickest way to force a recognition and correction of the fundamental causes of urban decay would be to remove all expectation of future financial assistance to the cities by state and federal governments. The trend toward interpreting urban problems as a financial demand on higher levels of government must be reversed. Higher levels of government can be most effective in exerting pressures for local action and by altering the tax policies that encourage the perpetuation of old buildings in declining areas and by reversing the policies that favor housing over jobs so that residential construction will no longer rise beyond the economic population-supporting capacity of the area."

Economic Chain Reaction

by SYDNEY MAYERS

SUPERFICIALLY, the subject of this discourse is a recent labor dispute. Actually, however, its purpose is to show again how prophetically Henry George revealed the natural laws of political economy. The specific example is the inevitable effect on production generally of a stoppage at any point of the productive chain.

On the 18th of May last, a strike was called by the Brotherhood of Railroad Signalmen. It started in the east at 6:01 a.m. and (to quote *The New York Times*) "rippled westward across the nation's time zones," halting practically all rail movement. We are not concerned here with whether the union's action was justified. Of transcending importance is what followed immediately after the strike was on.

Within minutes a kind of economic paralysis began to set in, and within hours segments of American industry were compelled to curtail operations. Automobile manufacturers reduced working hours by half; steel companies cut back their output; mines prepared to shut down, and producers of perishable goods nervously sought substitute transportation for their merchandise. The consensus was that had the strike continued for five days, many of them would have had to suspend operations completely. Soon the "ripples" would have engulfed the countless business activities depending for their existence on the more basic industries.

Without raw materials, without wares to sell, without a means of delivery to the consumer, thousands of businesses relying on rail shipment would have been at a standstill. And what of the poor passenger, pathetically stranded on the station platform, trying desperately to devise some way of getting to his office, his factory, his shop, or his customer?

In the face of this disturbing situation, and prodded by an understandably concerned Administration, Congress with unusual alacrity adopted legislation ordering the signalmen back to work for a cooling-off period. The bill received Presidential approval at 11 p.m. that day, just seventeen hours after the strike began. It was a short-lived emergency, but those seventeen hours were a frightening economic consternation.

Since railroads still carry almost fifty percent of America's internal shipping, when the "iron horse" stops running the effect is felt with peculiar suddenness. But the difference is one of degree only, for any stoppage necessarily affects other productive areas. Henry George

teaches us that we live on current production, therefore continuous production is imperative if economic disruption is to be prevented.

Solving an economic problem by means of a political remedy is of dubious efficacy. Nevertheless, the immediate consequences of the signalmen's strike have been alleviated, at least temporarily. But while they lasted, seriously interrupting the country's normal productive flow, a discerning observer could readily see, clearly demonstrated, the logical validity of George's principle that to impede production anywhere is ultimately to impede it everywhere.

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In a dispatch from Bonn the currently discussed reform of the land laws aimed at syphoning off, though very gradually, the value of increases of farm land being converted into building land and other changes of land use. The compensation to owners was to be based on the value of land before intention of renewal or development became known, or before speculative increases entered the picture.

A later dispatch, translated by Eugen Hugo Michaels of the New York Correspondence Division, reports that this land speculation tax did not work and was dropped immediately. As Housing Minister Dr. Lauritz Lauritzen explained: "Any tax which catches value increases only during the sales process must fail, because the seller passes the tax on to the buyer step by step."

This recalls a famous verdict of the Constitutional Court which decided that the previous freedom from tax for gains made on the sale of agricultural land could not be reconciled with the equality rule. *Now* the Ministry of Finance must decide how to handle these larger chunks of land gains. If this tax is passed on to the purchaser it will increase the cost of building land considerably. To counteract this, and to increase the supply of building land, many experts consider that a land value tax is necessary. There is no time to lose since the verdict of the court has practically terminated acquisition of farm land, and as a consequence, completion of schools, hospitals and other public buildings falls behind schedule.

The Housing Ministry has now proposed a new draft which truly would stop land speculation. If, within a building section and in spite of building plans of the community, an owner prefers to use his land agriculturally while expecting rising land prices, he is to be assessed as though his land already carried its potential economic yield—an apartment house, for instance. Such taxation of prospective building land would stop the steep increase of land prices within the extension area of large cities and avoid tax disadvantages for building investment.

Self Assessment—A Viennese Method

This is a portion of a letter from Philipp Knab to Carl Shaw of West Point following a visit in Vienna

GEORGISM is a world-wide movement, and success in one country means success in all countries. There are competent men in the U.S. but they are not convinced of self assessment, which I regard as the key to Georgism. We had it in Vienna in 1920 when I myself assessed my father's house. It was cheap and quick, it worked well and few reclamations were necessary on the part of the authorities. Then a crazy inflation came along blotting out the results, and the plan was abandoned. Our Austrian land tax includes houses and improvements however, and the land holder may, if he chooses, state publicly the value of his land. This is not compulsory and there is no obligation to accept that value in case a man's land is required by the municipality or the government. If self assessment were in effect a land holder who refused to state the price of his land, or did not state it within a fixed time, would have to accept the price fixed by the official assessor and would lose his right of reclamation.

In such circumstances the assessor becomes an arbiter instead of a dictator, for among the numerous values presented to him will be some dictated by fear of paying taxes that are too high, or the fear of being disowned, the desire for a high mortgage, or the wish to be an equitable impartial father. In another respect the assessor will also be an arbiter. Because he has a general opinion of what land is worth he can allow for differences between local conditions and circumstances such as the occupation of a neighboring site by a criminal whose neighbor nobody wants to be. In such rare cases the assessor will be able to invite the land holder to talk things over with him and agree on a compromise. In the case of an old couple who might hold a plot so valuable that the land tax would be exorbitant, it could be debited to the valuable land until the couple died and their successors would decide whether to pay it or sell. The owners meanwhile could stick to their land as long they lived. This procedure is followed in some Australian cities.

So let us tell the land holders, come and say what your land is worth in your opinion. The figure you state will be valid also in case your land is required by the government. It will be published so that if you want a mortgage the potential creditor will be able to have a look at the land register and find out what you yourself think about its value. Also in case of death the father and the children will find an adequate value stated in the land register—for if it be undervalued the

heirs who get the other parts of the fortune will be dissatisfied at their disadvantage. For these reasons every land holder will be more or less under pressure to state a fair value.

If land values are increased by the land holders themselves the assessor cannot be blamed. On the contrary he will be blessed when the surplus money flowing in will be used for reducing other taxes, particularly the cost of building. Land values are bound to rise when a developing community invests in roads, schools, etc. and still more when reduced costs of construction make it more lucrative to build, sell, or rent homes or factories. Once city governments experience this they should proceed along the road to Georgism.

In my own case I have a half-acre potato plot in the neighborhood of Vienna. It is valued as an agricultural property at 5 Austrian schillings per square meter and my annual tax is 30 schillings. I was offered 50 schillings per square meter two years ago but I don't want to sell because I shall never get another such worthwhile safe investment. Under self assessment, if I was asked what the land was worth I should say 50 schillings per square meter and would pay an increase of 300 schillings in taxes, but I would not sell the land. The state would collect a tenfold amount from me and from thousands of other owners. Of course if the land price were to rise to as much as, say 500 schillings per square meter. I could not afford to keep it and pay a tax of 3,000 schillings per annum. In that event many other plots would be offered for sale and I would buy another if necessary because the currency would then be stable.

Elsabeth Breese Bille

Bette Breese of Syracuse, New York was the best happiness feature any HGS conference could have in the 1950's and 60's. Her gayety and joyousness on those occasions are remembered by a diminishing coterie of oldtimers. But in 1965 there was a West Coast conference in Pacific Grove, and after that Bette was lost to the East. Without a backward glance she left the familiar Syracuse scene and became the wife of Frank F. Bille of California—the romance having begun at the conference. They lived in a house surrounded by flowers, and Bette was doing what she had always wanted to do—care for a lovely garden and enjoy a home, husband and family.

In Syracuse she and Emanuel Choper had worked as co-directors of Henry George classes. Bette did the administrative and clerical work and set up procedures for class secretaries, often working far into the night. Manny Choper now lives in Albany and continues HGS activity there.

Sadly Frank Bille wrote of Bette's sudden death on April 22nd in their home in Arcadia. We sympathize with him in this tragic loss and hope the home which was such a happy one will reverberate with her merriment as with a lingering presence of joy.

The Significance of Site Value

by JOSEPH CARLO

THE central tenet of Henry George that land, as he defined it, was not brought into being by human exertion and therefore is not the legitimate property of the individual since property can only be justified by productive effort, has always been questioned.

The examples of dock facilities, landfills, artificial platforms for off-shore drillings, the increase of land areas in river deltas and their eventual usage for crop production, are cited to refute Henry George and to show that, in many instances, land sites are created by nature, by individuals, or by governments, thus augmenting the supply.

"Site is to be thought of as an immovable extension in space and as a non-material geometric form or figure. This follows clearly from Henry George's reasoning. The surface of the earth, if divided in a gridwork pattern of longitudinal and latitudinal lines, will be seen to be a collection of sites, each covering any extension of area depending on the number of lines drawn. In whatever area or site a landfill is made, a delta is formed, or an off-shore rig is placed, new "land" (as it is understood in its limited, non-Georgian sense) may have been "created," but no new site was formed. Whatever develops within the site, man-made or nature-made, the site cannot be altered because it is non-material and immovable.

If it were possible to enlarge the earth in a balloon-like expansion, then new or larger sites would be created, but in no other way. Any increase in "land areas" would have to involve such extra-terrestrial exploits as space platforms or landings on the moon or other bodies in space. All nature-made bodies in space have a fixed extension of sites (sun or other star-sun flares move into and out of sites). Space platforms can be enlarged, but they are only further examples of the principle that *sites* are to be found throughout space, but are not made by man—he can expand *into* sites but *cannot* create one, and therefore space platforms, as sites, are not legitimate objects of individual ownership.

Our central tenet that no sites are brought into being by human effort is thus shown to be universal. The fact that individual effort in improving land for tillage and building canals and bridges is sometimes indistinguishable from the land itself after years of neglect, is not germane to the argument. Sites have not been augmented or changed. They would remain non-material and eternal even if the earth were blown to bits or atomized.

To pursue the configurations of land sites; lakes, or more scientifically, their geometries, are sites, as are housing extensions built over water and boat-house accommodations. Ocean extensions and their contours are sites when the surface is used by man or when there are drillings in land below the surface. The over-water cities built in Puerto Rico when people were driven off the land are evidence of this.

The 200 mile extension of their borders into the sea by Peru and Ecuador and other South American countries for fishing rights, off-shore oil exploration and under-water soundings, is a manifestation of their practical understanding of site value and the meaning of the term.

All the world is one divisible site, whether the surface is made of ice, barren soil or greenery, sand, or water. Some sites are currently inaccessible or of little use for production or habitation. In the past, as in the Incan civilization on the highlands of Peru, so-called useless sites flourished but are now only memories. Even when jungles have been opened to cultivation no new sites were created.

In an eagle-like view of a mountain site, its boundaries are clear but not its "tiers." In a given mountain site one may find clearings on the top in use, diggings in its interior, and terrace farming on its sides—all on one site. But no part of its extension, *qua* extension, was created by man. Each tier user preempts the use of that tier by others, and therefore must, if the community demands it, pay for the privilege, since the tier was not created by human exertion. But it is not my purpose to pursue this Georgian concept here. Nature gives and takes away. Earthquakes, hurricanes and floods change the face of the land but do not affect sites. Site usage may be altered or discontinued but the site continues to exist.

Islands sometimes emerge within the boundaries of sites but they are merely entities of which we are made aware because of aspects that were always there—not newly made but newly emerging. "Outback" in Australia "new lands" are said to be emerging as new sections are cultivated or mined, but the sites were there since the formation of the earth.

The "substance" (minerals, oil, soil and so on) is only usable if access to sites is permitted. Crossing their boundaries makes possible the use of these material elements. But physicists tell us that "matter" or "substance" is essentially an energy mass—they do not find any "gritty stuff" in the universe. We can infer from this that matter is merely an extension in space and thus we return to our site concept.

"Land value," the familiar term, is justified and indispensable in the larger Georgian concept, but site value is all-inclusive and should be kept in mind, for if clearly understood it leads to a sound thesis and a workable solution to poverty.

Evaluation of Ideas

by DAVID SKLAR

In "Henry George Revisited" (May HGN) Godfrey P. Orleans says, "On the Georgian view, the problems of poverty, inflation, unemployment, urban deterioration and others might be solved by the simple act of removing the control of land from the private sector of the economy."

This is not what George proposed. Before stating what he *did* propose, it is necessary to expose the source of Mr. Orleans' misinterpretation. The use of the terms "private and public sector" have caused much mischief since they came into vogue. By this terminology, if five families owned most of the land of a nation we would say that land was in the hands of the private sector. We would say the land of a nation was held by the public sector if its title was vested in the government. The effect is the same in both cases: control of the land of a nation by a few of its citizens.

George proposed a tax on land values as a means of breaking the monopoly in land. This is the essential point. This would take control of the land out of the hands of the few and make it accessible to all. It would indeed "at once deter speculative trading in land" because a tax on land values would take the profit out of land speculation.

It is true that in many respects "the conclusions reached by Henry George were quite the opposite of those reached by his contemporaries." But Mr. Orleans' example does not illustrate this. George agreed "that since supply was itself an expression of demand there could never be overproduction." George did not as stated, believe "that supply was itself an expression of a demand for less than that which was supplied," and he certainly did not conclude that this caused "a trend towards economic depression." George did say (p. 270-1, *Progress and Poverty*) that "the supply of labor cannot be too great, nor the demand for labor too small, when people suffer for the lack of things that labor produces. The real trouble must be that supply is somehow prevented from satisfying demand, that somewhere is an obstacle which prevents labor from producing the things laborers want . . . and that obstacle, it is clear, is the speculative advance in rent, or the value of land, . . ."

Mr. Orleans says that the reasoning on which George's solution is based "is open to question," but he neither examines George's reasoning nor opens it to question. The fact that many volumes have been written on money does not prove that it is more than a mere medium of exchange and measure of value, "having no value in itself." Further-

more to say there is a fallacy in the argument that the supply of land is fixed," is itself a fallacy.

Mr. Orleans' statement that "any increase in the total rental value of land must be due to an increase in total income, and must therefore correspond to increases in total wages and total interest" is not true. The very reverse is true. The increase in total income increases the total value of land without a corresponding increase in total wages or interest. This fact and this alone explains why the tremendous increase in productive power of the past hundred years has not resulted in the elimination of large-scale poverty—has not even lessened it—has actually given it a more desperate aspect which now threatens the very survival of our society.

That Henry George propounded a theory of the economic cycle when his orthodox contemporaries denied that the economic cycle could even exist!" is a misstatement. George's contemporaries and predecessors had numerous theories of the economic cycle, several of which George comments on in *Progress and Poverty*. It is also a misstatement of fact to say that Keynes offered the first generally accepted explanation of the economic cycle. The overproduction theory was one of a number that was generally accepted before Keynes, is still widely believed, and is to be found in current textbooks.

The term "liquidity preference" is not applicable to land. It may be suitable to monetary theory jargon but not to political economy. Rather than say that George "failed to express the problem clearly . . . because the problem could not be expressed in the economic language of his time. . ." we should say that he *was* able to express the problem clearly because he was *not* hampered by the vague language of the current economists, a jargon designed to confuse rather than clarify.



More is given to us than to any people at any time before; and, therefore, more is required of us. We are making enormous advances on material lines. It is necessary that we commensurately advance on moral lines. Civilization, as it progresses, requires a higher conscience, a keener sense of justice, a warmer brotherhood, a wider, loftier, truer public spirit. Civilization cannot be maintained on the ethics of savagery.

Henry George in *Social Problems*



In this my last issue of HGN I wish to express my appreciation and gratitude to all our contributors who, in the spirit of Henry George, have helped so graciously by sharing their views and their time and effort through the years.

Alice Elizabeth Davis

THE SOCIAL SECURITY FRAUD by Abraham Ellis, Arlington House, New Rochelle, N.Y., 1971 200 pages, \$7.95.

Reviewed by Dorothy Sara

In his first chapter Abraham Ellis states, "The Social Security System has clearly not proven to be a panacea for the dilemma of poverty in the midst of plenty nor has it alleviated the fears of economic security." This sets the tone of the book, which does not exclusively confine itself to an exposition of our social security system enacted in 1935. It gives the historical background of the development of welfare statism (including social security systems) in foreign countries as well as similar conditions in this country.

The author discusses the effects of inflation and how it robs the recipient of social security funds from getting an equitable return for the tax he pays into the social security system. Tables are given, showing how the individual would fare much better if he paid that amount of money into insurance or other savings plan that was voluntary and not imposed by governmental bureaucracy.

The book explains how in a real economic crisis the government could have trouble in meeting its social security obligations to the millions of old people whose very existence depends on the monthly checks. Also it points up the unfairness to prudent young people who could get much higher returns in their old age if they chose to invest the money which they are compelled to pay in taxes for social security. Of course, the blow is softened by the tax collector calling it a "contribution to social security" and the word "tax" is not used.

Mr. Ellis tells how the minimum wage law adversely affects production and is the cause of unemployment—to the detriment of the individual's and the country's economy. The minimum wage law, says the author, is a means of locking out inexperienced young people from the labor market where they might be developing their work skills and earning a living. He explains the Medicare program and how it works along with the social security system. The book emphasizes the politics behind the myriad of "social services" and the way in which the public is being fed unrealistic facts through the propaganda machine of not only the social security system but from the office of the Health, Education, and Welfare program as well.

Abraham Ellis has done a creditable job of research and fluent writing. His book can bring to the layman and student, as well as to the professional economist, an understanding of the fraud of social security, which theme the author used as a vehicle for exposing the many

facets of welfare legislation that stand in the way of individual liberty in a free economy.

The political motivation behind the architects and administrators of the social security system is told by the author in this paragraph: "The Social Security System has now become the personal plaything of whoever happens to be in the White House at any given time and is the device by which those on the outside looking in, seek to oust the current incumbent. If there were ever a case of direct pandering for votes, this is it."

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San Francisco — Soon

Across the mall from Fisherman's Wharf, at the Holiday Inn, the Georgists will gather from July 7th to 11th for the annual conference. Reservations should be made through the Holiday Inn at 1300 Columbus Street, San Francisco, Cal. 94133. Rates are \$23, single or \$28, double. There will be harbor or Bay Area tours, "Get Acquainted" gatherings, a wine tasting party and an excellent program.

Seminar workshop sessions were held in San Anselmo and San Rafael in May, co-sponsored by the Social Action Committee of Temple Rodef Scholom in San Rafael and the HGS of Northern California. The film "One Way to Better Cities" produced by the Schalkenbach Foundation, was shown at each meeting. The discussions explored goals in the field of housing and the effects of various taxes on these goals.

New Jersey HGS headquarters suffered the familiar fate of being in a building that is to be razed. The new location at 50 Washington Terrace, East Orange, New Jersey 07017, in the Deferred Benefits Building, is near to bus lines and the Erie Lackawanna railroad station. There are ample parking facilities and visitors are invited, but as Washington Terrace is a short curving street it might be well to telephone for further directions, (212) 672-0313, before starting out.

New York's Spanish students gathered at 50 East 69th Street for a graduation celebration on May 21st and received certificates from their instructors: Sra. Rosa H. de Ulloa, Sr. Manuel Beltré and Sr. Lionel M. Gonzalez, Professora Zoila Maria Castro was mistress of ceremonies, and representatives from Progreso y Miseria, Economía Aplicada and Pedagogia spoke. Arnold A. Weinstein, HGS President gave a closing "Saludo." A musical program of distinction followed.

At the NYHGS 115 students were graduated from Fundamental Economics courses based on Progress and Poverty. A six-weeks course in foreign trade, based on Protection or Free Trade, is now in progress.

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Stanley Rubenstein, director of the HGS Long Island Extension, was interviewed recently in the extensive feature regarding land value taxation, by the financial editor of Newsday, Mr. Rubenstein, as moderator, has again completed a radio series for WVHC, the Hofstra College station. The participants included economics professors from the State University of Stony Brook, also Jerome Medowar, Gerald Schleicher, Professor Jack Schwartzman, all residents of Long Island, and Arnold A. Weinstein, president of the HGS in New York.

Radical Four-letter Words: Land and Rent

A bearded American visited Ireland in 1881 bent on supporting radicalization. He was sent as correspondent of *The Irish World*, and his arrival was anticipated because a few years earlier he had written in *Progress and Poverty*, "if chattel slavery is unjust, then private property in land is unjust."

An estimated 15,000 military constables and 40,000 neatly uniformed troops were on duty in the small country when the Georges arrived. As soon as possible Henry George went to the Kilmainham jail to visit Parnell, Davitt and other leaders of the Land League. A three-day delay ensued before he could confer with his friends, and any mention of political issues was forbidden.

The League was at that time planning retaliatory action and was calling on agricultural tenants to pay no rent until the government retracted the coercion act under which these and some 500 other political prisoners were being held. As soon as the No-Rent Manifesto was issued the government suppressed all action by the League, but the women promptly assumed control. The Misses Anna Parnell and especially Helen Taylor, a step-daughter of John Stuart Mill, won the admiration of Mr. and Mrs. George to the extent that Mrs. George, though reticent, consented to preside over a business meeting held by the Ladies' Land League. It was attended by officials empowered to arrest the leaders but they had escaped to London.

Henry George's first lecture in Dublin aroused such excitement that crowds tried to untie his horse and draw the carriage themselves as he left the hall. George dismissed this custom as one savoring too much of the subservience to which they had become accustomed.

The next year, at age 43, when he lectured in Dublin again, the tension had eased. After seven depressing years the prisoners had been released and a much less militant League relaxed in its efforts and demands. Only Davitt retained the fighting spirit and continued to speak out for "land nationalization." His plan was to compensate the landlords but at only half the marked valuation. Henry George had never favored compensation, but he said in support of Davitt, "I don't care what plan anyone proposes, so that he gets on the right line."

George's second speech in Dublin was on *The Irish Land Question*, and it is still being read in pamphlet form as *The Land Question*. By that time many who had greeted him with fervor on the earlier visit turned against him coolly for his efforts which were regarded as "outside interference." Also there was growing pressure from ecclesiastical authorities.

Henry George was still thinking in terms of "revolution" but this took the form of well planned addresses, courteous letters and published writings in fine English prose. His manner, being controlled, was effective, and doubly so when challenged by hecklers, for he had power in reserve and his energy and logical reasoning were impressive. Along with most League members he disavowed crime and violence as being the acts of "small men lifted into importance."

Though he was poor in money he was rich in decorum, principles, fealty and friends. A gift of \$300 received just at that time made it possible to order copies of *Progress and Poverty* in a shortened form to be distributed throughout England. Some 2,000 were sent free to all newspapers and members of Parliament and 10,000 were sold at 6 pence each. Another large edition was soon to come with 1300 copies going to Australia and 300 to New Zealand. At the same time 5,000 copies of *The Irish Land Question* were released in Britain at 3 pence each.

Progress and Poverty, which had met with early rebuffs from publishers, was becoming world famous. A record three million volumes were sold in a few years, and it was translated into German, French, Swedish, Danish, Norwegian, Spanish, Italian, Dutch, Hungarian, Russian and Chinese. The author's name became synonymous with land and remains so to the present.



THE CAUSE OF INFLATION

(Continued from Page 1)

kg of sugar for that money. But if the government puts a 33 percent tax on it the worker can buy only 0.75 kg. So 0.25 kg of sugar is left over. We call this overproduction but it is a lack of consumption through taxes.

Now in accordance with the Keynesian view more money is released and overproduction is thought to be eliminated. Governments, though knowing quite well that it is not the right way, print still more money. There is no realistic measure and no terminal point.

Keynes is seen to be quite wrong on his issue that people are buying too little and leaving too much for investment. People cannot buy as much as they wish to and ought to according to their "righteousness share" of the production because the tax they have to pay is a reduction of their wages. The decision of a government to circulate more money than is realistic in relation to available goods and services is called "sticking to inflation." But while money is a medium of exchange it is also a medium of economic manipulation.

Knud Tolstrupⁱ in reporting on the prices of land in Denmark shows how inflation fluctuates in direct relation to land prices. Before 1957 the cost of land in Denmark went up and the inflation was 4 to 5 percent per annum. Between 1957 and 1961, through Georgist influence the tax on land values was raised and the inflation was only 1 percent per annum. After that period the tax on land values was abolished and land prices went up sharply as the inflation again became 5 percent per annum or more.

Halfdan Hansenⁱⁱ estimates the overall rise of land value in Denmark over the period 1960-78 to be from 16 to 67 billion crowns. The inflation in the same period was + 50 percent, so the "comparable" figure for 1970 is 33 billion. Hansen states, "As it is, the mortgaging of this increase gives rise to an enormous purchasing power which can only be financed by billions of paper money—this being the chief inflation problem which experts have been trying in vain to solve."

Here we surely have hit the direct cause of inflation with its unrealistic economic growth. This growth is unrealistic in relation to the distribution of wealth as it exists now between labor, capital and land-owners. By a Georgist solution, where rent of all land would go to the community, the economic growth would be regular—there would be no need for inflation and no fear of critical unemployment. So much for the Danish views.

Similarly, as long ago as 1925, the Dutch farmer Arjen Sevenster gave a mathematical analysis based on capitalization of the rent of land. Assuming a 5 percent capital interest, the capital value of land is the twenty-fold of the rent. From this value only one-twentieth of the rent is backed by goods or services, and nineteen-twentieths of it is not. The latter part, the bulk of the capital value, entails inflation. It is not backed by goods and so represents only paper money.

Here we see the government making the best (or as we take it, the worst) of it by printing more and more money—the Keynesian way. On the other hand we see the real cause of inflation—money not backed by products. This is the answer to Keynes and the economists, to the political and trade union leader, to the government, and to all of us. It means that Keynes is wrong and Georgists are right. Right in the sense that the cause of inflation is the same as that of crises and unemployment. This cause is the unearned income from the rent of land combined with taxes on wages and capital.

i) Knud Tolstrup, "Why Put Up With Inflation?"

ii) Halfdan Hansen, "A Practical Proposal" IW Newsletter No. 15 April 1971

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Pilot LVT Project to be Set

A demonstration area for land value taxation is to be set up in the Toronto suburb of Port Credit, largely through the efforts of Malcolm McCarthy, director of Economic Science, the Toronto affiliate of the Henry George School.

With the cooperation of local officials, an application for official designation of Port Credit as a demonstration area has been made to the Ontario Department of Municipal Affairs.

Port Credit was chosen because it is a compact town of about 8,000 with a good mix of residential, commercial and industrial properties. A program was then developed: Two University of Toronto undergraduates were hired to enter the land, building and total assessments on every lot on a large map of the town. From Teela Market Surveys, details of all real estate sales for the past three years were obtained, and these were entered on the same map.

Discrepancies between assessments and actual transaction values quickly became apparent. Moreover, gross dissimilarities between assessments of adjacent sites came to light. This work evoked the interest of Port Credit Mayor Cy Saddington and Deputy Reeve John Caldwell, the finance officer.

As a consequence, Mr. McCarthy was able to schedule a showing of the Schalkenbach film, "One Way to Better Cities," to about 40 local officials, including the entire town council and all department heads. The council then appropriated \$300 to finance a seven-lecture series on site value taxation at Humber College, attended by 25 officials.

Subsequently, the council sent an invitation to the town's taxpayers to attend a series of seven lectures, beginning with the film. In spite of horrible weather conditions, Mal McCarthy reports, 40 people attended the series. Mayor Saddington presented 33 certificates to those who completed the series at a brief ceremony attended by School President Arnold A. Weinstein.

Discussing the pilot project, Mr. McCarthy said: "Our reasoning is that in order for our philosophy to be effective and understood, some practical demonstration is necessary so that people may see and, therefore, not fear, changes in taxation method. We also recognize that to achieve change it must be practically motivated. Hence, the best approach we can envision is by selling a municipality on the idea of a demonstration and showing with figures why and how site value assessment can benefit the community."