CORRESPONDENCE

THE HIGH COST OF LIVING

EDITOR SINGLE TAX REVIEW:

In the discussion of the increased cost of living that has been carried on in the REVIEW, the question has been raised whether rent enters into the *price* of commodities or not.

Price is the value of commodities measured by money; and the law of values I conceive to be as follows:—The normal value of commodities depends on the relative cost of producing them at the margin of cultivation. These normal values are then modified by fluctuations in demand and supply, producing the market values. The reason that one bushel of wheat is generally worth about two bushels of oats is that at the margin, the cost of producing one bushel of wheat is about equal to the cost of producing two bushels of oats, and the ratio is seldom greatly disturbed by the ordinary fluctuations in demand and supply. This will be true regardless of what is the standard of value.

This conception of the law of values is elaborated in Trowbridges' "Bisocialism."

According to this view, the normal price of commodities depends on the relative cost of producing at the margin, the commodities and the material or commodity that has been selected as the standard of value. These normal prices are then modified by fluctuations in demand and supply and the market prices produced.

Normal rent exists when no land is withheld from use.

If the analysis here given is correct, it is obvious that normal rent does not enter into and form a part of price, for if no land is held out of use, rent affects neither the relation between the marginal production of gold and other commodities, nor the relation between demand and supply. If, however, the margin of cultivation is lowered by land speculation, good land withheld from use, and labor and capital forced to use poorer land, or compelled to be idle, the effect will be to increase prices by decreasing supply.

Transportation charges, advertising, and occupation and license taxes enter directly into the cost of production and increase prices accordingly. Indirect taxes, such as tariff taxes, increase prices indirectly by decreasing supply. If a tariff tax does not decrease supply it does not increase prices if there is no monopoly or combination among producers. The American tariff tax on wheat is an example of a tariff tax failing to increase price.

A tariff tax cannot be one of the fundamental divisions of the product since many commodities are produced without being affected by tariff taxes. The Socialist Economists have been criticised for accepting land, labor and capital as the factors of production and then dividing the product into rent, wages, interest and profits, for it is held that all profits are derived from rent, wages and interest. The same criticism applies to the division of the product into rent, wages, interest and taxes. The taxes paid by a workingman are drawn from wages; the taxes paid by a capitalist are drawn from interest; and the taxes paid by a landlord are drawn from rent.

The causes then contributing to the high price of commodities are:—

1st.—The discovery of new and richer deposits of gold, increasing the supply and changing the relation between the marginal cost of producing gold and other commodities.

2nd.—Increased cost of production; transportation charges, advertising, license taxes, etc.

3rd.—Decrease in supply, caused by land speculation and tariff taxes.

4th.—Increased demand, caused by increase of population and a higher standard of living.

It should be noted that economic forces produce certain tendencies and are as invariable in their action as the force of gravitation, but that one tendency may counteract another in the opposite direction. For instance, a decrease in supply need not cause an increase in price if there is a corresponding decrease in demand. And an increase in population need not cause an increase in prices if there is at the same time an increase in supply.

The attempt to apply remedial measures to the first and fourth causes enumerated above would doubtless do more harm than good. The correction for the third cause is so obvious as not to require mention. To lessen the cost of production requires the elimination of all avoidable lost motion and friction in the mechanism of exchange, and could probably best be accomplished in the United States by the government ownership of railways and the general voluntary co-operation of producers.

If the process of reasoning here pursued has been correct, the statement that, "The higher the value of land the higher the price of everything brought forth from it," is erroneous.

The statement, "If wages and interest do not get the high prices, rent does," is no doubt true. If the increased prices are caused by land speculation, this increase goes directly to rent considering both as a ratio of the product, and as an amount measured by the standard of value. It is also equally true that, if the high prices are independent of land speculation, they go to wages and interest in the same ratio as to rent, and affect neither rent, wages nor interest considered as a ratio of the product, and appears only after the product has been measured by the standard of value.

If a tenant produces a crop of wheat, the market price will evidently be the same whether the landlord receives one-forth or one-half of the crop, and any increase of price caused by increased demand will go to the landlord and tenant in the same ratio.

In answer to the question, "If increasing and inflated rent does not increase the cost of living by increasing the price of goods, where is its effect registered in society?" I should say that it depends on what causes the increase of rent. An increase of rent caused by speculation in land increases prices. A normal increase of rent does not increase prices, but increases the difficulty of the mass of men to make a living by decreasing wages and interest considered as a ratio of the product.

A sufficiently good case can be made out against the individual ownership of natural resources even when it is not attended by land speculation, but when it is accompanied by land speculation, as is universally the case in the progressive newer countries, the case is made all the stronger.—W. A. Warren, Seattle, Wash.

IS RENT A PART OF PRICE

Editor Single Tax Review:

This has to be considered as a question of distribution; this presupposes a normal rate of distribution. In other words, out of all production, Rent is entitled to a share, Wages is entitled to a share and Interest is entitled to a share.

Each share under free conditions will be what we call normal; that is, each will get a square rake-off. In order to get this square rake-off, it is absolutely necessary that conditions must be such that a free, fair contract can be made. That's all the Single Tax will bring about. Though some Single Taxers seem to doubt it, as they couple up governmental financial loan schemes in connection with their proposed tax reform laws.

We haven't normal conditions to-day, and therefore, a bigger rake-off goes to rent and taxes, for rent and taxes mean identically the same thing; namely, the price paid for the use of a given location. Now, if there is a production of 100, only 100 can be distributed. What is labor's fair portion? In other words, what fixes wages? I answer, in the words of Turgot, "We must consider two prices of wages, the current price which is settled by the relation of supply to demand, and the fundamental price which in the case of a commodity is what the thing costs a workman. In the case of the workman's wages, the