BOOK REVIEWS

THE ROAD TO BETTER BUSINESS AND PLENTIFUL EMPLOYMENT

EMIL O. JORGENSEN

There is much in this little book to be commended and some things to be thankful for, among which are the copious notes, the well-selected list of "expressions of thoughtful people" on the Single Tax—many of which are new even to Single Taxers—and the useful facts and figures depicting present conditions, as well as some of the analyses drawn from these.

The chapter entitled "Conclusion" is especially commendable because of the material presented and the dramatic manner in which it brings home the main argument of the book.

The book comprises eighty-eight pages, divided into four chapters: "The Problem Analyzed;" "The Remedy;" "The Futility of Other Measures," and "Conclusion." The appendix consists of Notes, Some Expressions of Thoughtful People, and Books on the Single Tax and Related Subjects.

The book is recommended as the source of some very useful statistical information, but more especially as a whetstone upon which to sharpen one's economic reasoning.

The author, unfortunately, has strayed into a maze of economic fallacy in which he seems quite contented, and it has fallen to the lot of this reviewer to essay the ambitious task of indicating the errors and perhaps suggesting a way out of the maze. He undertakes the task with great trepidation but with good will for the writer of the book.

Mr. Jorgensen opens his argument with the question, "What, in heaven's name, is ailing business?" and the book is devoted to the burden of this question and to an attempt to supply the answer.

The author says "the answer is very simple," and he himself answers the question thus: "The people are not purchasing enough goods. They're not buying enough food; they're not buying enough shoes and clothes; they're not buying enough building material for homes; they're not buying enough luxuries—whether mince meat or motor cars; in a word, they're not buying enough goods or commodities of any kind. That's all there is to it."

But (and this will come as a surprise to many Single Taxers) the reason for this, according to the author, is not that wages are too low but that prices are too high.

Referring to the lack of purchasing power on the part of the people, and answering the question, "Why haven't the people got this purchasing power? Aren't wages and salaries high enough?" the author says, "Sure, wages and salaries are high enough." In referring to this in Note 1 he says: "This refers, of course, to "nominal" or money wages only—the sense in which these terms are nearly always used. It does not, however, refer to 'real wages'—a term that is little understood by the people and the substitute word for which in this book is *price*. A careful reading of the book does not disclose such a substitute, and this reviewer must admit his own shortcoming in not being able to comprehend the term "price" as an alternative, or substitute, for "real wages." The term "real wages" to this reviewer has always connoted the idea of what money or "nominal" wages will buy, and in his experience with "the people" he has not found that lack of understanding of the term "real wages" on the part of those interested in such matters as that implied by the author's statement.

Further on in this same chapter, "The Problem Analyzed," the author says: "Low wages, it should be remembered, are always the result of general unemployment—*i. e.*, the underbidding of men out of jobs. General unemployment, again, is the result of underconsumption—*i. e.*, the failure of consumers to buy goods. Low wages, then, are the *effect* of underconsumption and cannot therefore be the *cause* of it."

The phenomenon of unemployment, low wages and underconsumption, resulting again and again in more unemployment, lower wages and still greater underconsumption, is a vicious circle that is well known to everyone that has given any thought to social questions; but it will be a revelation to Single Taxers who have learned to think of this entire vicious trio (unemployment, low wages and underconsumption) as the inevitable result of the withholding of land from use and of the consequent absorption of labor's product by the land owner, to hear now that low wages are the result of underconsumption.

It has always been accepted by Single Taxers that labor must first produce before it can consume, and that it was in direct proportion that labor was prevented from producing that it was hindered from consuming. And whether labor produced for its own consumption or for direct exchange or sale, or whether it produced for an employer for a money wage, its return or wage was always believed to be as great a part of the produce as the demand for labor and labor products made it possible for the laborer or producer to exact from the job or the product. Thus a man's return for his labor, whether that return was in the product itself or in money (remembering always that real wages are merely what the money can buy), that return was his wage, his "real wage," and represented his "real" power of consumption.

The author, however, does not stop with the assertion that "low wages are the result of underconsumption," but proceeds to deduce therefrom that "if the people's lack of purchasing power is not the result of insufficient wages and salaries paid to the producers of goods, then it must be the result of *excessive prices charged to the consumers for the goods*. To infer anything else is to fall into the deadly error of reasoning in a circle."

It is such characterizations as that contained in the concluding sentence of that last paragraph that embolden this reviewer to subject the author's reasoning to the light of analysis.

The author continues: "We may, then, safely say that the lack of purchasing power among the people is due, not to inadequate wages and salaries, but to abnormally high prices;" and—"The responsibility" for high prices "rests on . . . ground rent or the value of land." This, then, is the answer. It is the value of land that is holding the price-level of all goods above its normal point and preventing consumers from ordering the products of capital and labor as rapidly a they desire. It is the value of land that has stagnated industry, close factories, shut down mills, paralyzed trade, sidetracked transporta tion equipment and thrown millions of workmen out of employment!

BEHOLD A NEW POLITICAL ECONOMY!

Land value that we thought was the result of industry and thrif indeed the very measure of man's individual and communal effor and social planning, we are now told is the cause of all our trouble land value keeps us poor—"land value stagnates industry, closes fa tories, shuts down mills, paralyzes trade, sidetracks transportati equipment and throws millions of workmen out of employment."

And how does it do all this? Why, by keeping up prices! The auth shows that in spite of the introduction of labor-saving machinery a improved methods of production which considerably reduce the co of production, prices yet remain high, indeed have gone higher.—Acco ing to a table presented by the author, fifty-eight standard commodit have increased in price from an average base of 100 in t period from 1840 to 1849 to an average base of 236 for the period b tween 1920 and 1929.

The author asks, "Now, why should this be? Why with the increa in productive power has the price-level not declined?" He answ it thus: "Simply because as productive power has advanced, the r of ground—the value of land—has increased to a corresponding ext and thus held prices up to the altitude at which they were before."

Not satisfied with this, the author criticizes those who do not this his way, for he says: "Strange as it may seem, this fundamen relation between high rents and high prices, or, more accurately, t fundamental relation between the advancing value of land and the failure of prices to fall, has never been clearly recognized, particularly by the very ones who have been looked upon as the profoundest authorities on the subject. Why it has not been recognized by these authorities furnishes one of the most amazing, as well as amusing, illustrations of how the intellectuals of the world sometimes trip over the simplest and most obvious facts." If what the author sees is both "amazing" and "amusing," what should be said of the author's position in the light of correct economics?

Land value, we have been taught, is the result of the economic and cultural activities of individuals and of society; it is the measure of value that expresses man's willingness to pay for opportunity and for the services of government. It always follows, and is in a true sense the *result* of, man's needs, the government's service and the land's potentialities.

Land value is the index, and may be termed the barometer, of individual and social activities. It appears as a result of Natural Law (the Law of Rent), and it would be as high under the Single Tax as it is now—or even higher.

Commodity values, or prices, quite as obediently and as consistently respond to the dictates of Natural Law (in this case the Law of Supply and Demand). They are high or low according to the supply of the commodity in relation to the demand for it. Land value has nothing whatsover to do with it, unless perhaps it is to interpret any marked general advances or recessions in commodity prices by itself inclining either up or down in sympathy with (and in consequence of) such commodity price movements.

What seems to trouble the author is that, in spite of labor-saving machinery and increased and cheaper production, prices still remain high. The solution should be easy for a Single Taxer. *Greater production* following the forcing of land into use will *tend* to bring prices down. Of course, the greater demand for labor as a result of that same forcing of land into use will increase wages, and thus will also *tend* to keep prices up, but the saving of more than seven billions of dollars of the modern taxes on industry and labor products which will remain in the pockets of the people, together with the then enormously increased production of wealth, which will be many times the value of the saving in taxes (and which latter the author seems entirely to overlook), will be the factors that will provide the increase in wages.

And it will be the *increased wages* (real wages, of course) due to the increased demand for labor, and not merely any reduction of prices, that will bring about the ultimate results the author desires.

The author realizes that in order to substantiate his position that high land value causes high commodity prices he must uphold affirmatively that old and fascinating problem in economics, "Does rent enter into price?" for he senses that if rent does not bear against price there could be no connection between land value (rent) and prices, the author's main thesis.

The author avers that "It is not contended in this book that rent has any tendency to *increase* prices, but simply that it prevents prices *from going down*," although in the next breath, indeed in the very same paragraph, he indicts "economists generally" who "have accepted their absurd conclusion that 'rent does not enter into the cost of production.'"

The succeeding paragraph begins: "The mischief that this preposterous idea (that rent does not enter into price—or the cost of production) which still passes for scientific truth in our higher institutions of learning has wrought upon society is beyond all calculation," etc., to the end of a long paragraph.

So sure is the author of the correctness of his position that he calls attention in Footnote No. 12 to "the same *error* that even disciples of Henry George have been guilty of." Thus:

"Ground rent is not included in the price of commodities." (Editor The Public, March 20, 1914, p. 283.)

"Rent is not a part of price." (John Salmon in the Single Tax Review Jan.-Feb., 1916, p. 47.)

"Land value has no effect upon the price of goods." (Louis F. Post, "Taxation of Land Values," p. 97.)

"Rent is not a part of price." (A. G. Huie in the Single Tax Review, Sept.-Oct., 1915, p. 297.)

"Normal rent does not enter into and form a part of price." (W. A. Warren in the Single Tax Review, Jan.-Feb., 1916, p. 45.)

"Rent, even monopoly rent, cannot enter into price, in any given time or place." (C. F. Hunt in the Single Tax Review, Nov.-Dec., 1914, p. 45.)

"Ground rent is never a factor in the cost of each unit of production." (James W. Bucklin in the Single Tax Review, Sept.-Oct., 1917, p. 270.)

"It is not true that 'the farmer who lives on the margin and sends to the mail order house for goods helps to pay the rent in the city and contributes his share in cash to urban land values.'" (George White in the Single Tax Review, Jan.-Feb., 1915, p. 45.)

"The *Ground Hog*, of Cleveland, Ohio, is doing good work in its biting, spicy comments which make interesting reading. But it should not fall into the very common error of assuming that 'if a clothing manufacturer has to pay $20,000 more for land on which to produce his garments he will have to add the interest on this sum to the cost,' nor 'if the merchant is charged more for store rent by reason of the increased site value of his store, that he will have to add this to the final selling price of his garments.'" (Editor the Single Tax Review, May-June, 1915, p. 166.)

This reviewer wants to be as fair as it is possible and would be loath to answer or criticize the author's position on this question without incorporating in this review the author's own argument in support of his contentions. The reviewer therefore asks the indulgence of the editor for the additional space required by this already too long discourse, and hopes for the kind and favorable consideration of the reader.

Note 14, which, although assigned such subordinate position, is really a serious attempt to justify the author's position on this point, reads as follows:

"The *absurdity* of the proposition that 'rent is not a part of price' may be seen from various angles. First it is held that while land, labor and capital produce all goods, the final selling price of these goods is determined by the cost of producing them at the 'margin of cultivation,' or poorest land in use; that at this margin there is no rent to enter into price, and consequently the whole cost, or price, of the goods is divided between wages and interest. But it is mathematically incorrect to say that rent does not enter into price at the 'margin.' For the factors that unite to produce wealth here are, as everywhere else, land, labor and capital. Rent, therefore, must be an element in the price of all goods produced at the margin, for if you exclude rent as an element in distribution you are logically obliged to exclude land as a factor in production.

"Suppose, for instance, that Tom, Dick and Harry formed a partnership in business and at the end of the first month find their total profit to be $100. Tom's share, let us say, is $70, Dick's share $30, and Harry's share nothing. Now, even though Harry gets nothing, it will not be argued that he is not a member of the firm or that he should be kept out of the books. On the contrary, it will be duly recorded in the books that he has received his share of the proceeds and the figure entered will be '0.' Just so with rent at the 'margin of cultivation.' Rent enters into the price of all goods produced at this margin as—zero.

"Again it is asserted that if rent were a part of price, *goods would cost more on lands of high rental value than on lands of low rental value.*

"But this is confusion worse confounded. Lands of high rental value always consist of the better grades of land, either as to fertility or as to location. Lands of low rental value, on the other hand, always consist of the *poorer grades*, either as to fertility or as to location. Now, if rent were not a part of price, goods would naturally cost less on the better grades of land than on the poorer grades. Why? Simply because wages for labor and interest on capital are fixed by the law of competition and are the same whether paid on lands of high grade or low grade.

Corn, then, that is produced by a given amount of capital and labor on very fertile ground should cost the consumer much less than corn that is produced by the same amount of capital and labor on ground that is very infertile.

"Similarly, shoes or shovels or shavings sticks that are produced by capital and labor on lands located in the centers of trade and industry should cost the consumer only a small fraction of what these same shoes or shovels or shaving sticks cost when produced by capital and labor on lands located out in the wilderness. But such a chaotic condition nowhere obtains. Goods produced on the very best lands, either in point of fertility or in point of situation, cost consumers no *less* worth mentioning than the same goods produced at the 'margin,' or poorest land in use—conclusive proof, therefore, that rent is a part of price."

The author in his answer to the "margin of cultivation" theory above cited loses sight of the fact that while land, labor and capital are and remain factors in production, the producing is being done by labor and capital, and that land is a factor in that it grants permission to labor and capital to work and to produce.

Also, while rent, wages and interest are in fundamental economics known as the avenues of distribution, rent, being the return to land (even if it should find its way into its rightful channel—the public exchequer), is really not distributed so far as the act of distribution to producers is concerned, but is withdrawn from production, from labor and capital, as land's share out of production for the privilege of producing. In other words, land can pay neither wages nor interest, but labor and capital must pay these plus rent.

As to Harry's share in the above bookkeeping illustration being zero and being recorded as such "on the books," economics can have no quarrel, especially as the author applies the analogy to rent at the "margin of cultivation." There being no rent at that margin, or only "zero rent," as the author puts it, then it is agreed that rent at this margin will be "zero." Now, why is it, the reviewer would ask the author, that the price of all production (of the same or similar product) on high-rent land is the same as that on no-rent land? To say that production on high-rent land should be cheaper than on no-rent land, as the author does, is entirely to lose sight of the fact that the very phrase "high-rent land" means that rent has already absorbed all the advantages of location and fertility.

Whatever advantage high-rent land has over low-rent land or no-rent land is taken by rent, leaving the net result, whether in the price of wages or the price of commodities, to be the same as that which prevails at the margin. Thus if rent at the margin is zero, and only zero rent is expressible in price, then, by the fact that rent has absorbed all the superior potentialities of the high-rent land, the author's friend "zero" can (and does) proceed unmolested into the price of all production. Namely: Rent does not enter into price.

If the reviewer may be pardoned for seeming to teach, he would call the author's attention once more to the fact that rent (economic rent, of course) is the price that men pay for privileges or opportunities, not such as have to be developed, but those that already exist. Thus, perhaps, the author may see in a new light Ricardo's statement in his "Principles of Political Economy and Taxation," that "corn is not high because rent is paid, but a rent is paid because corn is high," which the author now believes to be an error; also that "no reduction would take place in the price of corn, although landlords should forego the whole of their rents."

The author surely has no fear of opposition, although he realized he was stirring up a hornets' nest, for he gives publicity to the following opinions, all contrary to his own, and which opinions are presented by him to demonstrate "the mischief that this preposterous idea, which still passes for scientific truth in our higher institutions of learning, has wrought upon society":

"Rent is not an element in the price of products." (Prof. A. T. Hadley, "Economics," p. 470.)

"Rent forms no part of the cost of production." (Prof. E. B. Andrews, "Institutions of Economics," Chap. II, Sec. 103.)

"Rent forms no part of the price of agricultural products." (Prof. F. A. Walker, "Political Economy," p. 211.)

"Rent does not really form any part of the expenses of production." (John Stuart Mill, "Principles of Political Economy," Vol. I, B. II, Chap. 16, Sec. 6.)

"Rent is not a factor in the marginal cost of production upon which the normal price of a commodity depends." (Prof. C. J. Bullock, "The Elements of Economics," Sec. 191.)

"Rent forms no part of the expenses of production; that is, it forms no part of those expenses of production which affect price." (Prof. F. W. Taussig, "Principles of Economics," Vol. II, Chap. 42.)

"Rent is not a part of the cost of production. Wages and interest alone constitute the cost of production; indirectly, under the pressure of free competition, they constitute the value of the product." (Prof. Charles Gide, "Principles of Political Economy," p. 587.)

"We hear a great deal about the incomes of landlords and the immense sums paid to them by tenants. The sums are no doubt very great; but rent does not affect the price of products in the least." (Prof. J. L. Laughlin, "The Elements of Political Economy," Chap. 22, p. 252.)

The author's answer to this array of learning and authority is:

"Rent does not affect the price of products in the least—figs!"

"In preventing them from falling," he continues, "rent certainly does have a profound effect upon price, and if the rent were turned into the public treasury instead of going as now to private individuals the price of all products would soon make an extensive drop."

The author, of course, is mistaken; rent does not prevent prices from falling. In the general descent of prices, rent is the last to fall. You do not need to be an economist to know that; any merchant or manufacturer will tell it to you, and innumerable residential tenants occupying apartments right now under leases at high rentals while their own incomes have been cut down, owing largely to the fall in commodity prices, wi[ll] bear witness to it. And economic rent falls after all other "rents" have fallen, as any builder or realtor will tell you; for economic ren[t] is based on the income value of real property.

Thus rent has no "profound effect upon prices," as the author claim[s] and as for "the price of all products soon making an extensive dro[p] if rent were turned into the public treasury instead of going as now [to] private individuals," the author indulges in imaginative speculatio[n] not all based on correct reasoning.

The author wants the Single Tax, of course, and in the book und[er] review he says so. His error, as this reviewer sees it, lies in assigni[ng] causes for the troubles that beset society that bear no relation whatev[er] to the effects he desires to cure.

Nobody hesitates to buy anything merely because the price of t[he] commodity he wants is high. Indeed, there are many consumers wh[o] will not buy anything that is cheap; who have more confidence in [an] article if its price is high. Nor is the *tendency* limited to those wh[ose] incomes are particularly large and of whom it may be said, "Easy com[e] easy go." There probably are very few people (this reviewer's inclin[a]tion is to say there are none) who do not want the best of everythi[ng] and who would hesitate to pay any price within reason asked for t[he] thing they want, provided they have the price and that the purcha[se] will not deprive them of other things they also need and want n[ow] and in the future; for man is a prodigal by nature—as indeed is Natu[re] itself. (The author, no doubt, still remembers that men paid $25 ea[ch] for silk shirts not so very long ago who were accustomed to wear shi[rts] for—and who probably never before paid more for them than— Price did not stop them from buying so long as they had it and co[uld] afford it.)

The trouble is that men have not the wherewithal to procure [the] things they need or want or like, or if they have it today are not s[ure] they will have it tomorrow if they spend it today. Not only the abi

:o buy but the assurance that he will be able to continue to buy is what nan needs but lacks.

The *reason* men lack the means and the security is that *opportunity* ıas been shut off—opportunity to work and to produce. Price has ıothing whatever to do with it, unless it be the "price" that men are paid for their work and the "price" they can get for their produce. The price they pay for what they buy depends on the quantity produced, and that will be assured by the very measure that will provide he opportunity to work and to produce; and price will *follow*, not *lead*, n the succession of these events.

The author having quoted quite plentifully of statistics (all timely ınd instructive), may not this reviewer be permitted a reference to he most recent statistics indicating the course of commodity prices over thirty years, based on figures compiled by the Federal Bureau of Labor Statistics? These figures cover the period from 1901 to May, 1931, and comprise the prices of farm products, textile products, metals ınd metal products, building materials, etc. Taking the prices for 1926 s the base, and calling them 100, the prices for 1901 are tabulated s 55.3, and those for 1931 as 71.3, while those for 1920 are quoted s 154.4.

The phenomenon in these statistics that bears against the author's osition is the slide of commodity prices from 154+ in 1920 to 71+ n 1931—a fall of about 54%.

Land values did not prevent commodity prices from falling in this eriod, and it did not have to be turned into the public treasury in order o permit them from making an "extensive drop." The reason that t did not is that it could not. Land value has nothing to do with making or maintaining commodity prices. Prices, high or low, in the ourse of economic development, precede rent and therefore land value.

The author and this reviewer do agree on at least one proposition dvanced in the book under review—namely: "We must appropriate or public purposes the rent of ground—*abolish all taxation save that pon land values.*" OSCAR H. GEIGER.

EQUALITY*

One of the curiosities of English literature is Huxley's work on Anatmy. This treatise, the product of a trained scientist, discusses every hase of the human body, except the sexual. That is studiously and ompletely ignored, in keeping with Victorian reticence.

"Equality" is hereby awarded second place in the field of English terary curiosities. It discusses the injustices and cruelties of inequality; it shows how, in England at least, inequality is almost a eligion; yet nowhere does it mention the prime inequality, from which l other inequalities spring—namely, our land system, which permits handful of men to claim the earth as their own and extract tribute and rent) from those who produce therefrom their food, clothing and elter.

"Economic freedom implies both diversity of function and equality status." (Page 237.)

Let our author read "Progress and Poverty" and learn how utterly ıpossible it is to establish equality of status so long as lords of the nd are enabled, without working, to draw off wealth from those who work, *for mere permission to work.*

The author reveals his woeful ignorance of economic law in many ssages, of which I shall quote but two.

He writes that—

> listribution of wealth depends, not wholly, indeed, but largely, on eir (men's) institutions, and the character of their institutions is termined not by immutable economic laws but by the values, preferences, interests and ideals which rule at any moment in a given ciety." (Page 45.)

Any study of political economy reveals that there are immutable ws affecting the production and distribution of wealth over which man beings have no more control than they have over the laws of ysics or chemistry.

I would refer the author to a work which I reveiwed in these columns in the July-August issue:

> "The untrained mind is prone to explain occurrences in terms of the activities of individuals rather than in terms of more or less impersonal forces." (Page 45 of Professor Brown's "Economic Science and the Common Welfare.")

Mr. Tanney seeks to subject industry to public control. He insists that "key" industries must first be mastered. He enumerates them (page 258) in this manner:

1. Banking. 2. Transportation. 3. Power. 4. Coal. 5. Land and agriculture.

If our author knew even the ABC's of economics he would perceive that if the natural resources of the earth—namely, the bare land along with the sunshine, air and the running water—were public property, then would we enjoy true equality of opportunity, and inequality would disappear.

In the Single Tax, and in the Single Tax alone, he would learn, is to be found the method by which true equality between men may be established. I recommend that he study the Georgian philosophy and rewrite his book. Then will it be truly a work worthy of serious consideration. B. W. BURGER.

*By R. H. Tanney: Harcourt, Brace & Co. $2.25.

PAMPHLETS RECEIVED

John H. Scully, of this city, is an old and devoted Single Taxer, long active in the movement. He is not a practiced writer, and so the pamphlet from his pen, "Thoughts on Natural Law in Civic Life," will not always bear meticulous scanning. But our friend has made his meaning clear and it is high thinking. He is a man of strong religious sentiments and would square his conception of civil life with his religious creed. In short and crisp paragraphs he has conveyed the lesson of economic justice in a way that leaves little room for controversy. We feel that it is designed to do much good, and so we have included it among the pamphlets advertised on the back cover page of this issue.

As a foretaste of this admirable pamphlet we make the two following quotations. The first is directed against those who ignorantly babble about what they term the law of supply and demand without understanding what they are talking about:

> People, when speaking about co-operation and trade, generally say, "Supply and demand regulate all the economic questions." Is there not something that regulates "supply and demand?" They do not stop to think what it is. "Supply and demand" are regulated according to the opportunity of capital and labor to use land. If capital and labor are obstructed from the use of land and trade is obstructed by tariff, then the natural opportunity becomes less to produce the commodities of life. These are the factors which regulate "supply and demand."

Then this happy inspiring thought:

> The greatest beauty in life is the beauty of life. The most beautiful act any person or any incorporated community of persons can do is to harmonize with this beauty.

Of a somewhat different kind is another pamphlet that has come to us, "Let Us Give Democracy a Trial," by R. E. Chadwick. Here we have carefully balanced sentences that appeal to the ear as well as to the understanding. Like Mr. Scully's pamphlet, it is an argument for the natural order. Like Mr. Scully, too, he lays down the essential principles for the establishment of the natural order; and these he embodies from the language of Mr. Louis Post. Indeed, Mr. Chadwick tells us that the little pamphlet was written to create an interest in the writings of George and Post. We are apprised that the little work comes to the readers through the courtesy of Dr. F. W. Roman.

As a sample of Mr. Chadwick's treatment of his subject the following may be cited. It embodies the feeling which all liberty-loving minds experience toward socialism, or collectiveism, so called.

> Collectiveism—social control of the processes of production and distribution—is not to be preferred by free men even though it holds a guarantee of material comfort. Life means more than that. Life is an