

TAX FACTS

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RESCUING PROSPERITY

President Hoover made a shrewd move when he called together in conference at the White House the leaders of capital and labor, and pledged them not to rock the boat while passing through this turbulent financial sea.

The rail men have assured the President and the public that large extensions will be made. Manufacturers and merchants agree that expansion and not retrenchment is the word. The bankers applaud all this, and promise plenty of money at lower rates.

Henry Ford goes them one better. He declares wages must be raised, and promises an advance for his 200,000 employes. In addition, the auto genius offered as other remedies for the situation: that brains should get back on the job, and let the stock ticker alone, and that there should be lower prices for commodities. The country gains no benefit, he said, by letting the working man earn an extra hundred dollars, and then taking it away from him in increased rent.

So far, so good. It would be churlish, indeed, to say the President is making a desperate effort to stave off a business collapse during a Republican administration. Business depression means men out of work. It means suffering of all kinds, and an arrest of the cultural growth.

Appreciation of the President's act, however, should not bar us from pointing out its limitations. He has succeeded, in this time of confusion, in getting these men of affairs to carry on. This means employment of labor, the production of goods, and the enrichment of the country to-day; but what of tomorrow?

Stated in simple terms the problem is not hard to grasp. Prosperity means the employment of labor at good wages, and the use of capital at fair earnings. High wages lead to greater consumption, which in turn means the further expansion of business.

Business cannot expand, however, without using more land; and since the quantity of land is fixed, demand is followed by a rise in price. As the greater production of buildings and goods tends to lower their price and increase the price of land,

speculators put their money into vacant land to benefit by the rise.

This competition of speculators with business men for land leads ultimately to a land boom when, as in the Wall Street frenzy, prices of sites mount so high that business no longer can produce goods at a fair profit and pay living wages.

When earnings fall off, capital protects itself by withdrawing from business, industry slows down, the "land boom" bursts, and the speculative price of sites returns to real values. Capital then reenters business, labor is employed in production, and we have prosperity.

This is the normal course. It has been repeated again and again, both locally and nationally. It will continue to occur as long as speculators are permitted to make money out of land without producing wealth or employing labor.

What may be expected of President Hoover's plan? Business has been slowly readjusting itself to the slump that followed sky-rocketing war prices. Speculative prices of land have been slowly approaching use values.

This readjustment will continue—if there be no outside interference—till capital can again enter business at a profit. If, however, the Government begins its \$423,000,000 building plan, and the commercial interests renew activity before speculative prices in sites have been lowered, matters will be complicated.

This gentlemen's agreement entered into at the White House, if carried out, will check the slump in prices of business sites; speculators will return to the charge; and prices, still far above real values, will be forced to even higher speculative levels. There will be no more stopping the rise than of checking a Wall Street panic.

Henry Ford, whose working philosophy has been higher wages and lower prices, says commodities must be cheaper. But can any one imagine speculators offering building sites at lower prices. On the contrary, they have already, in their minds, marked up their holdings, and are prepared to take advantage of the first evidence of the President's prosperity.

Unemployment is due to the fact that capital finds greater gains from investing in idle lands that employ no labor, than it does by going into productive industry, where it does employ labor. President Hoover and the leaders of business may revive industry temporarily, in spite of land speculators, but it will be only to see it collapse in the end.

Not until the profit in holding idle land has been destroyed will capital and labor find steady employment at fair returns.