

# FREEDOM OF THOUGHT PREVAILS IN AMERICAN UNIVERSITIES, EXCEPT AS TO RENT OF LAND OR HENRY GEORGE

We recently discussed the teaching of Economics in American Universities with a good friend who has taught Economics at the University of California for over 40 years. We asked whether students were free to question and reject the definition and discussion of "economic rent" set forth in the widely used textbook, *University Economics*, by Alchian and Allen, Economics professors at UCLA (Alchian headed the department). This book was initially written in 1964, reprinted repeatedly thereafter, and is still widely used. This is the weird discussion of rent by the professors.

"The argument advanced by those who have 'discovered' the presence of true 'economic rent' is that the receipt is 'unearned.' Since the good was not produced but was given by nature, the payment is 'unearned' and therefore, they say, undeserved. This represents some big leaps in ethical judgments. Suppose the supply is given by nature and that the owner, in fact, does nothing to create its value—except preserve it! Would the owner then 'deserve' the value? If not, then no one deserves it, and those who think it should belong to all the people or taxed away by the government will have difficulty in explaining why everyone deserves what no one deserves."

This explains why slavery was proper. The slaveowners "preserved" the slaves, and therefore "deserved" to own them.

The professors then wrote:

"Most prominent among these people are the single taxers, followers of Henry George, who believed that only land rent is an economic rent and therefore that it should be taxed away. They blindly overlook economic rent to other resources—e.g., beautiful women."

This academic gobbledegook reminds us of the story of the man who consulted a psychiatrist for assistance as to his phobias. The psychiatrist said that he would say various words, and the patient should reply with the first words that came to his mind which related to the psychiatrist's words. The psychiatrist said "table." The patient replied: "beautiful women." The psychiatrist said "lamp." The patient replied: "beautiful women." The psychiatrist said: "chair." The patient again replied: "beautiful women." The psychiatrist then asked: "Why do you always relate to 'beautiful women.'? Why couldn't you relate to 'furniture,' or something like it? The patient answered: "Why should I relate to furniture when I can relate to beautiful women? Do you think I am crazy?"

Possibly Alchian and Allen had to pay what they considered to be rent when they sought the enjoyment of beautiful women. That is, perhaps, best described as labor. It is a strange world when a man who thinks he can teach an elephant to fly is put in an institution, while men who think that payment to beautiful women is rent are allowed to go free and teach economics in our major universities.

We note in passing that Alchian and Allen also listed as rent "the income of Sonny Liston," then heavyweight champion of the world. Soon afterwards, Sonny was knocked out by Mohammed Ali, and died penniless.

My friend from U. of C. agreed with Alchian and Allen, and stated that any student at Berkeley who disputed the Alchian and Allen definition of economic rent would receive an "F" on his/her paper! Evidently the requirement for rationality and factuality does not apply to the teaching of economics and the Keynesian or monetarist dogmas are set forth as the true gospel.

## WINSTON CHURCHILL EXPOSED ESTABLISHMENT FALLACIES

We suggest that the professors read these words spoken by Winston Churchill 90 years ago when political opponents claimed that other forms of income were the same as rent.

"Land monopoly is not the only monopoly, but it is by far the greatest of monopolies—it is a perpetual monopoly, and it is the mother of all other forms of monopoly.

Unearned increments in land are not the only form of unearned or undeserved profit, but they are the principal form of unearned increment, and they are derived from processes which are not merely not beneficial, but positively detrimental to the general public.

"Land, which is a necessity of human existence, which is the original source of all wealth, which is strictly limited in extent, which is fixed in geographical position—land, I say, differs from all other forms of property, and the immemorial customs of nearly every modern state have placed the tenure, transfer, and obligations of land in a wholly different category from other classes of property.

"Nothing is more amusing than to watch the efforts of [the land] monopolists to prove that other forms of property and increment are similar in all respects to land and the unearned increment on land.

"They talk of the increased profits of a doctor or a lawyer from the growth of population in the town in which they live. They talk of

the profits of a railway, from the growing wealth and activity in the districts through which it runs. They talk of the profits from a rise in stocks and even of the profits sometimes derived from the sale of works of art.

"But see how misleading and false all these analogies are. The windfalls from the sale of a picture—a Vandyke or a Holbein—may here and there be very considerable. But pictures do not get in anybody's way. They do not lay a toll on anybody's labor; they do not get in anybody's way. They do not lay a toll on anybody's labor; they do not touch enterprise and production; they do not affect the creative processes on which the material well-being of millions depends.

"If a rise in stocks confers profits on the fortunate holders far beyond what they expected or indeed deserved, nevertheless that profit was not reaped by withholding from the community the land which it needs; on the contrary, it was reaped by supplying industry with the capital without which it could not be carried on.

"If a railway makes greater profits, it is usually because it carries more goods and more passengers.

"If a doctor or a lawyer enjoys a better practice, it is because the doctor attends more patients and more exacting patients, and because the lawyer pleads more suits in the courts and more important suits. At every stage, the doctor or the lawyer is giving service in return for his fees.

"Roads are made, services are improved, electric light turns night into day, water is brought from reservoirs a hundred miles off in the mountains—and all the while the landlord sits still. Every one of those improvements is effected by the labor and cost of other people and the rate payers. To not one of those improvements does the land monopolist, as a land monopolist contribute, and yet, by every one of them, the value of his land is enhanced. He renders no service to the community, he contributes nothing to the general welfare, he contributes nothing to the process from which his own enrichment is derived."

The reasoning of Alchian and Allen, and the sycophants who occupy many of the economics chairs at our great universities, equates with saying that: since cats have four legs and eat meat, and dogs have four legs and eat meat, all cats are dogs. Many of our political, business and academic leaders come from universities where this babble is taught as Gospel. This fiasco is discussed in *The Corruption of Economics* by Prof. Mason Gaffney and Fred Harrison and in *Academic Freedom and the Defense of Capitalism* by Henry Gunnison Brown. So, do not wonder why economic ignorance is so hard to dispel. ● ● ●