

the Laws of Moses,"—I do not possess the work and, therefore, cannot give you the exact reference; Michaelis was a Protestant theologian of Germany, and wrote in the eighteenth century or early in the nineteenth, I am not sure which, but I think the eighteenth—and consult his discussion of the prohibition against taking interest from fellow-citizens (Israelite) while it was permitted to take interest from an alien, you will see the doctrine fully stated. Michaelis says that the alien might invest the borrowed money in land in his own country, thus deriving interest in the form of rent; and that obviously the result of lending to aliens without interest would be to drain the country of its gold and silver. The command to take interest from the alien, therefore, was simply a measure of self-protection against countries in which the Hebrew land laws did not apply.

Michaelis's explanation may lack historical accuracy in that it is quite probable that the Hebrew land laws as set down in the Pentateuch never were (historically) applied. The economic conditions denounced by the prophets, as Wallis so well shows in his "Examination of Human Society from the Standpoint of Evolution," point directly to the existence of land monopoly. But at all events the philosophy of the explanation, and of the association of the two laws—that against land monopoly and that against interest—seems sound. So far as I know Michaelis was the first to point out the connection; but I came across the reference incidentally and not as the result of a search, and, therefore, cannot say that the matter was not earlier commented on. It might be worth your while to pass the information on to somebody who will have the time to work up the subject. It might even make an interesting magazine article—the object of which would not be suspected by the learned editor of Harper's, or Century, or Frank Leslie.

Wallis, by the by, without directly stating it, and perhaps, without appreciating it (as he makes no reference to the jubilee and its associated legislation) indicates one reason for the differing rules concerning fields and the land in walled cities. I had always thought that the difference was related with the treatment of houses as labor products, but Wallis asserts, and I think proves, that the bulk of the inhabitants of the trading cities afterwards incorporated into the kingdom of Israel were the original Canaanites, while the Israelites themselves became the rural, agricultural and herding population. The exception of city property from the general law would therefore—in my view—be a compromise between the Israelites and the Canaanites, and would in large measure explain the economic break-down of the kingdom of Israel and Judah.

PHILADELPHIA, Pa.



## WHAT DOES A MAN "COST" THE COMMUNITY? BOOKKEEPING EXTRAORDINARY.

Communication from Mr. Edward Atkinson and Replies by Ernest H. Crosby and Louis F. Post.

*To the Editor of The Single Tax Review:*

In the "Single Tax Review" for January, 1904, Mr. Ernest Crosby contests the theory that each man, rich or poor, costs the community only what he and his immediate family consume. He remarks that "No less an authority than Mr. Edward Atkinson has recently maintained this position and his action has shaken my faith in the reasoning powers of economists generally." Mr. Crosby then proceeds to construct a balance sheet between a rich man and the community which leads me to doubt the accounting as well as the reasoning powers of the advocates of Single Tax, if he is an exponent of them.

I will therefore assume the case of a rich man and make a suitable balance sheet between him and the community.

We will assume that a certain Mr. Ernest had begun as a contractor of small means, about forty years since. He shared in building several small sections of railway each separate from the other but all easily capable of being connected. Some of these sections had been constructed by States, Counties and Towns in order to "develop public utilities in the interest and under the control of the people." The Counties and Towns had issued bonds. The railroads had failed to pay interest or profit, doing an ineffectual service at a high cost. These were very common conditions forty years since. Under these conditions taxes increased; repudiation occurred and both the railways and the counties and towns were on the verge of bankruptcy. Mr. Ernest found some large capitalists who joined with him in buying up these short and disjointed bits of railway, consolidated them into one great corporation, changed the gauge to make them uniform and developed a through line corresponding, for instance, to the through line between Chicago and New York.

Presently the consolidated line became very profitable. Freights which had been prohibitive on long distances were reduced. The most competent and best men were selected for engineers, firemen and switchmen. They were paid high rates of wages because through their skill and aptitude they could do the work at the lowest cost; this being the rule governing wages. High rates of wages the correlative or consequent of the low cost of the service.

Presently the through line needed to be double-tracked, terminals constructed and the like. Large amounts of bonds were issued which sold freely. The money was applied to the development of the service. Ere long the freight charge which had been more than three cents per ton per mile at the beginning, was reduced to less than half a cent a ton a mile. The mechanic of the East could pay for moving a year's supply of grain and meat a thousand miles with one day's wages. At that low rate the capitalists securing to their own use and control a small fraction, accumulated great fortunes. Two million dollars of the five per cent. bonds gained in this way were left to "the rich man" whom Mr. Ernest Crosby cites as an example, and from these bonds he secured the annual income of one hundred thousand dollars on which Mr. Ernest Crosby tries to make an account current and fails.

It will be observed that a small amount of capital and a great deal of labor had been expended on these short pieces of railway before they were consolidated. Labor had done all the work according to Mr. Crosby, and was entitled therefore to the whole property, but the property had become worthless. It was not until the mental energy and organizing power of Mr. Ernest was brought to the support of the inert capital and misdirected labor that any value or use was imparted to the joint product.

Now let us make an account current in customary form :

#### A RICH MAN IN ACCOUNT WITH THE COMMUNITY.

Credit : By income derived from two million dollars of railway bonds. These bonds are a lien upon a railway line which is performing the maximum service to the community at the least cost.....	\$100,000
Debtor : To amount..... expended in the support of the rich man's household and place.	\$50,000

ITEMS OF THE EXPENDITURE.

Twenty employees in the two houses belonging to the rich man, at an average of \$250, money wages, to each.....	\$5,000	
these employees thus getting their shelter, food and clothing.		
Expended for supplies of food and other necessaries of life furnished in the house, at 50 cents per head each day, with some extras, \$200 a year each, for 20 employees..	4,000	
Expended among teachers, musicians and others for the education of the children, from which the recipients get their shelter, food and clothing, say .....	6,000	
Expended on repairs, additions to furniture, musical instruments and the like, from which the recipients get their shelter, food and clothing, say.....	10,000	
Expended for yachts, carriages and other luxuries, from which the makers secured their shelter, food and clothing.....	20,000	
Total expenditure from which other people derived their shelter, food and clothing, not the rich man, his wife and children.....	45,000	
varying in amount and direction according to the taste of the rich man.		
Total debit to the community on this half of the rich man's income.....		\$45,000
With respect to the other half of the income.		
Debtor, to the amount expended by the rich man cited by Mr. Crosby as "a large landed proprietor employing a hundred men to work on his farm," and as being able "to shave down wages so that every man does two dollars of work a day to one dollar of pay." The man who does two dollars' worth of work in a day on a farm or elsewhere can always get it. If he works at a dollar a day he is an exemplar of the old proverb slightly changed, "A fool and his time are soon parted." A man that would work for a dollar could never do two dollars' worth of work. A man is paid according to his service, not by his own measure of time.		
But suppose the rich man employs the customary number of men on his farm, proportionate to the ordinary estate of a rich man, seldom more than twenty or thirty ; say thirty, at the customary rate in neighborhoods where rich men live, seldom less than two dollars a day, especially in harvest seasons where extra men are brought in. This rate is oftener a good deal more than \$2 for skilled men, but call it \$2 a day, 300 days in the year, 30 men..	\$18,000	
from which they get their shelter, food and clothing. That may be an expenditure that will not be reproductive. So far as the community is concerned, the shelter, food and clothing consumed by these men is so much out of the annual product, but it has provided the men who did the work with shelter, food and clothing for that year.		

The rich man then builds a great macadamized road, calling in a large number of common laborers, Italians and others, at a dollar a day. While at work they get their shelter, food and clothing out of that expenditure; say . . . 7,000  
 If the road adds to the permanent value of the land and of the neighborhood it is an investment of benefit to the future. If it is a mere luxury it is so much more consumed.

The rich man then invests twenty-five thousand dollars in the construction of a new railway in the neighborhood of his place, which performs service to himself and to the community. That is a reproductive investment out of which the men who are employed get their shelter, food and clothing while constructing the railway.....	25,000
Total.....	<u>\$50,000</u>
Debit .....	<u>\$95,000</u>
Balance to credit of the community .....	<u>\$5,000</u>

That balance of five thousand dollars constitutes the real credit to the community for the sum expended by the rich man for the shelter, food and clothing of himself, his wife and children, which is his cost to the community. He has distributed ninety-five thousand dollars among the persons employed by him in various ways, each of whom has expended his share of the ninety-five thousand dollars for the shelter, food and clothing of himself and his family and that represents their cost to the community. Such part as may have been expended by them for unproductive purposes represents so much of the annual product of that year which has been consumed without passing on into the form of capital. The other part has gone into the form of capital to be applied to further production. Nothing is constant but change. There is no such thing in existence as fixed capital of a material kind. Experience and mental energy are the fixed capital. The nation is always within one year of starvation, within two years of being practically naked and within three or four years more or less of being houseless, without shelter. Stop work on highways and they will wash out. Stop repairs on railways and within a year they will become worthless. By the interchange of commodities and services the whole community secures its shelter, food and clothing; food in substantially equal proportions, the workman consuming more by weight than the rich man; clothing in substantially equal proportions, differing in the quality more than in the quantity consumed; shelter in unequal ratio, offering the most difficult problem for solution by the economist.

I submit this trial balance as a true *pro forma* account corresponding to the conditions and relative expenditures of many rich men. In this instance the cost of the rich man and his family is the consumption of five thousand dollars' worth of the national product of that year, while out of the other ninety-five thousand dollars all who have been employed by the rich man have secured their shelter, food and clothing.

Mr. Crosby's treatise brings to mind an aphorism to which full consideration ought to be given: Rich men know too little of how poor men live: poor men know less of how rich men work.

The iron law of wages is the very reverse of that presented by Lassalle and Karl Marx. With some slight variation, the true formula originating both with Henry C. Carey and Frederic Bastiat may be given: "In proportion to the increase and effectiveness of capital the aggregate share of the product fall-

ing to capital is augmented, but the relative share is diminished. On the other hand, the share falling to the workman is augmented both absolutely and relatively. That law is sustained by the facts derived from industrial progress in the United States during the last fifty years for which adequate records can be obtained. In every art that has not been obstructed by legislation and by what is sometimes called protection. That is to say, in the vast majority of the industrial arts pursued in this country, the records prove that those who do the physical and mechanical work have secured decade by decade an increasing share or proportion of a constantly increasing product. This has been secured to their own use and enjoyment, subject to a slight downward tendency or retardation with the commercial or financial crises that have come round about once in every decade ; but after each passing once more to progressive increase.

In the same records it proves that the margin of profit on each subject of production secured by the capitalist has been very much diminished, although the aggregate profit due to the vastly increased volume may have been augmented.

As an example, fifty years ago it required a cent and a quarter to be taken out from the selling price of a heavy cotton sheeting in order to pay six per cent. on the capital invested in the factory. It now requires less than one-fifth of a cent to pay six per cent. on the capital. In that same period the rate of interest on money lent with safety upon good security has been reduced from an average of seven or eight per cent. to an average of three and a half. In that period the wages or earnings of working people have more than doubled and have been earned in a lessened number of hours under better conditions of life.

This progress has been mainly accomplished through the work of rich men whose mental energy has been applied to the direction of inert capital and labor which would be helpless without the directing power and conduct of the work applied to the service of the community as a whole.

It matters not what their motive may be. The railway magnate may gamble with bonds and stocks as if they were loaded dice by which he may shear the sheep who trot up carrying their own fleeces to be shorn. In the conduct of the railway service itself, these same men must serve the community to the utmost of their ability, lest the competition of product with product in the great markets of the world should deprive them of the power to operate their lines for anything more than the mere local purposes for which the short bits of railroad, cited at the beginning of this treatise, were originally constructed.

I have tried to measure the relative share of those who do the mechanical and manual work of the community or who serve as employees at small or moderate salaries, constituting in rather a broader sense than the term is usually applied, the working classes of the community as distinguished from the rich or well-to-do who own so large a share of the property of the community, not as large as is customarily assigned to them, but yet men who could live on their incomes without work if they chose.

In a normal year, to the best of my knowledge and belief, ninety per cent. of the annual product is consumed by the working classes in varying proportions according to their intelligence and capacity to meet the wants of the community. What they earn is not and cannot be determined by the measure of the work that they do either, in kind or in terms of labor or in terms of time. Their compensation is fixed by the measure of the service which they can render in meeting human wants. The same rule holds good in regard to the other ten per cent. which in my judgment suffices to cover all profits, rents, interest and other increments of gain listed under those titles. In other words, the cost of the annual product is ninety per cent. of that product. Not over ten per cent.

is or can be saved in a rich community either for the cost of sustaining the rich in the manner defined in this treatise, or for the maintenance or increase of the capital of that community.

EDWARD ATKINSON.

BOSTON, Mass., Feb. 17, 1904.

*To the Editor of The Single Tax Review :*

DEAR SIR : I have read Mr. Atkinson's answer to my article and it confirms me in my belief that his position is unsound. He marshals a quantity of figures in his supposed account and they may deter the casual reader from attempting to follow him, but the upshot of his example is this : A certain rich man has an income of \$100,000 a year from railway bonds. Of this he spends \$5,000 on shelter, food and clothing for himself and his family and Mr. Atkinson admits that this is "real credit to the community" against him. The other \$95,000 he spends in support of his household and place, on his farm, in building a macadamized road and in a new railway investment. Mr. Atkinson distinguishes these expenditures from the \$5,000 by the fact that they each enable other people, (not the rich man himself or his family), to get shelter, food and clothing for themselves. But surely this is a most unscientific distinction. The money which he spent for himself for "shelter, food and clothing" enabled his landlord, grocer and tailor to procure "shelter, food and clothing" for themselves, just as much as the other expenditures did. How in common sense can the fact of a payment be affected by the subsequent use of the money by the payee? And this is really the issue between us. A rich man or a poor man (for of course the law applies equally to all, and the only reason that I spoke of a rich man was that Mr. Atkinson did so in his original article in the Brandur Magazine)—a rich man or a poor man costs the community just what he takes from it and he must be debited with that exact sum. His subsequent disposal of the amount (charities aside) is altogether immaterial, for he will not let it go without getting an equivalent satisfactory to himself, whether he spends it on food or farms or roads or railways. In each case he will exact a *quid pro-quo* and his account for the future with the community will balance, leaving the original debit untouched by anything of later date than itself. Mr. Atkinson's long and lumbering way of meeting this very simple issue assures me that he has not seized it clearly in his mind. I suggest that you call in some level-headed thinker like Louis Post and submit the question to him as to which of us is wool-gathering.

ERNEST CROSBY.

COURTEOUS REJOINDER BY MR. ATKINSON.

*To the Editor of The Single Tax Review :*

Mr. Crosby asks how in common sense can my analysis be applied? I leave the answer to common sense. If my article is "lumbering" it will not be useful to blockheads.—E. A.

MASTERLY SUMMARY BY LOUIS F. POST.

*To the Editor of the Single Tax Review :*

Mr. Atkinson's "account current" is evidently drawn from the ledger of the "Rich Man," whom Mr. Atkinson describes in his text as "a certain Mr. Ernest." This gentleman appears by the account current to stand to the community in something like the relation of a bank to one of its depositors. That is, the community is supposed to deposit with Mr. Ernest \$100,000, for which