

a different method of presenting the truth. Nor will we quarrel with the term "profits," in his treatment in Chapter II. "Profits a Gratuity." For profits he shows to be a robbery of wages, excessive price due to monopoly, or rebates—which in its turn might be defined as a diversion of rent. We will not quarrel with the use of an un-economic term by an economic professor, especially in view of what he says on page 124: "The main sources of profit are in advantages of location and equipment, unusual skill in management, monopolistic power, tariff and patent laws, and advantages in transportation." On page 128 he defines dividends as "a blanket term including rent, interest and profit." But has he not defined one of the sources of profit as advantages of location, or advantage of rebates, which is rent or a misuse of the rental power, if we may so speak. Nor does it seem clear to us that profit is a good term in which to include the excessive salaries paid to such persons as the officials of the steel trust. These, too, are a diversion of sums rightly due labor as wages, or rent diverted to private uses. Save perhaps for purposes of popular exposition, or for the purpose of getting closer to the socialist terminology, there seems no good reason why the term profits should be substituted for the incomes, Rent, Wages, and Interest going to the three factors, Land, Labor and Capital. And this seems to be further exemplified in Prof. Matthews' attempt—unusually successful though it be in avoiding confusion—to erect profits into a term of importance. For even he has made it to include much that belongs to other economic divisions. But if Prof. Matthews thinks he makes economic wrongs clearer to the popular mind by this division, we have, as we say, no quarrel with him. His effort seems to be to use such terms as are commonly employed by the socialists, and however much we are puzzled temporarily by his distinctions, the professor always carries us out into the broad light of day, and sets us on solid ground at the end.

This he finally does in the concluding chapter, which is a lengthy one, and in which the reasons for the adoption of the Single Tax are fully and adequately set forth.

This appears in connection with a brief explanation of socialism, which is stated in terms of great fairness. No effort is made to place these two theories in opposition, and there are some fine and true things said in praise of the spirit of socialism. We might dispute the statement that the two are "similar in aim and methods", but the argument for the Single Tax leaves so little to be desired in grasp and scope, temper and clarity that we refrain from indicating minor disagreements. In conclusion we commend this book for the use which we imagine was in the mind of Prof. Matthews when he wrote it. It is a good book to put into the hands of our socialist friend, or the man to whom socialism presents itself as more or less appealing. For it uses the terms used by our brothers of the Co-operative Commonwealth, and carries them along on their own familiar streams of thought, though compelling them almost before they know it to land on the opposite bank.

J. D. M.

A PAMPHLET BY J. P. KOHLER.*

A pamphlet small enough for general circulation, which should set forth, as clearly as may be, the cause and cure of panics and industrial depressions, in terms as simple as the English language will permit, would be at this particular time a desirable addition to Single Tax literature. Such a pamphlet, to be permanently effective, would have to be nearly invulnerable in its statement of economic cause and effect. It would have to be a work where definitions and illustrations were recognized as approximating to the exactitude which is a property of only a few of the sciences. Such a pamphlet would be tremendously effective.

It is, therefore, to be regretted that this little work, the writer of which recognizes the need of such a popular treatise, and who in some ways has done his work not at all badly, should have been at times so very

*Hard Times, the Cause and Cure. A Plea for Perpetual Prosperity, by James P. Kohler, Paper, 64 pages, price for single copies ten cents. Temple Bar Building, Brooklyn, N. Y.

careless in his analysis as to make sadly defective as an economic treatise what is here and there a very vigorous bit of polemical writing.

At the very outset we are arrested by this statement:

"For twenty years I have given the subject of panics so much consideration that I have been able to predict their arrival just as astronomers predict the coming of a comet. The coming of this present panic was predicted by me long before it came." Elsewhere he says: What I mean by panics are those periods of business depression, which in this country come and go, and come and go again, so that their periodicity is almost determinable by their regular recurrence." And again: "It takes about ten years to complete the cycle." We know this belief is generally entertained, but it is by no means true. There was a panic in 1857, but it was a short one, and was ended in the Spring of 1858, thus continuing a little less than a year. Then came the war which had the effect of artificially stimulating industry. After the war there was a depression in 1867, which continued down to 1870, a period of three years. From 1870 to 1873, a period of three years, there were fairly good times. Then came the panic of 1873, its terrible effects lasting until 1879, a period of six years. Then good times set in until the panic of 1884—a period of five years. In 1890 there was a panic from which the country quickly recovered, so that we may be said to have had a year of panic (1890) and a year or nearly two years (1891-2) of good times, bad times and good times thus sharing about three years between them. Then came the panic of 1893, the effects of which were prolonged to 1896, a period of three years, when good times again set in, and continued till the Autumn of 1907, a period of eleven years, followed by the present depression, from which we may perhaps be wholly recovered by the Spring of 1909, a period of one and a half years.

We use the term "good" and "bad" times, of course, in the sense in which they are popularly used, as Mr. Kohler himself uses them. Nor are we at present concern-

ed in pointing out what may be the cause of panics, or what influences may hold them in check for a longer or shorter time. But it is interesting to observe that their recurrence is far from indicating their periodicity. Quite as little may be predicted as to the time of their continuance, the shortest one lasting barely a year (1857) and another (1873) for seven years.

"Rent," and "real estate booms" are used in this pamphlet as if they were synonymous terms—and both of evil omen. But what is rent—economic rent? Is it not of itself beneficent, both in its origin and effect? Mr. Kohler's pamphlet is prevented from being effective for purposes of propaganda by confusing unconsciously the problem in the mind of the reader. "Do Single Taxers then propose to abolish rent?" No more than they propose to abolish interest. This is to align us with the Socialists who talk of "the elimination of rent." Yet the reader is taught that rent is a deduction from wages and interest. He will have learned from Mr. Kohler that where rent rises it is at the expense of the incomes that go to the other two factors, labor and capital, in production. Mr. Kohler conveys this impression many times. "Rent is what one man pays another for living on the earth." "Rent is squeezed out of labor and capital—that is, out of business." But rent will persist under the Single Tax—indeed, the fact of its persistence is a justification of the Single Tax. Not until Chapter VII. does Mr. Kohler attempt a definition and explanation of rent. He even then contents himself with a very brief explanation. For the purposes of convincing the reader the task should have been essayed earlier in those chapters in which the writer is engaged in showing how labor and capital are robbed. But the fundamental cause of the unjust distribution of wealth is hardly touched upon.

To illustrate, Mr. Kohler devotes chapter II, to a consideration of the many causes assigned for panics. He is able to show that these are inadequate as explanations—that many of them are effects not causes. In Chapter III, he propounds his own theory as follows: "Our Panics and In-

dustrial Depressions come from the booming of real estate in the cities, towns and villages of our country."

This is the first announcement made of the cause. No discussion of any other cause precedes it. It is in black type. We are therefore justified in assuming that the writer regards this as a statement of the fundamental cause. But is it?

Are not real estate booms themselves accompanying incidents, manifestations, —effects, not causes? Is not the cause much more fundamental? Is it not in private control of economic opportunity? Land speculation and land booming follow as a consequence of such control. The collapse of the boom, being spectacular, calls attention rather to the effect of the boom than to the cause which has long preceded it, and is operating constantly whether we observe its less violent action or not. The land boom is but an *intensification*, but whether such boom be in evidence or not, private control of economic opportunity brings its resultant sapping of the earnings of labor, incidental interruptions of peaceful and normal industry, and its slow impoverishment of the people. In other words, there is not the absence of a single phase of the baneful effects of private control of economic opportunity in times where the growth of speculative rent has not yet assumed the violent character of a "boom."

It may be asked, what is the value of this criticism—that Mr. Kohler's error, if error it be, is of such slight importance that it scarcely needs to be indicated. But it seems to us of grave importance to know what it is that needs to be cured. If we are to apply remedies we should first know the cause; wise physicians do not treat effects; and to stop the cause of the people's impoverishment effectually we would not counsel a wise and conservative regulation of land speculation, but the total removal of the cause by which men are enabled to speculate in land at all. Mr. Kohler says to his readers, "Never invest any of your surplus, capital in vacant land." It must be that this advice is made with special reference to its social effects. This is proved by the counsel that immediately follows it. "Don't

encourage the holding of land out of use." But will this seem good advice to the individual who has witnessed the enormous fortunes made in the business of vacant land speculation, requiring so little real effort and but a modicum of the exercise of common shrewdness?

Mr. Kohler asserts that rent is added to price. "When the business man has his rent raised * * * he raises the price of his goods to meet the exactions of his landlord." Elsewhere he repeats the statement in other form. This will be news to storekeepers and business men generally. Mr. Kohler knows the cause of rent as well as most Single Taxers. How then account for the recrudescence in this little pamphlet of an error we had presumed was long ago laid away?

The same reason that would prevent the landlord from adding the Single Tax to the rent charged his tenant now prevents rent from being added to price. The same cause that would make it impossible to add the land value tax to the price of commodities now prevents rent from being added to price. Yet this is the first objection to the Single Tax that occurs to those who have not given serious thought to the incidence of taxation. It is generally understood, and is true of all labor products generally, that a tax on a commodity is added to the price of the commodity. But this is because a tax on a commodity limits its production. But a tax on land values, whether imposed by the state or by the landlord, cannot be added to price.

Rent does not enter into price, because rent is the measure of the value of different locations. This difference of value is due to the greater productivity of some location over others. When it is a location devoted to trade, like an avenue or street where shopping is done, the rent is determined by the greater *volume* of trade made possible by the greater concourse of people, not by any added price to the article sold. Where one man or woman buys on the side street, two buy on the avenue. This is what makes degrees of rent in the business district. A very slight decrease in price would tempt buyers up the side street, and while the temptation of an increase in

rent might induce the storekeeper to raise his prices he knows he cannot do so and retain his trade.

That rent is, under present conditions, an instrument of extortion, is well understood by Single Taxers. But economic rent, by which of course, is meant the income derived from land and not the income from improvements, is not a thing anathema, but is as we have said wholly beneficent. The Single Tax would take rent in lieu of all other forms of taxation. It would thus prevent land speculation, and the arbitrary raising of rents, open up all natural opportunities, and would, whether it increased or decreased the sum total of rent, *redistribute* it in a way that it would cease to be a burden to anybody. But we ought not to talk as if rent *per se* were a burden, or a deduction from the legitimate incomes of labor and capital, while at the same time proposing, not to abolish it, but to take it for public purposes. The evil is not in the existence of this natural fund, "providentially" placed at our disposal for common purposes, but the diversion to private persons of what is so clearly a common fund because due solely to social or communal activities.

Mr. Kohler's illustrations are not always happy. We reprint the following in fairness to the writer, for fallacy though it be, it is an exceedingly plausible one, and stated with much force:

"But let us try an illustration, or a parable, as they were called in ancient times: A clothier in a town or city, is keeping in a corner, or inside store, a large quantity of men's clothing. In his store window he has on display ten suits of clothes and on each suit is fastened a price tag \$10. There come to his window ten men, each having in his pocket \$10 and each wanting and needing a suit of clothes of the kind, description and price of those on display in the window. Under these conditions the clothier has a splendid chance to do business. But before they go in to buy one of the ten men suggests that they go around the corner and play a game of poker. So they adjourn to a neighboring room and play poker for several hours and then they all come around again and look into the clothier's window where the ten suits with the

\$10 tags are still on display. But after the game of poker, instead of each of the men having \$10 as before, one of them has \$50 while the other \$50 is distributed among the other nine. Now, under these new conditions, the clothier in the store has not the same chance to sell goods as he had before the game of poker. Before the game of poker each of the ten men could buy a suit, but after the game of poker, while one of the ten men can buy five suits, probably only one or two of the other nine can buy one suit, and six or seven of the ten men must abandon the idea of buying a \$10 suit. But before the men go into the store to buy, one of them, hoping to win back his losings, suggests that they play some more poker, which they do, with the result that at the end of the second game one of the ten men has \$90 of the original \$100, and the other \$10 is scattered promiscuously in the pockets of the other nine. It is evident that after the second game only one of the ten men can buy a \$10 suit, and, while he has the money to buy nine suits, the chances are that he will conclude that a \$10 suit of clothes is not good enough for him and that he will go to another store and pay \$50 for one suit. Now, the \$50 suit does not require so much labor in the making, either in the original material or in the tailoring, as would the making of five of the \$10 suits, and so the game of poker has worked disaster, not alone to the clothier, but to the tailors that make the suits and to the laborers that make the materials in the suits, and to the business men all along the line. This then, explains how the capitalist in the clothing business and the laborer who makes the clothes are thrown out of employment, and, incidentally, how the owner of the store loses his tenant.

A real estate boom is simply a grand game of poker on a larger scale."

Again Mr. Kohler says, and again we apologize for the length of the quotation:

"In addition to the disastrous effect on business of the increase in rents through the real estate boom, as hereinbefore set forth, and the consequent decrease in the purchasing power of the great tenant class in our centers of population, another practice is resorted to by many of the tenants themselves which operates further to reduce the

consumption of products and to bring about over-production, as it is called, and the consequent idleness of capital and labor. I refer to the common practice, during real estate booms, of a large portion of the population purchasing vacant lots on the installment plan—" \$10 down and \$5 a month," or on some other terms, either less or more exacting. Sales of vacant lots on the installment plan are advertised very largely in all the papers of our cities and larger towns, and I have seen such advertisements in papers published in the smaller towns of the country. When a young man or a young woman, with a weekly or monthly wage or salary, begins to carry one or more outside lots, which he has bought on the installment plan, that young man or young woman finds it necessary to economize in his or her purchases of the articles for consumption they have been previously accustomed to buy. I have known servants on \$25 a month to pay \$4 a week on vacant lots which some slick advertising agent or solicitor had induced them to buy, telling them stories of how lots on Broadway and Fifth Avenue in New York City have increased in value. In this world we cannot eat our cake and have it too, and when we begin to buy Long Island sand or Seattle swamps on the installment plan we are obliged to economize elsewhere; that is, as our money goes out for lots, we begin to save, first on our little luxuries and later on the necessities. And when ten million consumers in the United States start in to practice such economy, while they are paying for lots by installments, the storekeeper begins to complain of poor business and the men who trade in luxuries begin to go to the wall. The dealers in luxuries suffer first in the period of depression and they are among the very first to fail. When one buys ice cream soda, or cigars or a magazine or paper, he gives employment to those who produce such things; but when he buys Long Island sand or New Jersey "fortune makers" on the installment plan he gives employment to no one, save perhaps a few selling agents, a surveyor and a plowman."

Undoubtedly Mr. Kohler does not exaggerate the evils of the picture. But the illustration is not a good one. Real estate speculation is indeed like a game of poker,

but what are the evils of such a game—its economic evils? Do they not reside in the fact that instead of being engaged in production these players are mere idlers. The game is, in other words, unproductive. In the same way, men engaged in the business of selling land, all those who act as agents who ply their customers,—advertisers, promoters, collectors, clerks incidentally employed in bookkeeping or filling out blanks and certificates in connection with the land business—all this army of men—are non-producers. Their efforts are non-productive. They add nothing to wealth; they perform no service the effect of which is to conserve wealth. But, observe, the evil is not that indicated by Mr. Kohler. Just as in the poker game, no real wealth is destroyed. The man who wins \$10 in a game of poker from each of the four other players may buy a fifty dollar suit of clothes, indeed, but then again he may buy a \$10 suit, and put the remainder of his winnings in the bank, where it goes to furnish employment in other avenues. What then becomes of the illustration? But even if he buys a fifty dollar suit, he gives employment to all those engaged in the production of that suit. It is doubtful if he contracts the demand for employment even in a slight degree. It would be better if all five persons went to work instead of playing poker, and there is a wrong involved in the impoverishment of four for the benefit of one. But further than this the economic effect is unfelt.

Buying lots on installments injures those who buy, with the exception of the few who profit, and the larger the number of those who engage in this the more wide spread is the evil it causes. It is evil in so far as it encourages the holding of land out of use, as it increases the number of those who engage in the unproductive business of land selling, and as it inflates the price of land. But the evil is the same whether the purchase price is paid in installment or in lump sums. And it is not the money that is paid out that is lost to trade or production, for if those who make fortunes out of it buy yachts and automobiles those who make these things find increased demand for employment, and if it goes into the bank, as most of it does and must go,

such investment determines increased production in some direction if diminishing it in another.

In other words, the evil of our present system of land tenure is not, as thoughtless advocates used to declare in the early days of our agitation, that the buying of land, "locks up capital in land"—a teaching which Mr. George felt himself called upon to combat in an article printed as a land labor tract some years ago—but that it locks up land. We cannot all live on land speculation any more than we can all live by playing poker—and for the same reason. Neither game adds anything to wealth. And the more who engage in it the greater the number of non-producers, and the less wealth there is to go round. But the money spent in the purchase of land has no effect at all upon production—it does not involve any subtraction from capital used productively. That the entire system encourages parasitism and brings a great load of evils in its train is true. But Mr. Kohler has not analyzed the problem correctly.

There are other illustrations which seem to us to be gravely imperfect. Thus Mr. Kohler says: "As a matter of fact capital and labor are like the two wings of a bird, or the two legs of a man, and they should have no quarrel whatsoever." Now what is needed was an illustration which should indicate the dissimilarity of labor and capital, but this establishes a likeness which, "as a matter of fact," does not exist. Labor and capital are *not* like the two legs of a man or the two wings of a bird. If so which is the *right* leg? Do we not say that labor produces all wealth? But if the similarity of labor and capital be thought of to the exclusion of their dissimilarity, may we not venture to ask, *What part of wealth does capital produce?* The question answers itself. If a man loses one leg he can at least limp on the other. But if production loses the leg Mr. Kohler calls labor, production cannot even limp.

We have devoted much space to Mr. Kohler's pamphlet. We have done so out of consideration for a work undertaken in the interests of the cause—a work which we think the writer is quite capable of making a very effective little book. Few of

our writers possess a more vigorous style. But there is a right and a wrong way of putting the truths for which we stand. The wrong way may seem at times the more plausible and striking way. But in the long run it is not so.

J. D. M.

THE HEART OF THE PEOPLE.*

This is the title of a novel from the pen of J. R. Abarbanell, long identified with the Single Tax movement in this city, where for many years he has made his home. For a long time he edited a story paper which had a phenomenal circulation which brought millions to its owner, but declined with the changing literary fashions among those who effect that class of fiction.

This story is not the great American novel that critics are looking for, nor is it the Uncle Tom's Cabin of the movement for industrial emancipation. But it is a very interesting story, and it is told with the art of a story teller, though somewhat hurriedly, it seems to us, at the close. It is dedicated to the memory of Henry George and one of the principal characters is Dr. McGlynn. It gives pictures of the slums and pictures of high life, and in the portrayal of the latter the author is somewhat more successful, probably because a larger part of the descriptive portion is devoted to those who occupy positions of some social eminence. The hero is said to stand for Phelps Stokes, but with the exception of the priest who is drawn from the portrait of Father McGlynn, there is no other figure that bears a close resemblance to any individual of prominence. Nevertheless, they are fairly recognizable as types. There is a pleasant little love story, a murder trial and a prison scene. There are pictures of society engaged in its occupation of laborious idleness, and there is a political speech at Cooper Union, where the hero gives his reasons why he will not run for Mayor of New York. There is enough action to

* *The Heart of the People; A Picture of Life as it is To-day.* By J. R. Abarbanell. 12 mo., cloth, 360 pp. Price \$1.50. C. M. Clark Publishing Company, Boston, Mass.