

# Hide-and-Go-Seek Economics

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A New York bank issues a table, reproduced herewith, of income distribution under the title "Your Securities and Income taxes." These statistics, like most of the figures on income which are issued by governments, are misleading, because the sources of income are merely bookkeeping terms, rather than fundamental factors of production. Ledgers record results in convenient phrases that do not necessarily reflect economic processes.

An analysis of these "sources" of income would be more revealing if the bases of these categories were available. But, enough is known of prevailing accountancy methods to show how difficult it is to evaluate such figures so as throw light on the social problem of wealth distribution—that is, to indicate the tendency of wages, as a proportion of production, to the minimum of mere existence, and the tendency of rent to absorb a constantly increasing share of production.

For instance "Interest." Undoubtedly included in this item are the returns to the owners of government bonds. Since the wealth invested in these bonds is not used in the production of more wealth, the returns to the owner is not economic interest but taxes. A government bond is a lien on the taxing power of the government, and the recipient of "interest" is merely a tax-collector, once removed.

"Interest" received from corporation bonds is to a very large degree rent, since bonds are mostly mortgages on natural resources. The holder of railroad bonds is part owner of the land holdings of that railroad, and his income derived from this monopoly privilege. He is just as much a receiver of rent as is the man who owns a mortgage on land and collects the "interest". Insofar as the money deposited in a savings bank is loaned on land values, the "interest" received by the depositor is rent.

Similarly, it is evident that much of what is called "dividends" is not

SOURCES OF INDIVIDUAL TOTAL INCOME, AS SHOWN BY FEDERAL TAX RETURNS

		Percent of total
Interest .....	\$ 944,321,000	5.5
Dividends .....	2,234,727,000	12.9
Net Capital Gain .....	509,714,000	2.9
Business and Partnership Profit .....	2,594,841,000	13.0
Salaries, Wages, Commissions, Fees, etc.	9,909,578,000	57.2
Fiduciary .....	328,978,000	1.9
Rentals and Royalties .....	572,060,000	3.3
Other Income .....	231,286,000	1.3
	\$17,316,595,00	100.0

Latest published figures, issued October 1937, for the year 1935.

return from the use of capital in productive enterprise but from tribute collected for the use of land. Those who own securities in the United States Steel Corporation are collecting, in their dividends, rent of the mines owned or controlled by this company. Even a life insurance policy holder receives rent in his "dividend."

In every item of "income" listed in this table (with the possible exception of the one called "other income") there may be, and probably is, more or less payment for the use of land. Even the item of "Salaries, wages, commissions, fees, etc" contains the element of rent; for the lawyer who negotiates a transfer of realty obtains a fee which may come from rent, and surely the agent who is paid for collecting rent from tenants is paid out of his collections.

On the other hand, the income called "rentals" contains a return to capital and to labor—that is, interest and wages. In fact, since building values are, on the whole, greater than the values of the lands on which they rest, the "rentals" represent a return on capital (and wages for building management)

more than the collection of rent.

From these observations it becomes apparent that such income figures, which are the only kind available, furnish no clue as to the amount of wealth production which flows to the three economically fundamental classes: those who contribute labor, those who own capital, those who own land. There are difficulties in determining such incomes. First, because there is no measurement of rent independent of price indices. Secondly, because many capitalists are also landlords and laborers. But, a fairly accurate return to rent, wages and interest could be ascertained by an analysis of the incomes of a representative cross-section of large industries, or even of ten thousand individuals in various occupations and various sections of the country. An income tax blank could be devised for this purpose, and the resulting answers would furnish a reasonable guide to the relative distribution of wealth.

Since no accurate statistics, or even indicative data, on the subject of incomes are available, we must resort to the deductive method for conclusions. Thus, we are forced to rely upon the irrefutable correlation of the laws of rent, wages and interest—in which we find that every increase in the productive power of capital and of labor tends to increase the demand for, and price of, land. Which leads to the conclusion that rent must tend to absorb a constantly increasing amount of the wealth produced, at the expense of wages and interest.