

- EDITORIAL -

THE MATTER OF PRICES

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One of my earliest recollections is that of seeing my father count out ten ten-dollar bills, all at one time. To an urchin whose financial thinking had been mainly in terms of the copper cents, slightly larger than a quarter-dollar, then current, this was an incredible sum. Those coppers were of substance and wuthority far beyond that of the pitiful "pennies" which today's moppets despise; but it still took a thousand of them to make ten dollars.

I soon learned that this money was destined to pay one year's rent of the house, on the outskirts of Woodstock, Ontario, in which we lived. There are two points in this otherwise trivial reminiscence which should interest our readers. One is, the sum which then seemed so enormous would not, in 1966, pay one-third of the annual taxes on my Toronto home. The other, that it was considerably less than my father's salary as a high school teacher for one month.

True, this house was smaller than my present home, and lacked some of its amenities. It could be disagreeably cold at getting-up time in winter: nobody had thermostatically-controlled furnaces in that era. But the lot was six times the size of my present lot, and plentifully supplied with fruit trees and berry bushes. Unlike my present home - since the Don Valley has been ruined - it was within easy walking distance of beautiful open country. It was in every way a much more comfortable and wholesome dwelling than those for which thousands of Toronto people pay out a quarter, a third, even a half of their incomes.

In these days, a high school teacher, with the qualifications my father had at that time, would draw a salary probably four times as many dollars as he received at that time. But in Toronto at least, he would need considerable good fortune to find a reasonably suitable house for rent at a figure much below one-quarter of his salary.

During the next half dozen years, the number of my father's children increased from two to five. He became a professor in McMaster University; then in Toronto - a struggling institution with a devoted faculty and a low salary schedule. He bought an eight-roomed house for an amount equal to ten per cent more than his annual salary. Nowadays a man of his standing would probably draw a salary of five times as many dollars as he received. But any house which he could buy for what was left after paying income tax of two years' salary would be far short of enabling gracious living for a couple with five children.

At that time, if anybody gave any thought to slums it was in connection with some distant city, such as Sydney, N. S. W. There were people living in no better than slum conditions, but they were few and scattered. It was only some years later that Toronto people began to boast of having a city of over two hundred thousand free from slums. On the whole, the poorest fifth of the people were decidedly better housed than the poorest fifth today. The richer half were not so well housed. But it is clear, that with all the technological advances of the last sixty years, a large proportion of the people find it harder to obtain reasonably wholesome housing than their grandparents did.

#### Where The Money Goes

Partly as a result of trade-union activities - and partly at the expense of unorganized workers - construction workers are a good deal better paid than in earlier times. The old saying that the men who

build houses cannot afford to live in them is true to only a limited extent, of the more expensive dwellings. Most construction workers have fairly comfortable homes. A good many - especially people who wish to keep wages low - claim that the high cost of housing is due to this cause.

Many studies by prominent real estate men and by organizations dealing with construction have shown, however, that on-the-site labor costs have risen more slowly than total costs. They show that in many areas the proportion of the cost of the site to the total cost of a dwelling has doubled within a few years.

The cost of materials has also risen faster than the cost of labor. In part, this is due to the exhaustion of the best timber stands in the province, a condition which has led to the importation of quantities of lumber from British Columbia. This does not apply in the case of brick and cement.

But while clay and limestone are superabundant in the thickly populated parts of Ontario, the number of sites suitable for working up these materials is limited. And the price of these sites, whether expressed as a sale price, an annual rent, or a royalty, has increased much faster than the cost of labor, which has been kept down by increasing use of machinery.

The enormous increase in municipal taxes on buildings has played a large part in increasing house rentals, if not sale prices. As our readers well know, taxes on land do not affect house rentals. But the effective tax rate on land has been kept down close to what it was half a century ago by continually deteriorating assessments. (It is fully thirty years since I have been able to think of Ontario municipal assessments without a feeling of nausea). While building assessments have also deteriorated, they are much closer to actual value than land assessments - and assessments on well-used land are much nearer actual value than assessments on vacant lots.

### Other Living Costs

Along with a disproportionate increase in the cost of housing, there has been a corresponding increase in the cost of food, and increase which has been particularly rapid in the last two years. During my school days, many a thrifty housewife would buy an occasional beef heart; most often a little before payday. This being before the era of baby beef, such a heart generally weighed between five and six pounds: the butchers did not weigh them. The current price was five cents apiece. The last one I saw in a supermarket was one of slightly over three pounds, priced at \$2.05.

This, of course, is an extreme case. There was considerable prejudice against what the British call "offals"; accordingly, they were abnormally cheap, often given away or turned into fertilizer. Since dieticians have pronounced them to be of high nutritional value and advocated their frequent use, this prejudice has disappeared. But the cheaper cuts of meat have increased in price more than the more expensive cuts. "The Gargoyle" has remarked: "It used to be, a man was broke, he lived on hamburger for a week; now, he lives on hamburger for a week, he's broke."

The factor of land cost in the increasing price of meat is obvious - to a certain extent. But few realize the importance of land costs in raising the cost of meat between the time an animal is brought to market and the time the meat reaches the family kitchen.

The price of bread has risen much less than the price of meat, or of housing. But even here the factor of land cost is important. The price of the wheat used in making a loaf of bread is only a small part of the price of the loaf, but what happens in connection with the wheat is important. Most of the wheat eaten in Ontario is grown in the prairie provinces. When these provinces were opened to settlement, it did not

take long for all the fertile land within moderate distance of shipping points to come under private tenure. Where cultivators rented such land, it quickly became very usual for the rent to be one-third of the crop - which is moderate compared with the rents paid in many parts of the world. More than twenty years ago a tendency developed for the rent charged to be one-half of the crop.

Evidently the proportion of land rent included in the price of wheat has been continually increasing. Then before wheat (with other ingredients) reaches the housewife's hands in the form of bread, it passes through many hands and a variety of processes. All of these steps must be carried out on fairly central land - that is to say, land for which a high rent is paid. Even with producers studying to make more efficient use of the land at their disposal, the cost per loaf of the land used in processing, and in wholesale and retail establishments, has doubled and redoubled and redoubled again. And of course the indirect taxes which enter into the price of all necessaries have multiplied.

In the case of manufactured goods, the land costs have increased in even greater proportion than in the case of food or of housing. The total value of industrial and commercial land at the beginning of the century was considerably less than that of farm land. Now it is several times as great. The enormous rents received by the landlords who control this land are paid in part by those who work on such land (by their receiving lower wages) and partly by those who buy the products.

Government cost-of-living figures do not tell the whole story. The tendency shown in the case of meat, for the less expensive products to advance in price more than the more costly, shows in many other cases. A number of serviceable but inexpensive products can no longer be obtained - tinware, for example.

While some recently invented products give remarkably good service for some purposes, many products in common use are so made as to be much less durable. There appears to be some tendency for quality to deteriorate most just where the advance in price is greatest. Housewives are saying that if one asks a salesperson anything about the durability of an article, the salesperson looks at one as if one were not quite all there.

Of course, the chief cause of the present high prices is, the excessive issuing of new money, resulting in depreciation of the dollar. When Bryan was campaigning in the United States for free coinage of silver (actually a measure of inflation), the silver in a silver dollar was worth 53 cents; it circulated at par with the gold currency because the quantity was strictly limited. Now the dollar has depreciated so much that the silver in a U. S. silver dollar is worth considerably more than a dollar.

#### Federal Imposts on Land Rent.

Critics of Henry George have claimed that he was misled by the great increase in land prices which took place during boom times in California; that the land question is not of nearly the importance he ascribed to it; and that socialistic measures are more efficient in dealing with the evil of poverty than land taxation can be. The truth is, Henry George showed amazing prescience. The land question is now of far more immediate importance than it was during his time. He showed that with increasing population an ever increasing proportion of the product of labor must go to landlords in rent; that the average wage rate could increase, if improvements in productive methods caused production to increase more rapidly than rent, but that there are limits to what can be accomplished in that way.

Events have more than justified Henry George. Our governing bodies have gone a long way in the direction of socialism. They have spent great sums on subsidized housing, without checking the proliferation of slums but perhaps slowing down their increase a little. They have made the lives of many more tolerable (in a clumsy and wasteful way) through welfare payments. These expenditures have been financed to a considerable extent out of land rent: a large part of the country's land rent is received by corporations, which pass on one-half to the government, and by persons who pay a third or more of their receipts in income tax. But only the direct tax on land values checks the misuse of land which is the chief cause of poverty.

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