

Repentance in Panama

TO a Georgist observer there is no mystery about the present tension in Panama. Land values are among the world's highest in and near the two terminal cities of Panama and Colon, because of the tendency to concentrate at the nexus of shipping and tourist activity. The rest of the country is rather sparsely populated with most of the land belonging to a few families who inherited Spanish land grants.

In attempts to satisfy demands from Panama merchants the U.S. Canal Administration has closed down service facilities and small manufacturing plants, turning over the business opportunities to Panama. This includes millions of dollars of business activities, such as super markets, bottling plants, industrial laboratories and paint mixing establishments.

The need for business sites naturally raised land prices or resulted in some of the small plants being located at less economically desirable sites in the outskirts (less competitive in either case). However, the non-competitive products are "protected" by the market type of protective tariffs which are established as soon as a new enterprise requires them—in some cases before, as an incentive.

Because it is claimed that increased poverty evolved with the booming prosperity of the new enterprise, the poorer class of Panamanians tends to believe the nationalists who blame everything on Gringos—the derogatory term for Americans. Basically the nationalists side with the landlords, who protest that because they are "owners" of the land on which the canal was built, they are entitled to higher rents and greater annuities.

The consideration for the annuity now received (raised from \$250,000 to \$430,000 when the U.S. went off the gold standard, and to \$1,930,000 in 1955) is the granting by Panama of its sovereign rights, power or authority over the Canal Zone. The nationalists have now devised a systematic campaign which is expected to end in abrogation of the present treaty and negotiation of a new one aimed at their taking over the canal, *a la Nasser*. This is to be accomplished through the U.N. and the Organization of American States.

Under a Republican administration the board of directors of the canal company (a wholly-owned corporation of the U.S. government) established policy which had lamentable results. The men responsible for this policy could have benefited greatly from a study of Georgist philosophy. The constant harping of the general accounting office and bureau of the budget on cost cutting was interpreted as justification for razing three or four town sites and not entirely replacing the housing. This sent hundreds into Panama and Colon to search for homes as rents climbed higher.

The physical contrast between the Canal Zone, with its spacious lawns and uncrowded streets, and crowded Panama and Colon, is striking. It is unfortunately easy to direct the envious attention of the hungry unemployed to the seeming paradise across the border, and away from the native landlords who enjoy the ever increasing rents and land values. With methods such as these the local nationalists, aided by the Communists, are deliberately seeking to embarrass the United States (before the U.N.

and O.A.S.) in order to take unabashedly what others have built, or demand a greater share of what others earn through their labors and capital.

Someone who has studied with the Henry George School may be able to do some research on this problem and publish a study of it. Land value taxation in Panama, with a free trade policy, would solve many problems—but here are a number of partial solutions that might be considered:

1) The canal administration could cease creating pressures on land value by the transference of functions or activities from the Zone to Panama,

2) An increase of Point IV aid to Panama would tend to develop land away from the Canal Zone,

3) An educational campaign could point out the validity of land values and the need for their taxation, and show the harm in protective tariffs.

Panama in the last few years has served as a laboratory for proving, in an accelerated manner, the dire consequences of natural law, and has clearly vindicated Henry George's teachings. Having little vested interest in industry, it is an ideal stage for an experiment in free trade, as proved by the minuscule Colon Free Zone. But unfortunately Panama's national policy tends in the opposite direction of protecting small industries which, because of high land values and an unsteady market, cannot possibly compete with similar industries abroad.

Emotions have been aroused to a high pitch by the nationalists. Communists and others have added to the confusion, as mistakes are made on both sides. "Let Panama light her own lamp," states one letter to the editor of the Panama American. "Let the U.S. trim hers."



The Common Enemy

"The good government would not make war against other countries, but against the common enemy—poverty, for it is out of poverty and ignorance that crime and disorder come. To punish men for crimes committed as the result of a lack of opportunities offered them for employment is a dastardly trap to set for the people. A government is responsible for the welfare of its people and should regulate economic processes accordingly. It should tax chiefly the ground rent, rather than what is built or done on it; it should abolish all tariffs, and should develop universal and compulsory education as the soundest basis of civilized development; 'good laws are not equal to winning the people by good instruction.'"

This paragraph was obviously not lifted from any of the works of Henry George. The admonition to "regulate economic processes accordingly" would appear to preclude such a possibility. Yet one might be tempted to insist it was written by a Georgist. Perhaps the author was a kindred spirit across the ages.

This bit of political philosophy is some 2,300 year old. It was promulgated by the Chinese philosopher Mencius, writing at the end of the fourth century BC. The quoted paragraph is a summation of the ancient sage's work which appears on page 480 of Will Durant's "The Story of Civilization" vol. I.