

The Crisis, Cause and Cure

WITHOUT an understanding of the fundamental cause of the present national economic crisis, there can be no intelligent discussion of the soundness of the measures taken in relief, of their effectiveness, or their failure to function. The primary cause lies in the "confiscation" of the community-created value of land by private holders. I paraphrase the word "confiscation" from the now popular but incorrect significance of governmental seizure through taxation. Its true meaning is, taking for public purposes. These land values thus privately absorbed range not far from ten billion dollars (\$10,000,000,000) a year for the United States as a whole, including not merely surface land values but variously held rights of way and mineral, oil and gas values.

The inevitable sequence of this private monopoly of community-created land values has been the inescapable governmental confiscation of private property through means of tariffs and direct and indirect taxation of active capital and labor, whether in the form of license taxes, excise taxes, or taxes on personalty including taxes on improvements to land, wrongly classified as real estate. The failure to confiscate for public uses the community-created rental value of land, and the tax-caused reduction in the purchasing power of the public, have resulted in such a disparity between the capacity to produce and the ability to consume through lack of purchasing power, as to bring on the crisis. Taxes on production increase the disparity in prices between what the producer receives and what the consumer has to pay, and thus seriously curtail the power to buy.

Industry will not produce if the public lacks the purchasing power to consume; thus unemployment follows in ever-widening circles to the final crash.

If this economic statement is true, then no legislation for the protection of banks or for the stimulation of private industry can be effective in restoring the purchasing power of the public. Therefore these measures are bound to fail in producing the fundamental relief. Therefore the tax measures now enacted by Congress are bound to make the situation worse by still further (1) increasing the cost of articles of consumption to the public, already 40 per cent below normal in purchasing power; (2) thus reacting still further against production; (3) thus still further checking industry in factories and transportation; (4) thus further increasing unemployment; (5) thus intensifying the crisis.

The volume of evil causations is even more marked in the states, counties, municipalities and towns, and other taxing bodies, than in the Federal Government. Resulting bankruptcies are not alone of private concerns, but are extending to towns, cities, counties, and not far away to states. Tax strikes are in progress all over the country. All efforts at curtailing public expenditures are feeble,

futile and still powerfully resisted by the office-holding classes.

Congress and the administration are increasing taxation in its most dangerous forms by three to four times the amount of the proposed reduction in governmental expenditures, when the situation requires exactly the opposite approach to the problem. There must even be an addition to the number of employees to administer these new taxes over and above any prospective decrease in government employment. The whole trend of tax changes in the states is toward reducing the taxes on land values and "distributing the burden" still further upon industry and capital, thus fostering land monopoly and still further crippling labor and productive capital. Taxation must be shifted from productive energies to land values.

I have pointed out the evil causes and the still more evil exaggeration of the causes. I have called attention to the futility of the measures of so-called relief. The whole country is so desperate that the President should call together a small body of the ablest men in the country,—economists who know soundly at least one thing, the fundamentals of taxation,—to propose without delay the necessary reforms in taxation and governmental expenditure national, state and local, and start the agitation which will put them into operation. Otherwise, chaos, industrial paralysis, widespread riots, incendiarism, crime,—all beyond the power of government to suppress or check.

HERBERT JANVRIN BROWNE.

BUSINESS generally can carry the normal economic rent. It is part of the "overhead" that may be calculated accurately in advance. It is met easily by the volume of business transacted even when the normal rent is high. It is only when land speculation sets in that at normal rent charges are made under which industry find it increasingly difficult to produce at a profit. Then to reduce expenses workmen are laid off, retrenchments are made and the volume of production is curtailed. This moves progressively until failures and bankruptcies follow one another. What is local becomes general; when men are laid off and wages cease, the effect of this is felt in other and distant cities. This is the simple explanation of the fundamental cause of panics and industrial depressions. These are corrected by the slow stabilization of industry during a period of falling land values.

JOSEPH DANA MILLER in *New York Sun*.

SOMETIME (we Single Taxers wonder when) the people of the United States will arouse themselves to the fact, that in the political field, there is one vital fundamental issue that they must squarely face, and that is, special privilege versus true democracy.

JAMES B. ELLERY in Gloucester (Mass.) *Daily Times*.