Alexander Hamilton High. Cohen, Alvin H., George Washington High. Weiner, Clarence M., James Monroe High.

The Single Taxers who delivered prizes to the students and addresses at the Commencement Exercises of the High Schools were:

Mr. John J. Egan, Hon. Charles O'Connor Hennessy Hon. Cornelius M. Sheehan, Mr. Benjamin Burger, Mr. Charles H. Ingersoll, Mr. James R. Brown, Mr. Byron Holt, Miss Antoinette Kaufmann, Mr. Otto K. Dorn, Mr. Charles J. Post, Mr. Edward Polak, Hon. William J. Webber.

The Committee desire to express their gratitude for the help extended by Dr. T. E. Bullard and Mr. Jesse B. Deyoe, of Schuylerville, N. Y., and Hon. Chas. Hecht, of Lakewood, N. J., in making this essay contest successful in the four out of town schools, and to James R. Brown, who lent the facilities of the Manhattan Single Tax Club, and to both Mr. Brown and Mr. Sid Evans for their great service in addressing the economic classes of the schools and thus helping to guide the students in writing their essays.

It is the intention of the Committee to follow up this work, to continue sending literature to the competing students, and to extend the work to other cities.

A printed report of this contest with fuller details will be sent on application by the committee of the Dr. Mary D. Hussey Fund, care of Manhattan Single Tax Club, 1860 Broadway, this city.

The Henry George Congress

MANY who may not agree with the main proposal of the late Henry George, the Single Tax, will yet join heartily in well wishes for the congress now being held in Pittsburgh in honor of the fiftieth anniversary of his book, "Progress and Poverty." Obviously a book that proves to be a living force for half a century and promises to grow in its hold, with many organizations in existence to spread its doctrines, has much of merit. This is a reminder that important as the Single Tax may be to its advocates, there is more than that one feature to the writings of Henry George. The author showed generally a great sympathy for the common people and shed light on a number of their problems.

In an especial sense, Pittsburgh has paid tribute to Henry George. Its graded tax, by which buildings are taxed at only half the rate applied to land, has been called a modified form of the Single Tax. In George E. Evans, William N. McNair, Percy R. Williams and a number of others Pittsburgh also has its share of ardent leaders for the reforms advocated by George.

It is certain that this memorial convention will stand out in the history of the societies founded upon the George ideas.—EDITORIAL, *Pittsburgh Post Gazette*, Sept. 23, 1929.

Profits and the "Vice" of Saving

PART I.

THERE is perhaps no economic problem which has worried more the man in the street than that embodied in the title of this article. Started originally by Foster and Catchings of the Pollak Foundation of Newton, Mass., whose book "Profits" gave rise to a $5,000 prize contest for *adverse* critics, the problem has been discussed by organs as wide apart in their audience as the *Atlantic Monthly* and the *Pumpkin Corner Weekly*. The Pollakians claim that overproduction is caused by the hoarding of profits and salaries which destroys the equilibrium between production and consumptive power. The evident remedy, they say, is for everyone to spend all they receive so that economic equilibrium will always prevail and market gluts, with their resulting shutdowns and unemployment, be avoided.

The Pollakian remedy has been enthusiastically accepted by many influential people including, of course, all those engaged in the mass production of such semi-superfluities as radio-sets and pleasure cars. Others, while not yet ready to discard the venerable commercial code of Poor Richard and call saving a vice instead of a virtue, seem partly hypnotized by the new heresy and make only a feeble resistance to the growing demand for the conversion of all our savings banks into promoters of installment buying. But fallacies may be detected in the most plausible sophistry, if one will employ patience and a strong lens, so I shall ask my readers to kindly bear with me while I apply the magnifier.

The Pollakians seem to have fallen into the same pit as did Karl Marx when he wrote his first two volumes of "Capital," dealing with the production and circulation of wealth. Confining his investigations for many years principally to the cotton factories of England, Marx developed his famous theory of "surplus value" which may be defined as: "The difference between the value added to a commodity by the labor expended in changing the form or position, and the cost of such labor." Thus defined, "Surplus value" is the practical equivalent of "profits," as used by the Pollakians, and I shall therefore hereafter use these two terms interchangeably in my discussion. Unlike the latter, Marx believed that surplus value arose from the robbery of his workmen by an employer and he advocated from this foundation the famous paradox of Proudhon: "all property is robbery."

The acceptance of this paradox as their creed by the Socialist parties of Western Europe, when they were organized a half century ago, explains both their political theories and their practical programme for a war of classes aiming at the destruction of every class except the Proletariat and the abolition of private ownership in all the means of wealth production.

The first volume of "Capital" on the production of

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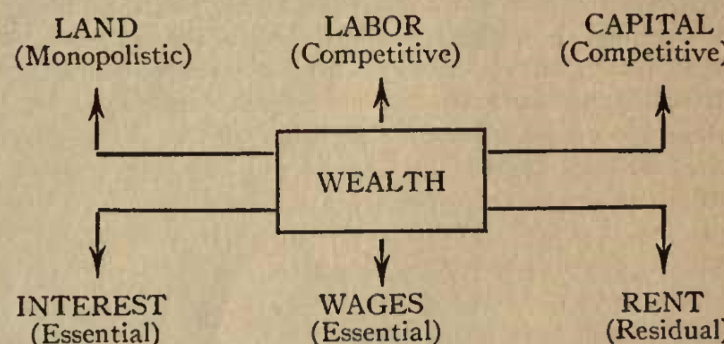
/ealth and the second volume on its circulation were pub-ished by Marx during his lifetime, but the third and last 'olume, on its distribution, was only issued posthum-usly, in 1894 by Frederick Engels. Curiously enough t was not till the writing of his last volume that Marx iscovered his early mistake based on a wrong concep-ion of surplus value. In his investigation of agricul-ure and mining included in the book on Land, he found hat the surplus value of these industries differed radically rom that of a competitive industry like cotton manu-acture. While the profits of the latter tended to be re-uced by competition to their minimum essential for cover-ng business risks, those of industries founded on the xclusive possession of natural resources such as arable and or a mineral deposit, included often another item, ue entirely to some special advantage conferred by nature r society, which technically is called economic rent. In ther words, profits in competitive industries contained o element of robbery, as they were due to some service n production contributed by either the proprietors, as nental laborers, or the invested capital saved from their abor in the past. But in privileged industries, which ossessed landed property conferring some special ad-antage in production not common to all competitors, here often existed a surplus profit or rent or increment vhich, not being due to any present or past service of the roprietors but rather to nature or society, was clearly nearned by the persons who received it and might there-ore ethically be termed a "robbery."

Unfortunately for an orderly social progress, these iscoveries of Marx were published too late to change he original political programme of Socialism which had lready been preached widely for two decades. Marx, imself, never corrected publicly during his lifetime his arly error regarding the nature of surplus value, either ecause he never fully realized the practical significance f his studies on landed property or because he shrunk rom facing the public opprobium which such a correc-ion might have caused. It is not surprising that the eaders of Socialist parties have never betrayed any nowledge of Marx's final conclusions about profits, if ndeed they ever discovered them, as few, if any, have een sufficiently studious to wade through the 2,178 pages f "Capital" which precede the book on Land. This ailure to understand completely his prophet must also ave been true of Lenin, student as he was reputed to e, for his Russian experiment was begun on the basis f the original Marxian programme and it is improbable hat anything but its complete failure in practise impelled im to avoid further economic disasters by adopting he "N. E. P."

Before discussing its social implications, I beg leave to lescribe, in some detail, the nature of monopoly profits, r economic rent, as distinguished from the popular term 'profits" as used by most writers including the Pollakians.

All the factors for producing wealth can finally be reduced to three: *land*, *labor* and *capital*, while the produced *wealth* is thereafter distributed among these three factors, labor receiving the *wages*, capital the *interest* and land the *rent*. These seven italicized terms, in their strict economic sense (2) can graphically be related by the accompanying Trinitarian diagram.

The popular terms "profits" and "income" are complex rather than simple items of distribution; each term can be subdivided into *interest*, *wages* or *rent*, according to the wealth representing the reward paid for the use of capital, of labor or management, or of land. The term insurance can readily be classed either as interest or wages, according as it represents the extra cost for capital or labor, added to cover the risk of their use. Similarly, the popular terms for the factors of production, such as real estate, railway, mine or factory can, after a little consideration, be readily subdivided into the fundamental factors of land, labor and capital.



TRINITARIAN DIAGRAM

As land, labor and capital share among themselves the whole output of wealth, the share of one of the three productive factors in the output of any enterprise can only be increased at the expense of one or both of the other two. Also, the share of wealth that one factor can obtain depends entirely on its relative strength, in its struggle with the other two factors. As productive operations grow in size, it is evident that any one of the three factors that can be indefinitely increased in quantity is subject to competition, and consequently its share of wealth tends to be cut down to the minimum necessary for the factor's survival. As both labor and capital are of this competitive nature, wages tend constantly to approach the lowest living wage necessary to keep up a labor supply of the required quality, and interest tends to approach the minimum rate needed to encourage the saving of capital. Land, on the contrary, being fixed in quantity, cannot be increased as production grows; it is therefore the only naturally monopolistic factor of the three. The final result of the competitive struggle in distribution between land, labor and capital is that the monopolistic factor, land, takes the whole residue of wealth from any operation after labor and capital have been paid their essential wages and interest.

As rent is a residue, not an essential payment to sustain

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production like wages and interest, lands may be continuously worked which yield no rent; and, as a matter of fact, it is probable that the area of rentless lands under exploitation on the globe is greater than that of those yielding rent. For superior lands, the *economic* rent—as distinguished from the popular term rent—which generally includes interest and often wages too—is easily calculated from Ricardo's well-proved Law of Rent. (3) Speculation or forestalling, as usually practised, may be defined as the legal withholding from use of needed superior lands for individual profit, thus forcing part of the nation's labor and capital to resort to inferior lands where they consequently produce less wealth. This also raises the price of the output, for it artificially lowers the quality of marginal land (4) whose cost of production fixes the market price of the whole output of the community in question.

While land speculation only indirectly affects the quantity and price of commodities, by lowering the quality of marginal land, land monopoly is able not only to control the quantity but also to fix the price of its output directly. If the monopoly be local, it can only fix prices as high as those of an imported product; if it is complete, it generally fixes its price at "what the traffic will bear," or where it will produce the maximum continuous income. As examples of practically complete monopolies may be mentioned: the diamond trust of Africa, the anthracite trust of Pennsylvania and the coffee trust of Brazil.

The state is a silent partner in all productive enterprises as it furnishes more or less of its land, its capital and its labor to assist every one. Accordingly taxes,—the share of wealth apportioned to the state—may be classed under the heading of wages, interest or rent, as they represent a payment made for the use of the labor, the capital, or the land of the state. Any general tax levied by the state on private capital or labor is bound to increase the essential payments for the sustenance of capital and labor (interest and wages) and, therefore, to increase the price of commodities that is set by the cost for capital and labor on marginal land. But a tax on the third, or residual item in wealth distribution—*rent*—cannot raise prices, because rent is not a factor in price-fixing, marginal land being rentless. An increased tax on rent means, then, that the state gets more and the landlord less; while the increased tax on either interest or wages means, finally, its shifting to consumers in the form of higher prices for commodities.

(To be continued)

REFERENCES

1.—"Capital" by Karl Marx. English trans. of E. Unterman, publ. by C. H. Kerr & Co., Chicago, Ill., 1910.

2.—J. E. Symes, in Chaps. 1 and 2 of his "Political Economy" thus defines these terms: "*Land*" includes such material gifts of nature as may be monopolized; *Labor* includes all manual and mental human exertions used to produce wealth; *Capital* includes such material products of labor as are devoted to the production of other objects of desire; *Wealth* includes all the material products of human labo which arouse desire. Assuming free competitive conditions, an *Wages* is the share of wealth secured by laborers, *Interest* is the shar secured by capitalists, and *Rent* is the share secured by the proprietor of natural objects and forces."

3.—Symes ("Political Economy," 29) gives: "The normal rent c any land is got by deducting the produce of land on the margin o cultivation from the produce of the land in question."

4.—Marginal land may be defined as the leanest land that has t be worked to supply the current demands for its product. It is nec essarily rentless and its expenditure for labor and capital fixes the pric of the commodity yielded. Marginal land constantly fluctuates i quality; *naturally* as the current demand varies and *artificially* whe affected by the operations of land speculators and monopolists.

—Robert Bruce Brinsmade

Economic Law as Expounded by Henry George*

PRIZE WINNING ESSAY BY HERMES ESTELLE JOHNSON, WADLEIGH HIGH SCHOOL

PROGRESS and poverty, seemingly inseparable companions of civilization, go hand in hand in every country of the world which has shown any sign of material progress. Wherever progress is, poverty is sure to follow In communities where material progress has hardly commenced; in communities where no class of people live luxuriously; in communities where the scientific appliance which simplify labor have not yet been introduced, ther is no poverty. But in more advanced countries wher wealth is abundant, and where there are magnificen churches and mansions, there are people who suffer fron dire poverty; there are almhouses, there are prisons, ther are tramps. There must be some fundamental cause fo the fact that poverty is engendered by progress. Thi cause is clearly explained by Henry George in his book "Progress and Poverty."

The cause that produces poverty amid advancing wealth is the tendency of wages to a minimum. Therefore, t find a solution to the problem of poverty, we must firs understand why in spite of increased productive powe wages tend to a minimum which will give but a bare sub sistence. Henry George endeavors to place the solutio to this problem within our apprehension by proving tha wages are not drawn from pre-existing capital as the curren "wages fund" doctrine fallaciously teaches, but are pro duced by labor itself. Carefully paving the ground be fore him with substantial reasoning, Henry George, th Socrates of the nineteenth century, shows by progress ing from the simple, original state of things to the presen day complicated methods that wages are the produce o labor. He also conclusively proves that the laborers a

* We have selected this essay for publication, out of the sixte winning prize essays in the contest described elsewhere in this issu apart from its intrinsic merit because the writer has successfully ove come two handicaps; girls are not taught economics as thorough as boys, and the writer is a colored girl.—Editor Land and Freedo

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