

Economic Dark Lanterns at the University of Wisconsin

AN editorial appearing some time ago in the *Madison State Journal* entitled "Plunged into the Political Mire" described how the State Board of Education on January 16, 1916, decided to allow no appointments to be made in future for the University staff—instructional, clerical or administrative—without its approval. As this Board represents the State's governor, the latter thus has power to make and mould the faculty to his political purposes:

But the transformation of the University from a phalanstery of independent and progressive intellectuals to a mere happy haven for such job-hunting professors as are considered politically harmless by the powers that prey has not been as rapid as the *State Journal* might lead one to infer. In fact, if the University's much heralded progressivism of a decade ago had been fundamental, instead of superficial, the catastrophe of 1916 could never have occurred.

A clew to the rift within the University lute may be discovered by a perusal of the "Survey of the University of Wisconsin," published by the State Board of Public Affairs in 1915. Between pages 42 and 45 of this Survey are given the figures for lots, in the city of Madison, which were sold by the University between 1850 and 1887, out of its original site of 154 acres purchased at \$15. per acre in 1850. All but 11 acres of this site was sold for a total of \$25,650, which was used to erect buildings and pay salaries and current expenses. At present the identical parcels sold are assessed on the city tax roll at an aggregate sum of \$1,575,000 or sixty times as much as the University sold them for. Moreover, the University in order to have room for its new departments and vast increase in students has been obliged to purchase since 1905, contiguous to its old site, some 1,400 acres of land, for which it has paid \$724,000, exclusive of improvement values, an average of \$517 an acre.

Not only has the University foolishly wasted its original site values, and been mulcted heavily for its new site by purchasing land values which are chiefly the creation of the University's own growth and activities, but it has squandered its land grant, of which it received 300,000 acres from the United States government. Of this grant the bulk was sold for \$1.25 an acre and the net result of the sales of this principality of rich Wisconsin soil and forest is a present annual income of less than \$25,000. The *Survey* compares this with the proceeds obtained by Cornell University from its land grant which was, curiously enough, also selected in Wisconsin. By selling the timber apart from the land and handling its 300,000 acres judiciously, Cornell has realized enough to get an annual income from its grant of nearly \$500,000, or twenty times as much as the University of Wisconsin. South Dakota has done even better than Cornell; for, after selling off \$9,000,000 worth, the present value of its remaining State lands granted for

university and common school purposes is estimated at \$55,000,000.

The rise of land values in Madison has meant a heavy burden to faculty and students, as well as to taxpayers, for the former have to pay high prices for homes and lodgings. As Madison's population is dependent almost entirely on the State officials and the University crowd, and as the officials have increased in number only gradually, the big rise in land values has been due to the University itself, whose student body numbered 6,765 in 1914, as compared with 3,151 in 1904; and whose gross expenditures advanced from \$861,000 to \$2,800,000 in the same decennial period.

Tuition is practically free at the University to State students, who pay only \$24 yearly, while non-residents pay \$100 more or \$124; but even this latter sum represents only about one-third of the running expenses per student. This cheapness in tuition in an institution of the first rank tended to attract ever-growing crowds of students; to accommodate the newcomers, required more buildings and teachers, the expenses for building and operating grew apace, and the consequent burden on the taxpayers was one of the chief causes for the victory of reaction at the polls in 1914.

The chief financial beneficiaries of Wisconsin's University munificence have not been the citizens, as a whole, or even the taxpayers, but the landowners of Madison. The rapidly increasing land values have offset the low tuition for students, by greatly increasing the cost of lodgings, and have increased the operating expenses of the University, which has had to offer higher salaries to its instructors to balance the mounting cost of lots for homes. To decrease the cost of lodgings for its students the University began the policy of building dormitories itself, but this merely cast another burden on the taxpayers who were thereby forced to pay for the dear lots and costly buildings of the new scheme without hope of any financial return to themselves.

While all these symptoms of the land-speculation blight, which has so long afflicted Madison, were so glaring as to cause extensive comment by the *Survey* and are apparent to even the casual social observer, they have apparently never been noticed by any member of the University's faculty of political economy, if one judge from their public utterances. In fact the conduct of the three professors of this department most in the public eye during the past decade—Ely, Adams and Commons—has been such as to befog rather than illuminate the community's thought on the land question, as I shall endeavor to demonstrate by reviewing their individual careers.

Prof. R. T. Ely came to Wisconsin in 1892 to head the department of political economy, having occupied a similar position at John Hopkins' during the previous decade. He graduated from Columbia in 1876 as B. A. and obtained his Ph. D. from Heidelberg in 1879. He is well known throughout the learned world by his numerous published articles and books concerning his specialty. His "Outlines of Economics" is in extensive use as a textbook in schools

and colleges, while his other books treating of such popular questions as Socialism, Trusts and Labor, have had a large sale. Always posing as a reformer his radical utterances on his first arrival at Wisconsin soon attracted the adverse attention of the Trustees, and he was forced to undergo a trial for economic heresy from which he barely escaped with his official life. Since his acquittal, he has had no further trouble with the watchdogs of the predatory interests, perhaps because the latter then concluded that Prof. Ely's so-called radicalism was really of quite a harmless sort.

In Madison it is common talk that Prof. Ely has been seduced from the narrow path of economic truth by the lure of the large gain which has accrued from his speculations in Madison suburban lots. Yet without attempting to excuse the culpability of a reformer for engaging in such an anti-social operation as townsite monopoly, I believe it easy to demonstrate from his own works that Prof. Ely's failure to teach fundamental, instead of make-believe, reform at Wisconsin had been as much due to intellectual as to moral turpitude. And for this proof one has to go no further than his well known "Outlines of Economics" (1901 Edition), wherever it touched on the land question.

In chapter two treating of "The Factors of Production" Prof. Ely affirms under subheading "Nature," "It is a peculiarity of land that its quantity cannot be increased appreciably, and thus it is spoken of as a natural monopoly. This seems hardly accurate. It is a limited factor, but in the ownership or management of land there is not inevitable tendency to monopoly."

By the insertion of the weasel word "inevitable" in this affirmation, Prof. Ely conveys to the student the idea that property in land is not a monopoly. Yet this is a direct contradiction of the accepted definition of landed property which, as well stated by J. E. Symes (in his "Political Economy" p. 5) is: "Such material gifts of nature as can be monopolized." Thus Prof. Ely evidently restricts "monopoly" to such productive property as possesses the power of fixing the price of its product. But price-fixing is really only a special phase of monopoly and can only be exercised by a few landed monopolies; like public utilities, and those whose product is of such limited occurrence that its natural supply can be cornered by one interest, such as the Anthracite or Borax Trusts. Certain apparently non-landed properties may also possess the power of price-fixing, like the Standard Oil Company or the Beef Trust; but if these be investigated their permanent power will be found to rest in every case upon some ownership or alliance with the only legal monopolies: those of land ownership and patent rights. The monopoly in ordinary landed property "whose output is fixed in price in a competitive market," consists in the exclusive right to some natural or social advantage in production inherent in the land itself; due to location in the case of urban or public utility land or to geological and climatic causes in the case of mineral, forest and farming land.

Lacking a clear notion of what the power of monopoly

really is and confusing it with its merely subsidiary feature of price-fixing, Prof. Ely has built up on this false foundation a vast superstructure of "humanitarian" economics. He would regulate this monopoly and publicly own that one; he would restrict one set of predatory interests by law and try to offset another by some powerful opposition like a labor union. His ideas have been the basis of the Wisconsin "progressivism" of the past fifteen years, and the chief practical result has been such unbridled public extravagance—not only at the University but everywhere—that the disgusted and overburdened taxpayers rose both in 1914 and 1916 and repudiated the Progressive Party at the polls.

Before leaving Prof. Ely I will quote his comments on the Single Tax on p. 366 of the "Outlines":

"He (George) proposes that the States shall take the pure economic rent of land and thinks that will abolish poverty. It might prevent people who do not care to use the land from keeping land away from those who want to use it, but how it would bring about all the predicted blessings it is difficult for most people to understand. With the best will and with every desire to be unprejudiced, the writer has never yet seen how pure economic rent of agricultural land can be separated from the annual value of the improvements on and in the land. Apart from all this, the confiscation of rent, or even if it be called by so gentle a name as appropriation of rent, by the public, without compensation to present owners will never, in the writer's opinion, appeal to the conscience of the American public as a just thing. Abstract reasoning based on natural rights will not convince a modern nation. It is but another illustration of the danger of reasoning based on natural rights."

"It is easy in cities to separate pure economic rent from rent for improvements, and it is done a thousand times a day. The principal evils of private land-holding are seen in cities, and the objections to land nationalization do not *wholly* apply to land municipalization. Many will favor the latter who reject the former, but even in this matter one should proceed *cautiously*. No confiscation or thought of confiscation should for a moment be tolerated, but if great and expensive changes are desired the burden should be diffused throughout the community equitably by means of inheritance taxes and other taxes."

For lack of space I will not attempt to more than briefly comment on the two quoted paragraphs, whose italics are mine. Prof. Ely in his second sentence thinks it of no importance that the Single Tax would prevent land speculation, and he thereby exhibits his dense ignorance of practical economics, for it is land speculation and that alone which lowers prematurely the margin of cultivation and tends consistently to depress wages. If Prof. Ely has found no way of separating the land and improvement values of farms, he needs to study the assessment system of Western Canada and Australia where this separation is a mere routine of operation. In his attempt to discredit natural rights as a basis for reasoning, Prof. Ely unwittingly,

doubtless, leaves the ranks of the scientists, who found all their reasoning on the facts of nature, and ranges himself with the metaphysicians and theologians who delight in the imaginary and supernatural as a basis for their syllogisms. Any nation which cannot be convinced by scientific reasoning may perhaps be pious but certainly has no just claim to be dubbed "modern."

In the second paragraph I have italicized "wholly" and "cautiously" as characteristic examples of the weasel words with which the orthodox textbooks attempt to befog the mind of the earnest student of economics. In launching the familiar "confiscation" bugaboo as a Parthian shaft, Prof. Ely performs the usual stunt of anti-Single Taxers. It is curious that such a tender conscience as to the "rights" of the land speculators should never use the ugly word "confiscation" when referring to the plunder they are constantly gathering from the victims who have to use their land. Can it be that the loot gathered by our modern and legal robber barons loses its taint when once safely lodged within their strong boxes, and thereafter can only be treated as stainless and inviolate "property," whose very scrutiny would be sacrilege?

In considering Prof. T. S. Adams, one of Prof. Ely's assistants at Wisconsin between 1901 and 1910, and 1911 and 1915, we have a man some twenty years younger than his chief and of much less celebrity and originality. He obtained his B. A. and Ph. D. degrees at John Hopkins' and had spent a year in U. S. Census Office and another with the Pennsylvania R. R. before arriving at Wisconsin. From 1910-11 he was professor of political economy at Washington University, from 1904-08 he was expert on the Wisconsin State Tax Commission, and from 1911 to 1915 he was chief of the Commission besides resuming his professorship at Madison. He is the author of several books on taxation and labor problems and recently left Wisconsin to become professor of political economy at an Eastern college.

In Prof. Adams we have a man who may be considered as a mistletoe who has drawn all his intellectual sap from the oaks of his distinguished chief. A glutton at figures and statistics, he has a mind which sees plenty of trees but never the forest. When tax commissioner he reveled in the installation of the new State income tax, without even pausing before plunging in to consider where he was going to swim. He might have easily perceived from the most cursory scrutiny that an income tax is a foolish tax for a State. Whatever its merits as a tax, its proper collection can only be assured by making it a national affair, otherwise the best feathered birds will fly away to roost elsewhere and the State, however it strives, will never collect any toll from their plumage.

However, the crowning achievement of Prof. Adams was not his strenuous pursuit of income tax dodgers, but had to do with the assessments of northern Wisconsin. Composed originally of vast forests, this part of the State is now largely cut over and has to do with the problem of agricultural settlement on these denuded lands now held by speculators.

For some years a number of county taxation boards had found it wise to assess improvements at a lesser rate than land values, the change resulting in increased development by settlers. But this was before the advent of Prof. Adams as tax commissioner; for directly he heard of this practice he ordered the county boards to discontinue it as a gross violation of the law regarding the equality of all kinds of property as a base for assessing the general property tax. How different, both from the standpoint of common sense and practical benefit, was Prof. Adam's ruling from the action of the late Mayor Pastoriza of Houston on the same question!

Little need be said here about the case of Prof. John R. Commons, as his career was fully ventilated in 1915 in connection with his failure to sign the majority report of the U. S. Commission on Industrial Relations of which he was a member. He was born in 1862 and is thus midway in age between Professors Ely and Adams and, while he studied at John Hopkins' for two years under Prof. Ely, he took his A. B. and A. M. degrees from Oberlin in 1890. As clever a writer as his chief, he is a clearer thinker and several of his published books, such as "The Distribution of Wealth," "Social Reform and the Church," "Trade Unionism and Immigrants," have been landmarks in their fields. In the nineties Prof. Commons was an outspoken radical reformer and this attitude finally ended in his ejection from his professorship at Syracuse University in 1899, as a "socialist," by the Board of Trustees, of which John D. Archbold, a director of the Standard Oil Company, was then president.

After leaving Syracuse, Prof. Commons spent several years as expert for the Industrial Commission and the Civic Federation, and in 1904 was called to Wisconsin to help Prof. Ely. Since his arrival at Madison, Prof. Commons has soft-pedaled his reform *arias* and consequently has had no more trouble with millionaire educators. And whatever the reason for this new pussyfoot policy, whether because sick of martyrdom or because really convinced that the regulate-everything system of Elyism is superior to economic freedom, it has proved extremely profitable to him in both fame and money. For a decade he has been constantly in demand by both political parties as a member of important State and national commissions, and he thereby has been able to earn large fees to supplement his handsome salary as university professor. Though Prof. Commons is still a nominal adherent of the Single Tax his action in repudiating the majority report of the Industrial Commission, whose backbone was the land value tax, places him in the class of false friends to the cause.

In concluding this article on the Wisconsin University, I do not wish to leave the impression that I consider its economic department as peculiar in its lack of illumination; for, indeed, it is one of the highest among American colleges. If anyone doubts this statement, let him attend an annual meeting of the American Economic Association (which includes as members nearly all college teachers of economics and scarcely anyone else), and compare the papers there presented—with their tangle of irrelevant statistics, their

hairsplitting over trivialities and their befogging of anything regarding economic justice—with the interesting and relatively frank books of Professors Commons or Ely.

No! the problem of making our college departments of political economy as fearless in their utterance of scientific truth as those of physics or engineering lies deeper than even their release from the interference of dishonest politicians, or bigoted trustees on the outlook for economic heresy; though of course this release is a first step for any attempt at reform. At present the teachers of economics are generally pure theorists, who have graduated direct from their studies into teaching and know nothing of those economic struggles of humanity which go on beyond the walls of the college cloister. They must have comfortable houses, elaborate meals and artistic surroundings as a *sine qua non* of their lives; they naturally have as social friends many of the privileged and even predatory class, and often find them decent and law-abiding in their family relations. The cause of the oppressed masses, as advocated by such authors as Henry George, thus finds little response among such college teachers, for it seems too far away to be real or important; its espousal would certainly be troublesome and might even lead to ejection from their only means of gaining a livelihood worth having. But when economic students must prepare by a practical apprenticeship, and gain their living by manual and mental labor, in various factories and businesses before starting to teach we shall then see as great a change in our college departments of economics as occurred in those of engineering when the original pure theorists were replaced as professors by successful practitioners. Our American economic professors are now closely akin in training to the native engineers of Spanish America. The latter are scions of the feudal aristocracy and consequently carry out in their engineering course all the peculiar caste ideas of their families regarding the degradation of manual labor. As such branches of engineering as mechanical or mining cannot be mastered except by the practice of much dirty and disagreeable manual labor, the Spanish youth never get beyond the hopelessly incompetent stage in these professions. In civil engineering in which work can be done by only learning the cleanly roles of the draughtsman and surveyor, the young aristocrats do better, but even here their fear of personal contact with the raw material and the oily machinery of engineering are such handicaps to practical achievement that nearly all such work in Spanish countries is entirely dependent on the foreign expert for its accomplishment.

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