

# *Economic Chain Reaction*

by SYDNEY MAYERS

**S**UPERFICIALLY, 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.