SOME ECONOMIC CONFUSIONS.

We have received the following letters from Mr. Cowern and Mr. Rawie. The task of replying to these has been delegated to A. C. Pleydell, whose knowledge of the incidence of taxation has made him well known beyond the boundaries of his state. We can add nothing to the reply beyond saying that it is not a little curious that Single Taxers can be found who, while forcibly contending that the tax on rent cannot be shifted, nevertheless argue that the entire rent is shifted by increased prices! Editor *Single Tax Review*.

FROM JOS. F. COWERN.

Editor *Single Tax Review*:-

In your review of Mr. Kohler's pamphlet in the November-December issue of the REVIEW, you state two propositison that I should like to see dealt with at greater length, as I believe that in both instances you are wrong.

The first proposition is where you say (p. 59):

"Rent does not enter into price, because rent is the measure of the value of different locations."

It seems to me too plain for argument that rent is paid out of the price received by the merchant for his goods and it couldn't come out of it unless it had first entered into it. Rent does not *determine* selling prices. It *does* enter into them. The second proposition is to be found on page 60, where you say:

"But the money spent in the purchase of land has no effect at all upon production —it does not involve any subtraction from capital used productively."

I take it from what you say on page 59 that you base this proposition upon the fact that the same money with which the land is bought is later expended for labor products.

It seems to me that such a process of reasoning is fallacious because money is used simply to *measure* our purchasing power, and a given piece of money may be used hundreds of times in a year for such purposes.

For instance, I have, we will assume, a ten dollar gold piece or a ten dollar bill; to-morrow I spend it for flour or shoes, and it passes from hand to hand until a week from to-morrow it is again in my possession, having been used in 50 transactions. It is, to me, very plain that it is *purchasing power*, and not a ten dollar bill that has been expended in these transactions—the bill has been used simply to measure it. Suppose in the above mentioned transactions one half were purchases of land. It is nevertheless true that there has gone forth a purchasing power of 50 times 10 dollars or $500.00, as demand in the market. The bill has been used in each transaction for the purpose of measuring this purchasing power. The mere fact, therefore, that the man who received the bill in payment for land may later expend it for products does not affect the question, for, while the same bill is used, the purchasing power is entirely separate and distinct. It is an absolute and incontrovertible fact that whenever purchasing power goes forth as a demand for land there is necessarily and inevitably a corresponding loss in the demand for products. (By products I mean not merely shoes, etc., but houses, railroads, office buildings, etc.)

If land were taken out of the market, as it would be by concentrating taxation upon land in proportion to its unimproved value, the entire purchasing power of the people would go forth as a demand for products. That is why such a system of taxation would stimulate business and raise wages. It isn't, as you argue, because it would make access to land easier. Under such a system we would have to pay ground rent to get access to land. *We can get access to land now upon the same terms*. And the force of this argument cannot be avoided by saying that there would then be productive land that could be occupied without paying ground rent, because there are, to-day, thousands of men and corporations who have possession of valuable, productive lots, on some of which are factories fully equipped, who are not now bothered by ground rent, as everything is paid for, and yet they are idle, although losing money by remaining so.

Access to land can't help them. *They have it now*. What they want is a market and they haven't got it because at the present time land is in the market competing with products.

No wonder you can't convert such men when you go to them and tell them that what they need is access to land. I should like your views in these two propositions.

JOSEPH F. COWERN.

INDIANAPOLIS, Ind.

FROM HENRY RAWIE.

Editor *Single Tax Review*.

In criticising a pamphlet the Single Tax REVIEW brings up a problem of very great importance to Single Taxers and to all other reformers.

In explaining that where a man buys a lot with his savings and the seller of the lot spends the money to employ labor, the introduction of a lot does not introduce a question of any importance, and the result is the same as though no lot were bought, and the purchaser had himself spent the money to employ labor.

The only reason why the Single Tax REVIEW says the introduction of a lot makes no difference is because there appears to be no difference in expending money for labor at first hand or in allowing another man to spend the same money after selling a lot for it,

Suppose a man, instead of earning the sum of money he spends—calling such sum five hundred dollars— he is able to successfully counterfeit five hundred dollars and employ labor with this counterfeit money.

Labor so employed would lose nothing, as they could again spend the money.

The problem is: who looses when a system of successful counterfeiting is put into operation?

I claim that every dollar involved in the real estate market has the same identical effect as injecting as much counterfeit money in the circulation as is required to sustain the price of land.

Furthermore, this volume of counterfeit is a volume of credit money having the value of land as a security by which it maintains its value and exchanges for labor.

Further, that it is this spurious circulation that prevents an equal circulation of genuine credit money with which the labor market would be sustained and all labor products be paid for.

HENRY RAWIE.

CHICAGO, Ill.

REPLY BY A. C. PLEYDELL.

In the matter of rent and prices, it is clear that the idea which the editor of the REVIEW had in mind, and which he expressed with sufficient definiteness for practical purposes, was that the cost of goods is not increased by the rent of land. Mr. Kohler in his pamphlet endorsed a popular fallacy by saying that when rent for land on the avenues increased the storekeepers would charge more for their goods, and thus shift the rent to the consumer. This is refuted by everyday observation; everyone who stops to think about it, can see that high rents on the main business streets are due to the chances of doing a big business, and that this in turn depends upon selling at least as cheaply as the "neighborhood" stores on low-priced land. In economic theory, the high rent is due to the superior facilities for exchange that enable a great number of units to be sold with the same effort that is required to dispose of fewer units on low-rent land.

That commodities are not as cheap as they might be, is due to the withholding of land for use, as explained by the REVIEW, but this raises the entire price-level—on low rent as well as on high rent land. (This may have been what Mr. Kohler intended to say, but he did not say it.) While this increases the total rent charge, the higher rents are an effect and not a cause.

The statement in Mr. Cowern's letter, that rent could not come out of price unless it had first entered into it, is as difficult to answer briefly as the small boy's query. "Where does the light go when you turn the gas out?" Really it belongs in the domain of metaphyics rather than economics. But there is so much confusion over the matter of "rent and price" that a statement of the nature of rent may help to clarify the discussion; though for practical purposes it is enough to know that