

When Will Business Revive?

IN the Spring and Summer of 1920 our foremost business men and leading economists were heralding an era of unprecedented prosperity. Money was circulating freely, manufacturers were months behind in their orders, wages were high, and the prospects for export trade were extremely good. Particularly happy were the dealers in real estate, for trading was very brisk, and speculation intense. Land was changing hands rapidly, and always at an increased price. Even the poor workingman who owned his house made a good profit on its sale.

It was only the discerning whose eyes perceived the coming of a storm. Henry Ford was one of these. Being engaged in the manufacture of an article that is to a large extent a luxury, he was among the first to feel the effects of the social and economic forces that were driving business to disaster. The drastic reductions in the prices of nearly all automobiles came as a crash out of a clear sky, except to the few who foresaw it, and suffered ridicule for predicting it. When it was followed by the marked decrease in the prices of farm products and many raw materials, people began to realize that the time for a "readjustment" had arrived.

It was the common expectation that the revival of business would be very rapid. I remember distinctly the argument of one of the big national banks, that the reduction in the purchasing power of the farmers must inevitably lead to reduced wages in industrial centres and lowered prices of manufactured commodities; and that as soon as these had arrived prosperity would return, more glorious than ever before. It was a comforting and consoling thought, coming, as it did, from so high and authoritative a source; and, when coupled with the election of a Republican administration—that eternal harbinger of good business and prosperity—it made assurances doubly sure.

Yet somehow the prophecy failed of fulfillment. Wages were cut, prices of manufactured articles reduced, and Harding inaugurated President; but, instead of taking a turn for the better, business became worse. Our export trade dropped to a minimum, nearly all factories closed down in part, some of them entirely, millions were thrown out of employment, and business failures are increasing at an alarming rate. The orders that were unfilled have nearly all been cancelled, and there are no new ones in sight. And people turn one unto another with the unanswered question, "When will it all end?"

In vain do our modern soothsayers look for omens of a coming business revival; they find none but the deceptive. Time and again have they pointed to various factors as indicating the end of the storm; and invariably have they found themselves in error. The railroads have been returned to private ownership, Germany has agreed to pay the war indemnity, peace has been officially declared, the open shop has in many instances been adopted, and the prices of manufactured articles have again been reduced; but, as if organized and bent upon malicious contradiction,

these events have brought with them not the promised renewal of activity, but a more deadening depression.

It is enough to make one think that perhaps our eyes are turned in the wrong direction, and that our foremost business men and leading economists have been examining symptoms rather than causes. It is indeed worthy of note that the soothsayers and prophets to whom we turn for enlightenment on future events are the same men who were predicting prosperity less than a year ago.

What is necessary to an understanding of the situation is the realization that industry consists not merely of bankers, merchants, manufacturers, laborers, and engineers, but of two prime and fundamental factors: the productive and the predatory. Once the presence of the predatory or parasitic factor is firmly grasped the situation becomes greatly clarified.

It is particularly noticeable in agriculture. Take, for instance, a tenant farmer who owns everything he uses—machinery, barns, houses, cattle—all except the land. A farmer with his land very heavily mortgaged is almost in that position, for the interest that he must pay on his mortgage is practically equivalent to the rent he would have to pay for the land were he not the owner.

To farm his land successfully he must meet all operating expenses and overhead costs. Feed for the cattle, fuel for the machinery, fertilizer for the soil, or wages for labor are clearly productive costs. Interest on machinery, livestock, and houses may also be classified as productive, for these assist directly in increasing the crop yield. So, likewise, may be considered that portion of taxes which does not go to graft and waste, for it is chargeable to police protection, road construction, insect extermination, and the like. But not so the rent of land; it is largely a predatory charge, for it is based not on its intrinsic value but upon the amount that can be forcefully extracted from the producers. The interest upon a farm tractor or harvesting machine is the same whether it operates on dry land or on irrigated, on poor soil or on rich, close to the road or far from it. But the rent of land is not based on its cost of production, but upon such factors as the value of crops, proximity to markets, natural fertility, density of population, etc.; it amounts to what the tenant can be made to pay. I know of a poorly irrigated Colorado farm of 80 acres which sold last Summer for \$20,000. At 7% interest, which is slightly below the average in the State, the rental charge would amount to \$1,400. The farm was planted in wheat and produced 1,700 bushels. Thus, 82 cents out of every bushel of wheat was a predatory charge.

Careful study and analysis will show that similar conditions exist in nearly every industry, to a greater or lesser extent. Mining, building, shipping, food preserving, clothes making, and machinery manufacturing—all must pay a toll to the owners of land; not even moving pictures are exempt. At one time it takes the form of interest on a loan, at another a royalty on production, at a third a share in the profits of the business; but its nature is always the same, it is rent paid for the use of land. There are, of course;

other predatory elements; any careful thinker can name some without difficulty. But ground rent is so universal and fundamental, it forms an integral and important part of all industry, and is so much greater than all the rest, amounting as it does, to over five billion dollars annually, that the others may safely be neglected in a consideration of industrial crises.

The difficulty, however, is not that there is a predatory charge upon productive enterprise, but that it is a continually increasing one. Industry can stand a certain amount of robbery, just as a nation at war can support an army proportionate to its population. When wheat is selling at \$1.30 to \$1.60 per bushel, 33 cents would not be too great a charge—it was that ten years ago—but 82 cents is simply impossible. Agriculture cannot exist under such conditions. Any other industry could tell the same tale of constantly increasing rentals making the burden unbearable.

What occurred in the two years immediately following the armistice was a race between the producing and predatory elements in industry. The demand for products was great. People needed more clothes, food, homes, machinery, and the other things that they had been denied during the war. Manufacturers put forward every effort to meet the demand. But the predatory element kept absorbing an ever increasing share of production, and the more it absorbed, the higher rose the price of land. The speculation in land that was so rampant in the Fall of 1919 and Spring of 1920 was not a sign of coming prosperity, but an indication that the demands of the landowner would soon become unbearable and that industry would have to come to a halt. It is precisely what occurred. House rents rose and reduced the purchasing power of laborers and salaried men. Store rents in the principal streets increased to such a point that commodity prices necessarily became exorbitant. Inflated site values lessened the number of new enterprises. These all combined to produce the inevitable, and the "depression" arrived.

Forty-two years ago Henry George made a study* of the causes of recurring industrial paroxysms, and suggested a remedy that would effectually remove them. People, however, do not seem to be interested in preventing a future panic; they are merely anxious for the end of the present one. It is easy to predict that. The parties to be watched are not the railroads, stockyards, machine tool builders, or auto manufacturers, but the owners of land and the receivers of rent. The favorable omens lie not in the entrails of productive enterprise, but in the activities of predatory landlordism.

When land comes down in price, substantially and materially, and when rents return to a reasonable level, then will industry resume its normal course—and not till then.

HYMAN LEVINE.

* "Progress and Poverty" Henry George, Doubleday Page & Co., N.Y.

Society's Dereliction

THIS 1921 evening-before-Christmas, I stood fifteen minutes closely observing some of society's unfortunates. In a long line they waited their turns for Christmas baskets of provisions to be doled out to them by the well-intentioned people of the Salvation Army.

Carefully preserving my anonymity, I may be excusable in stating that, as my personal gifts to public-dispensed benevolence are confined chiefly to the Salvation Army, in the belief that through this agency a much greater per cent. actually gets to those in need, my observation of this depressing effect of society's shortcomings was therefore more than ordinarily keen.

Unknown to these unsuccessful ones, I reflectively analyzed their countenances, expressions, physiognomies, postures, raiment, and walk. On receiving baskets, they trudged back to cheerless places of abode, with hopelessness for their future, to continue their unequal struggle for a scanty existence.

Were these tired-faced, drudgery-worn, ill-clad old women in the image of their Maker? Were the old-before-their-time young women, with lusterless eyes, with animation and hope and happiness gone from their faces—were these as God willed them to be? Were the old and the middle-aged men, some wearing soldier coats that crossed the ocean in defense of their country, with deepened lines of discouragement and anxiety graven in their faces, with shoulders stooped and backs bent by hard toil, or search for it—were these made so by an edict of the Just One?

Ten thousand thousand times, No! Yet, either God or man—not real economic necessity, nor blind fate, nor mere chance—is responsible for the production of most of society's unfortunates. Though frequently true, it is not always that the individual is to blame for his unfortunate condition.

The sunlight, the air, the water, and the earth, are still as potent for good, for beauty, and for happiness, for food, for raiment, and for shelter, as at Creation's dawn. No, the elemental essentials, through the inventiveness of man, are a thousand times more potent. Then why these conditions? What is wrong?

A SPECTATOR.

A Single Taxer's Grace

DEAR FATHER, help us to realize anew that we may soon come into thy love and sympathy only as we deserve the love and confidence of our fellow-creatures. Help us to realize that thou dost not spread for us a table in the presence of the hungry and despairing, but that the Earth, which is thine, and all the fullness thereof, is the dear Mother of us all, and that only as we share our blessings with the poor and disheartened can we claim the love which thou art ready to bestow upon us. Give us increasingly a more realizing sense of our part in thy wondrous symphony of day and night, and stars and flowers; of the