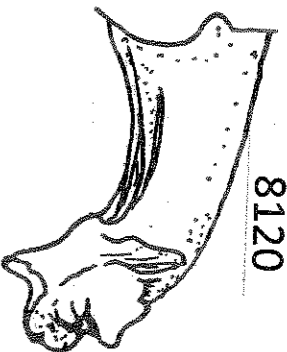


Baroque



HENRY GEORGE SCHOOL OF NEW JERSEY

No. 34

SEPTEMBER 1959

15th ANNUAL CONFERENCE

In July, the clans of the Henry George Schools from all over the U.S. and Canada converged at Rutgers, The State University in New Brunswick, N.J. It was held in this State to mark the beginning of the twenty-fifth anniversary of the founding of the Henry George School of N.J.

The buildings we used are located conspicuously above the Raritan River, which appears a tranquil, somnolent stream and presents a considerable contrast to these very modern, functional buildings, superimposed on a mellow background of the older, ivy-covered halls.

The two important activities of any, of the Henry George School's conferences immediately absorbed all the attention of those in attendance, a goodly group. The first of these was the presentation of a series of central ideas embodied in each program in rapid succession. The second was the renewing of old friendships and the forming of new ones based, I think, not on personalities so much as on the sharing of our central, cohesive principles.

Nature was somewhat temperamental in that she steamed us like the clams at Asbury Park, until we interrupted our programs for recreation at that resort, when she opened up the Heavens on us. However, weather has a prior right of visitation, needing no "invitation" nor any "courtesy". So if the latter must be exercised in strange places, at least we can still "have at" the weather as it was at the conference with no political consequences.

In passing, to those of the local school not present, Dr. Esty, President of the N.J. Board of Trustees was general chairman of the conference, Mr. Louis I. Weitzman, Trustee ably handled arrangements. Alex Goldfinger, our Dean, presented a most interesting analysis of an aspect of Automation. Oscar Johannsen, of the editorial staff of THE BAROQUE, and a Trustee, held his own very well in a lively panel discussion on Inflation.

In such debates, our speakers may disagree on minor points; but when outside speakers strike down the fundamentals on which we are all agreed, I think it is very amusing and stimulating to all of us at the manner in which we all close ranks and present a solid front to such heresies.

On the way to Princeton Inn, foretelling, banquet on Saturday, we stopped for a tour of the Princeton Campus. Here, at least was the touch of intimacy with the physical, not the economic, earth, without which I would have been disappointed. The countless old trees shaded broad vistas, with the beautiful Gothic stone buildings a very integral part of the varied picture.

Then, again, after arriving at the Inn, it was a delight to enjoy the handiwork of man on the acres of broad slopes, down to a little lake, alive with water birds, and up again in the distance to a castle-like university chapel--a beautiful spot. Many of us were happy to see there, most appropriately, two of our previous directors, Marjorie Carter and Margaret Badgley. They both led our forces when equipment was limited. We remembered our efforts with the old mimeograph, and its tiny, mechanical sulkiness.

Our toastmaster, Addison K. Barry, a Trustee, our fine speaker, Dr. Richard W. Lindholm, who drew a standing ovation, Miss Carole D. Reinhart on trumpet and her accompanist, Miss Shirley Leferts all contributed to a memorable evening. Even the food, being perfect, was something of a bonus.

The following day, many attended the dedication of our Newark headquarters building. Miss V. G. Peterson and Dr. Glen E. Hoover spoke in their always inspiring manner. So much so, that I believe encouragement and strength was generated for another year of redoubled effort on the part of all the Henry George Schools.

Virginia Harvey

"MINE, THINE, and OURS"

Is the socially created value of land a confused concept? Is the concept of money being a standard of value as well as a medium of exchange a confused concept? Or is the confusion in the minds of those who may not understand these concepts? I am inclined to believe the latter is true.

Economic value may be likened to the force of gravity. It is the force of attraction existing between man and that which he wishes to use or consume. We all want various things. So we exert ourselves to obtain what we want. And

MONEY AND BANKING

(The following are excerpts from Mr. O. B. Johannsen's presentation at a panel discussion on Inflation at the Henry Geo. School Conference at Rutgers.)

Money is the most marketable commodity in a community. Before anything can be money, it must be a commodity desired for itself. No hard headed peasant would ever barter his crops for pieces of paper. Rather he wants a commodity, as gold, which he prefers to his apples. Thus, a gold coin is money first: because it is a commodity, gold, and second: because it can be bartered over and over again for other things, i.e., it is a medium of exchange.

In contrast, a Federal Reserve Note, which everyone uses as though it were money, actually is not. It is not desired because it is a commodity, but rather because of the words written on the paper. (The paper, itself, is merely a convenient device to record the words.) It is merely an IOU, as is obvious if one will read the inscription on its face which states, "The United States of America Will Pay to the Bearer on Demand Ten Dollars." It is not, itself, ten dollars, as most people believe. It is merely a promise to pay ten dollars. The fact that it circulates from hand to hand and apparently performs the function of money doesn't make it money any more than the fact that you tap a nail into wood with a pair of pliers makes it a hammer, though the pliers perform the function of a hammer. The FR Note can be classified as a substitute for money, just as the pliers can be considered a substitute for a hammer.

But, then, what is a dollar? It has been defined by law as 1/35th of an ounce of gold. A dollar, then, is simply a weight of gold. When you exchange a dollar for ten pounds of sugar, you are, in effect, bartering 1/35th of an ounce of gold for ten pounds of sugar. You are exchanging one article of wealth for another.

What is inflation? Inflation, today, might be defined as the issuance of money substitutes with neither money, i.e. gold, or other articles of new wealth coming to market backing them

Bluntly, it is counterfeit money. If a counterfeit floods the market-place with phoney money certificates, inflation exists for then we have new claims on money but with no new money, nor any other new forms of wealth being produced which might be used to redeem them. If he poured sufficient quantities into the marketplace, he could raise the price of many articles of wealth until such time as he was apprehended and the bogus money destroyed. With its destruction, the price level would tend to drop.

Inflation may be visualized as follows: Imagine a sea of paper money substitutes, all of which originally is backed by money or other forms of highly marketable wealth

money measures the effectiveness of our efforts. Granted that to date our money has been a very poor measure of value because the supply of it varies quite independently of the demand for it (population). But it serves as a standard none the less. And when we pay 25¢ for a loaf of bread and \$1.00 for a toy, it is because the value of the toy is four times that of the loaf of bread. We have to give four times more of our effort to obtain one than we do to obtain the other. And nothing but confusion can come from trying to ignore this fact.

This is also true of the concept of a socially or publicly created value of land. This is a very useful and meaningful concept. And, if properly understood, this concept is the best means of defining a free enterprise economy motivated by the desire to accumulate privately created values (the only legitimate private property). All values result from the interaction of the forces of supply and demand. And in the case of both publicly created and privately created values the factor of Demand is the same. The difference between publicly created and privately created values lies in the factor of Supply. Privately created values are found in the goods and services produced by men. Publicly created values are found in that which no man produced - the earth upon which each of us must work out his own destiny.

If there is an after life, I can well imagine Rembrandt snorting at the idea that the value of his paintings is publicly created. He created those paintings--not the public. The fact that the public wants his paintings is merely evidence of the value he created. Let's give him credit for his genius even though he's not here to defend himself.

When a person has a clear understanding of the foregoing, he does not have to "wiggle out" of any awkward positions. He's on sound ground. He's fully capable of defending himself from the attack of Socialists. But without a clear understanding of the difference between these two things, he is in grave danger of not being able to distinguish between what is 'Mine, Thine, and Ours.' (to use Judge Fuchs' words).

Robert de Fremercy

OFFICIAL CHANGES

At the Annual Meeting of the Henry George School of N.J. in June, Mr. Robert M. Hayward, Mrs. C.A. Miller and Howard M. Thomson were elected Trustees Emeritus. Mr. Ernest O. Eblowi and Mr. Alvin G. Searles were elected Trustees. The following were elected Committee Chairmen and Alternate Trustees, Mr. Alfred Hening, Finance Committee, Mr. Henry Fime, Promotion Committee, Mr. Chauncey O. Reinhardt Industrial Education Committee.

FALL TERM

Contact school office for Fall Term
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being produced. Someone keeps pouring more paper money substitutes into the sea so that the level of the paper sea rises. But none of this new paper is backed by money or wealth. The pouring of the unbacked money substitutes is inflation--the rising sea level is the result of inflation--a rising price level.

It is important to realize that rising prices do not constitute inflation. Rather they are the effect of inflation. Inflation is the issuance of these counterfeit money certificates.

But who is filling this paper sea? It is the party which has the monopoly on money, which is the government. It is the villain--no one else. True, it has all manner of excuses for what it does, but so does a thief. A thief has starving children at home, so he steals, but he can't blame them for his own act of stealing. Neither can the government blame inflation on business or labor, though their actions may give the government a good excuse for inflating the media in use.

How does the government pump these counterfeit money substitutes into this paper sea? It is done primarily through a process known as the monetization of the debt. Briefly, the process is somewhat as follows:

The government prints a piece of paper called a government bond which it sells to a commercial bank. This bank, in turn, sells it to a Federal Reserve Bank. But where does the FR Bank get the means to buy the bond? Well, under our laws, a FR Bank can print \$4.00 in FR Notes for every \$1.00 in gold certificates that it has on deposit. As, at the present time, the FR System has only printed about \$2.50 in FR Notes for every \$1.00 in gold certificates it has lots of leeway in printing more. This process is a round-about way for converting government debt into what is mistakenly called money.

Back of this FR Note is no new gold or wealth--only a debt of the government. The government could just as easily have printed a government IOU, as the old Greenbacks and circulated them, but this would alarm the people as being too obviously an inflationary device. Actually, the System doesn't print many FR Notes, relatively speaking. Instead, it uses bookkeeping entries, known as demand deposits, which amount to the same thing. This is more complicated to understand but organically the same as a bank note.

The FR System may be viewed as a gigantic printing press. During periods of neasy money, the printing press is souped up and more FR Notes feed the paper sea. During periods when money is "tight", the presses are slowed, so the paper sea receives no more paper with the result that the level tends to remain relatively level and may even drop.

Obviously, to end the inflation, the party responsible must stop pouring the counterfeit money substitutes into the sea, i.e., the government must stop inflating.

Under the present state of knowledge and understanding on the part of the people, the practicable solution is to first return to the gold coin standard at the present so-called statutory price of \$35.00 an ounce. Second: restrict the FR System somewhat along the lines established when it was first organized, i.e., permit it to issue only FR Notes or create demand deposits which are backed by money, that is, gold, or actual wealth coming to market.

The ideal solution would be to recognize that money and banking are functions of private enterprise, and the government should have nothing whatever to do with it. Even defining the dollar should be done by some private bureau of standards, although it will be many years before many appreciate the necessity of this. But certainly, the governmentally centralized banking system--our socialized banking system--has no place in a country founded on the principles of private enterprise. Thus the Federal Reserve System should be abolished, and our banks should become purely private enterprises on the same basis as other privately owned businesses. With the control over their existence in the hands of the people thru the medium of the marketplace. After all, the principles of private enterprise operate in the field of banking as in any field of business.

MRS. ANNELIA E. DU BOIS

On June 4th, Mrs. DuBois wrote - "I regret exceedingly my inability to attend this conference. I'm too old." She died on June 19th in her 99th year. Mrs. DuBois knew Henry George and Father McGlynn --and until recent years she was active in doing things for the betterment of mankind, particularly mental stimulation and improvement. She was most interested in the advancement of the school, curtailment of government and advancement of the private enterprise system. Again, we have lost a valued ally.

An American and a Dutchman were talking. "What does your flag look like?" asked the American.

"It has three stripes," said the Dutchman, "red, white and blue. We say they have a connection with our taxes. We see red when we talk about them, white when we get the bill and we pay till we're blue in the face."

"That's how it is here," said the American, "only we see stars, too."

-- Gaborpillar News

SENSE AND NONSENSE

Many politicians try to convince voters that if you vote for them they will see to it that interest rates will be low, wages high, and inflation. Well, every now and again, the front pages of the newspapers bring home forcefully to the public the fact that the laws of economics cannot be repealed to suit political whimsy. The President is expected to ask Congress to raise the interest-rate ceiling on long term government securities.

By law the Treasury cannot pay more than 4 1/2%. The fact that there is such a law is silly for when the market rate of government securities is above 4 1/2% the government will have to pay the increased rate--law or no law. At the present time although the interest rate on the face of a long term bond may be 2 1/2%, as you only need pay about \$94. for a \$100. bond, it works out that the buyer is receiving about 4.38% on his investment. No one will buy new government bonds at less than that, so the government must be permitted to raise the rate it will offer in order to market new bonds.

Of course, some politicians are now beating their breasts in opposition to this. They claim if government interest rates go up, the interest rates on mortgages and other debts will rise too, which, is true. But there's nothing the government can do about that. It has to pay the market rate. But the politicians can do something. If they would cut out all this profligate spending, foreign aid, farm-aid, and similar programs. The government would not need borrow so much money and thus with lessened demand, rates would tend to drop, other things being equal. But will these politicians cut out all their pork barrel projects? To ask the question is to answer it.

Tax-exempt real estate in N.Y.C. has increased tremendously in the past ten years, according to one expert. Real asset assessed values rose from \$24 billion in 1949-50 to \$32 billion in 1958-59. Of this \$8 billion increase \$4.3 or 52% was taxable and \$3.9, or 47% was exempt.

In 1939-40, exempt property was only 22.6%, today it is 30.5%.

Most of the increase in exempt property are public housing and redevelopment housing projects; public authority real estate; and Board of Education property.

At the same time, assessed value of all other private enterprise housing during the 10 year period rose from \$9.7 billion to \$11.7 billion--a gain of \$2 billion or almost 21%

At present rates, full taxes on all exempt housing in N.Y.C. would exceed some \$50 million. It is to be expected, of

course, if 30% of the property in N.Y.C. is exempt from taxes the other 70% have that much more to pay. This gives some clue as to who is paying for all these new projects--public housing, grandiose Port Authority programs and the like. Somebody has to pay for it. That somebody is to a large extent the 70% whose property is not exempt.

Cuba's land reform is causing a lot of trouble. In effect it reduces most large landholdings to 1,000 acres, quite a drop when you realize five American sugar companies own or control over 2 million acres. They will lose all but about sixteen thousand acres. Naturally, they don't like it and are raising a kick. But Castro is also getting kicks from people he probably hadn't thought of. About 12,000 small tobacco planters are affected and 1,000 of them held meetings bitterly denouncing the plan. Some of them were former members of Castro's 26th of July revolutionary movement. It's a sad fact that, almost invariably the solution offered to the land problem is dividing the land among some of the people--not necessarily all the people--usually those politically articulate. That this is no solution--merely increases the number of landlords was shown by Henry George in Progress and Poverty years ago. The economic status of those actually getting the land will probably improve in time, but by and large the inefficient use of the land will result in less wealth in total being produced. It is unfortunate that when times are peaceful and people could put into effect the gradual collection of economic rent, which would free the land, nobody is interested. When conditions are so bad a revolution occurs, the reforms adopted are often worse than the disease.

O. B. Johannsen
SALT OF THE EARTH

Always be sure to make allowances for children. After all, they make deductions for you.
Keeping up with the Joneses is toughest of all for the man who married Mrs. Jones. The reason ideas perish in some heads is that they can't stand such solitary confinement.
Experience is what you have left after you've lost everything.

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