

Fair Prices and Fair Wages

HOW THEY MAY BE ATTAINED

(Portions of an address by Edward Nordman, Director Wisconsin Division of Markets, February 3, 1921.)

THE farmer is chiefly a producer of foodstuffs. His first need is an active, effective market. The farmer would like a good profitable price for his product; and at the same time he would like to hire help when help is needed at low wages. These two things at the same time are impossible. The farmer desires prosperity for himself. He must remember that the hired man also desires prosperity; and prosperity for the hired man means high wages. There cannot be high wages for the hired men in the city and low wages on the farm. Labor will gravitate to the place where wages are highest, other things being equal.

The hired men of the city constitute the great market for the farmer's product. Our population is made up largely of farmers and city workers. These two constitute more than 90 per cent. of the population. Each supplies both himself and the other with his product. Wages cannot be high in one industry and low in another; for as water maintains its level, so the shifting of labor to the best paying industries will always maintain a substantial level. There will be minor temporary and local differences due to the character and location of industry and the skill and experience required; but for our purposes these differences may be overlooked.

The farmer should be happy when he finds that hired help for the farm is scarce and dear, for that means that his biggest customer, the city laborer, is well paid and prosperous, and will purchase from him in large quantities and at good prices.

THE UNJUST DISTRIBUTION OF WEALTH

The city worker spends in his living substantially all he earns. He is wise in doing so, for he never earns more than enough to support himself and his family comfortably and decently and as an American family should be supported, including food, shelter, clothing and education. In truth, with the present unjust distribution of wealth he cannot do otherwise. If he saves anything it can be only at the expense of his family, limiting or denying them some of these necessities. No bank account based on penurious saving can compensate for underfed and meagerly educated children. It is bad for the worker, worse for the children, and worse still for the nation.

The greater part of the worker's income must be spent in the maintenance and education of the family. There is but little that can be saved. A little thought will show that, from the standpoint of consumption, the world lives "from hand to mouth" and cannot very well do otherwise. It always has so lived, and always will. The food produced this year must be eaten this year. What little can be saved over a year would not feed the world a month. Clothing

is substantially all gone within a year and a half after it is finished. What is left would hardly cover the babies. Even the bulk of shelter hardly lasts out the lifetime of the man who builds it without serious deterioration.

UNEMPLOYED CITY WORKERS MEAN LOW PRICES FOR FARM PRODUCTS

One of the most interesting questions to the farmer is: How can the workman obtain the full product of his labor so as to have an abundance of the means to buy from the farmer what he produces, and at a profitable price to the farmer? If 10 or 15 per cent. of the workmen of the country are without jobs, they cannot buy in any appreciable amounts. If 3,000,000 are out of work, it may mean that 3,000,000 farmers cannot market their products except at a loss. But it means more than that; it means that the men out of work are competing for the jobs, and displacing the men with jobs, at lower wages, resulting in still lower purchasing power. And the 3,000,000 farmers who are left without corresponding consumers are compelled to force their product on the market even at a loss, driving down the market for all farm products to a sacrifice price.

The newspapers of the day contain very interesting if not encouraging, news to the farmers. Textile mills in the east are closing down, or running on part time, or reducing their working forces; coal miners are going out on strike for better wages and working conditions; factories all over the country are reducing wages; a fight is impending between the "open shop" and the "closed shop;" 75,000 men are out of work in one city, 50,000 in another, other thousands in other cities; railroads are laying off men, lowering wages and lengthening hours of work.

Does not the farmer see that all this is undermining and destroying his best market? He may hire cheap "help" next Summer; but if he does it is because help is "cheap" in the industrial centers, and men are out of work. But it also means that the market for his produce will be sluggish and prices low. Low wages do not make brisk buyers, and men out of work are a poor business asset for the farmer.

THE TOLL-TAKERS BETWEEN FARMERS AND CITY WORKERS

What is the remedy? It must be involved in the question of how much each is allowed to retain for his own use out of what he produces. Let me illustrate: If the workman's product for a day is the equivalent of four pairs of shoes, and if, through our economic system, he is allowed to retain only three pairs or their equivalent, he can purchase from the farmer only three-fourths of what the farmer produces. On the other hand, if four bushels of wheat or its equivalent represents the farmer's product for a day's work, and if through our economic system he is allowed to retain three bushels, he can purchase from the workman only three-fourths of his product.

And this is not far from the true situation. When the farmer pays two dollars a yard for cloth for which the pro-

ducers receive only one dollar; when the workman pays 30 cents a pound for meat for which the producers receive only 15 cents; when this condition prevails generally in the market in greater or less degree for different products, it means, of course, that each is doing a full day's work, and living upon the scale of three-fourth day's pay or less. It means that there are toll-takers in between who take part of a day's wages out of each day's productive work of both farmer and city workman.

THOSE WHO NEITHER PRODUCE NOR SERVE

Now, it must be remembered, of course, that there are a very large number of people who are not producers of goods in the usual sense, but who are equally necessary to society. There are teachers and preachers, doctors and lawyers, bankers, merchants, public officers, clerks, stenographers, accountants, insurance agents, barbers, actors, singers, and many others who strictly belong to the working class. These give social services which are necessary or desirable, and for which people are willing to pay. There are others constituting a more doubtful class, such as salesmen of stocks, bonds and securities, various kinds of speculators, promoters, gamblers on the markets, and such. They produce nothing, and much of their service is of doubtful value to society. But they take toll from society to the extent at least of living. In the merchandising of products there are many middlemen who intervene and take more or less toll in one way or another, some of whom perform no necessary services. Again much toll is taken from the people through transportation and public utility monopolies, often with bond flotations and watered stocks far beyond their legitimate value, and upon which the public are compelled to pay exorbitant interest and dividends.

But above and beyond all of these as a successful toll-taker is the monopolization of natural resources. The land; the coal, iron, copper, lead and oil deposits; timber, water powers, dockage and wharfage facilities; choice business locations, and so on. The mere ownership of these permits the taking of toll to the extent of thousands of millions of dollars yearly, for which nothing is returned either in product or service.

This may be illustrated by the case of a corner lot in a city for which \$100,000 a year ground rent is paid, the tenant owning the building, and paying the tax on both land and building. Here is a case of pure toll-taking, for which neither service nor goods are returned to society. But this \$100,000 a year becomes an overhead charge of the business which the public must pay. And there are many thousands such lots of greater or less value.

It is this unnecessary toll-taking that explains why the farmer and the city workman must each labor four days to obtain three days' product of the other. It is the exorbitant toll-taking between the producer and the consumer. And since the producers are chiefly the consumers, we can call it a toll levied on production, leaving the producer three-fourths or less of what he produces. He should have

the whole of what he produces to keep business going, and to keep his family in proper comfort.

HIGH LAND VALUE MEANS NOTHING TO THE REAL FARMER

The farmers themselves are not without fault. Did you ever see a farmer who was not pleased to see his farm advance in value? I do not mean the improvements, but the selling value of the land. And yet such increase in value is an actual damage to the farming community. The farm will raise no better crops because of the advance in price. But it makes it more difficult for his children and grandchildren to secure farms. It drives the young people into the cities to compete with city workmen for the overcrowded positions, tending further to drive down wages. The increased capitalization requires more rent from tenants, and renders them less able to become owners, and compels them to live upon a lower scale. In other words, increased price of farm lands is a part of the toll-taking which becomes a burden on the public.

With increasing land value there is no gain to anyone except the farmer about to sell or the owner who rents, and these gains are more than offset by the loss which they sustain by reason of like increases in other natural resources such as coal and iron mining properties and business locations. If improved farm lands remained at the reasonable prices of twenty-five years ago, the farmer could raise as good crops, he would have less overhead expense, he could readily buy farms for his sons, and there would be few tenants.

HOW TO ATTACK THE PROBLEM

A line of attack upon the problem which will be simple and effective, is to remove the advantages that come from the monopolization of natural resources. The advancing value of these resources is not due to the owner, but to the growth and activity of society; and therefore, society should share more largely in this increase of value. This requires no radical change in our laws or procedure. The so-called "Nolan Bill" now pending in Congress, is a step in the right direction. It proposes a license fee of one per cent. upon the ownership of land exclusive of improvements, with an exemption of \$10,000. It is a question whether it would not be better without any exemption, especially for the farmers; for the small owners must pay more than their share of the cost of government under any form of consumption tax, as they always have done; while under this system they pay precisely their just proportion. The \$10,000 exemption will let out nine-tenths of the farmers and home owners.

However, even with the exemption, it is the best proposition so far put forward for federal revenue. This will strike vigorously at the roots of the great monopolies of natural resources; and I may now and here warn the farmers that they are the first who will be appealed to by the big

monopolists to save their great toll-taking monopolies, for the reason that many a farmer can be made to believe that he is a little monopolist himself, and therefore, he must stand with the toll-takers. So much for federal legislation as a remedy.

But our State legislature is nearer to us, and can be reached more readily. It is our instrument for relief. Here the answer to the problem is the same, to reduce the profits of monopoly. The effective method of doing this is to remove the burden of governmental expense more and more from the products of enterprise and industry, and to place this burden on privilege and monopoly. The first step should be to eliminate the taxes on personal property. This is strictly a tax on production, and paid by the consumer. Our State tax commission has advised its removal for several years. Some of the most progressive countries have done this, with uniformly good results. This plan of exempting thrift and enterprise from taxation should be gradually extended until no one is taxed for having made improvements or rendered useful service. In this connection I want to warn the farmers of Wisconsin against the so-called Federal Sales Tax which is being urged by eastern bankers and monopolists. This is wholly a tax on business that must be shifted to the consumer, especially reducing the city workman's ability to purchase from the farmer. The farmers of this State should see that their congressmen vote right on this question.

SHIFT THE BURDEN TO NATURAL RESOURCES

It must be very plain to anyone that when the burden of government expense is lifted from the products of industry, these products will be more readily obtained and at less expense to the consumer. That is, the common man's standard of living will be higher. He will live better. He will have more of the necessaries and comforts of life, and he will therefore become a much better customer for the products of both farm and factory.

This will shift the expense of government chiefly to the natural resources; and it must be equally plain that if the cost of government is taken out of the natural resources, there will be so much less toll left for the toll-takers. Of course, it will be objected, as it has been before, that the toll-takers will recoup themselves by increasing their charges. This can be readily answered by pointing out that they cannot do so, for they are now charging all the traffic will bear. It is like saying that if a man has a vacant lot that he is trying to sell, he may increase the price if the tax on it is increased. Since he has not been able to sell it at his present price it will be hard to explain how increasing the incumbrance will enable him to get a higher price.

BEWARE THE TAX EXPERTS

It may take a long course of education to satisfy the people, especially the farmers, of the practicability and wisdom of the remedies proposed; for the big toll-takers will spend much money and printer's ink to confuse the issues, befuddle the voters, and save their unearned toll. They can hire speakers, and so-called "tax experts" and "economists"

and produce columns of figures, and perhaps "make black look white and white look black;" but the simple elementary truth will at last prevail, that he who receives income without returning either goods or services is a toll-taker living at the expense of society—that he is wasting the substance of the workers and is responsible for a large share of the unemployment and poor markets that afflict the farmers and other producers of the nation.

IMPROVED MARKETING SYSTEMS NOT ENOUGH

The mechanics of marketing must be improved as a matter of course. The road from producer to consumer must be shortened and made as smooth as possible. Scientific methods of production must continue and the cheapening of farm costs must be striven for. These changes are essential to a better marketing system, but contrary to the opinion of many people, these alone will not solve the problem. They must be accompanied by a policy that will get rid of all classes whose incomes are unearned and from whom society receives little or nothing in return. We can't have good markets until the wealth of the country goes to those who are responsible for its production and is made use of to supply legitimate wants.

Hard Times Come Again

THE receding business boom is here. Unemployment is here. A decline in the prices of farm products has affected the purchasing power of the farmers, and they are reducing consumption in consequence.

The building industry is still held in check by prevailing high costs. International trade is a factor in producing prosperous business, and this shows no sign of reviving, contrary to expectations. The poverty of Europe is unfavorable to the industrial development that would redound to our own prosperity. The people of Europe cannot yet afford to buy goods at the prices that prevail.

The textile industry is in bad shape; the wool market is in a like condition. The percentage of idle wool machinery is the largest in six years. In leather, prices have dropped entailing a loss of over seven millions due to shrinking values. Cotton goods are being sold below present production costs in the belief that wage costs will be reduced. Retailers are still desperately striving to maintain prices, and the reduction in wholesale costs has not yet reached the consumer, save in small measure.

The most obvious factor in the situation appears to be the uncertainty. Everybody is holding off his purchases until lower prices set in.

In the days to come that will bring falling wages and unemployment, men and women workers may turn to consider fundamentals, which in the last election and for two or three years past have been ignored by those who dwelt in a fool's paradise and were satisfied with a temporarily high wage rate.