

the policies that led to such conditions. The Townsend Plan makes no discrimination and I have made none. We are not dealing here with a plan to pension the worthy or the helpless but with the Townsend Plan.

A justitia (quasi a quodam fonte) omnia jura emanent.

From justice as from a fountain, all law springs forth.

—JOSEPH F. COWERN.

Economics in the Schools

ADDRESS BEFORE THE CANDLELIGHT CLUB OF
OSHKOSH, WISCONSIN

BY JOHN HARRINGTON

I HAVE always liked the study of economics, although I am not enough of a student to be called an expert. Economics is defined as the science that treats of the production and distribution of wealth;—that is, the *fundamental* production of human livelihood. That would seem an important subject for human beings to study. And because I think it is not sufficiently studied nor very well taught, it seemed that this would be a suitable occasion to offer some remarks on the subject. I do not want the teachers of economics to become disturbed if there are any here. They can answer that I am not qualified as a teacher of the subject, and no offence will be taken.

Since the science has to do with the fundamentals of making a living, it seems to me that the subject is at least as important as history or geography, and can be studied by pupils of about the same maturity, that is, not later than first or second year high school.

I suppose I lean toward the classical school, going back roughly to Adam Smith. This school is based on the theory of natural law, and growing out of that, natural rights. The modern school of economics tends to a denial of natural law and natural rights; and base social regulations on social experience and utility,—a planned economy, and a more or less Marxian attitude and socialistic leanings. The President's "brain trust" was largely of this school; and this teaching is now predominant in the universities. The President should not be blamed, for he got his economics in the same school. Prof. R. A. Seligman of Columbia University, perhaps the most prominent of present day economists, says there are no natural rights, but only "social utilities." I do not know what he thinks of the Declaration of Independence, and its "unalienable rights" of life, liberty and the pursuit of happiness.

The average man who has not studied economics knows something about the subject, but not in any organized way. For instance, he knows that he seeks to get the best wages he can for his work. That is an expression of natural law. The economic formula is that "men seek to satisfy their wants with the least exertion." This is a

natural law. For the wage earner the proposition can be turned around in this way: Men seek to satisfy as many of their wants as possible out of a given amount of work. That only means that men seek to secure the best available wages. I think no one will deny that to be a natural law. This law applies to all men, not alone to laborers. They seek to gratify their desires with the least effort. All of us do so. We invent a machine to save hand labor.

Now there is another natural law: The Creator made man a land animal. By land I mean natural resources. Man must obtain his entire sustenance (physical) from land. Following the urge of the law first mentioned, men will see that land which will furnish the most generous sustenance with the least labor. This may sound like A B C, but A B C is taught in schools, very properly.

In time the best land is occupied and in use; and those coming later must take the poorer land, and so on, as population increases, down to the poorest land on which a living can be made. Men will not work on land that will not keep them alive. The poorest land in use is called marginal land; it has no selling or rental value.

This brings us to another natural law, the law of rent. A man has a choice, to make a living off marginal land, or to lease better land from some one who does not care to use it himself. If he takes the better land he pays rent to the owner. The amount of rent depends on the difference in productive value between the leased and the marginal land, and introduces "Ricardo's Law of Rent" as follows: "Rent is the excess value of any land over the poorest land in common use."

This also introduces the landlord. He is the man who has the better land and collects rent. He makes no return to society for rent received. He receives an amount in rent equal to the excess over what the tenant would have earned had he chosen to work the marginal land. As a corollary we can now see another natural law: That the tenant user of land and the marginal user of land live on the same economic level. They receive substantially the same income.

Now following this analysis a little farther, we can see another law of nature, or perhaps another angle of the same law. I said the land user has two choices. He may use marginal land to make a living, or he may rent better land. As a matter of fact he has three options. His third choice is to cease being a land user and work for wages, or in giving of services in some form. As I said, all human sustenance comes from the land, but most of it passes through several hands and several processes before it is in the hands of the consumer. These middlemen may also be classed as wage earners. For in economic definition there are only three incomes, rent, interest, and wages. And wages is the return for human effort in any productive activity.

Now you can see that the production from marginal land determines the income of a tenant land-user after

rent is deducted. But you also see that it determines the basic wages of the man who elects to work for wages, or in giving service; since he also has the choice to work marginal land or to rent land. It also determines the income of all others engaged in productive or service-giving occupations.

But while marginal land determines basic wages, this must be understood with its modifications, and they are many. Strong men, competent men, skilled men, cunning men, unscrupulous men, can lift themselves above the level of basic wage earners. Weak men, the incompetent, the physically and mentally subnormal fall below the basic wage earners. We hear of too many doctors, lawyers, dentists, college graduates, those with ambition and sometimes ability to reach the higher economic or wage levels. At the other end we hear of increasing numbers of the unfit, the incompetent, the criminals, the physically or mentally defective, whom society must care for in some form. A few days ago I read of a plan in one of the Chinese provinces to execute all narcotic addicts. Being humane, we place the classes last referred to on a dole or in institutions.

Nevertheless, the basic rate of wages persists, fixed by the use value of marginal land of which we have plenty in Northern Wisconsin. As population increases, and men are driven more and more to less productive land, poorer land, more distant land, less advantageous land, the basic rate of wages is driven down. This is what Marx called "The iron law of wages."

But Marx made the mistake of attributing the "Iron law of wages" to Capital, not to land; and naturally his remedy for low wages, unemployment and poverty followed: The public must take over Capital, and operate all capitalistic enterprises for the benefit of society. This is Marxian doctrine, the foundation of Socialism and of Communism,—a planned economy. It is an artificial system. The natural system is to leave capital in the hands of capitalists who have produced it, and who can manage it much better than government can. But we are so involved in modern economics and its socialistic features that we burden capital with all sorts of taxes, governmental expenses, and regulations as to reduce greatly its efficiency; while we leave the landlord undisturbed in his unearned income.

This explains why the Christian Churches are so opposed to Socialism and Communism. The churches teach that man is under the dominance of the laws of God,—that is, natural law; while the others urge a "planned economy," that is the dominance of human laws, regulations, arrangements and regimentation; that is why in Russia they discard God, and seek to wipe out religion and its teachers, and to elevate government and the wisdom of man as the supreme law giver.

Using our human reason in the recognition of natural law, we cannot deny that man was intended to live on and

from land, following his natural necessities. But there is no natural law that authorizes one man to collect ground rent from any other man for the use of land in making a living. Nature never issued a warranty deed, except to the actual user of a piece of land while using it. The legal title deed is a device of human law, and the law may be modified or repealed by its creators as any law may.

But when economic reasoning led to this conclusion, perhaps less than a hundred years ago, it did not sound so pleasant to certain aristocratic classes nor so popular to college patrons and officers; and in fact it doesn't today. So the modern school of economics gradually grew up, and these natural laws were pushed into the background, and with them certain questions of natural rights that seemed to spring from them. It was not good form in certain circles to dwell on them. It was like dwelling on certain natural rights of human beings in slavery times and places.

And so the name of the science was gradually changed from the old name of "Political Economy" to "Economics." The old classification of land, labor and capital was changed by adding "*entrepreneur*" meaning enterpriser, a fourth factor. Nothing was added, but it made the science seem more ponderous, mysterious and occult, and the professor of a heavy science entitled to a larger salary. With the factors of production increased to four, there must be four items of distribution,—into rent, wages, interest and *profits* for the entrepreneur. Now profits is not a term of economics, for it does not classify anything; it may be rent or wages or interest, or a combination of any two or of all three.

The new school next, or perhaps first, proceeded to abolish Capital, which had and has a specific meaning as a scientific term; and land was mixed in as a part of Capital; and also stocks and bonds; even education and skill are often referred to as a man's capital; and sometimes his family connections. None of these things are capital. The science of economics like every other science requires its terms to have definite and restricted meanings to avoid confusion.

We are considering education this evening. This is my contribution. I want to see better and more general teaching of economics. I want to present some questions to the teachers of that subject.

Should Ricardo's Law of Rent be taught thoroughly and generally to all pupils, as geography and history are taught?

Should they be taught to examine intelligently into the proposition that to raise the margin of production in land would increase wages and reduce unemployment?

Should they be taught that the way to raise the margin is to abolish landlordism, and that the landlord produces nothing and gives no service?

Should they be taught the theory of natural law? The

theory of social utility? The differences between the Classical School and the Modern school of economics? Do our teachers dare teach these things?

Practically all of your pupils must work for a living. Their earnings are governed by the produce of marginal land. The margin is being lowered as population increases. We have now 6,000,000 to 8,000,000 unemployed in this country. Our statesmen, editors, teachers and preachers do not seem to know or to agree about what to do. My opinion is that if all of the six or eight million unemployed who are willing to work could find a job at wages that allowed a decent American standard of living, we would hear no more talk in this country of Communism or Socialism. My question is, should economics be taught in the schools, and to all the pupils, and at an early age? I believe that a knowledge of this science properly taught to all the rising generation will solve the problems of unemployment, wages, and the rights of capital.

President Roosevelt's Dilemma

BY LOUIS WALLIS

EVERYBODY will recall that on the fateful night of the historic election last November, the generalissimo in charge of the Democratic strategy issued a statement that there would be "no reprisals." This declaration, being universal in scope, did not specify any one of the seventeen million Americans who voted against the victorious ticket. What, then, was our surprise the next day when, out from the serried ranks of the foe, stood forth in splendid isolation Mr. John D. Rockefeller, Jr., who, in a mellifluous letter to the generalissimo, expressed his pleasure that "no reprisals" were to be visited upon the opponents of the administration!

Under his auspices at Radio City, New York, a little publication is issued, called *Rockefeller Center Weekly*. One number contained an article entitled "Uncle Sam Holds Back the World," asserting that the New Deal prevents universal economic recovery. Another article, entitled "The Big If of the Election" (August, 28, 1936) suggested that the impending battle of the ballots was going to be so close that the choice of a president might very likely be thrown into the House of Representatives. The inner domain of Rockefeller psychology during the summer before the election seems to have been in the betting mood that America was politically "on the fence," and that the Democratic chances were little, if any, above the Republican. But in the light of what happened, it looks as if the wish were the father of the bet.

FROM OIL TO REAL ESTATE

Having lost the protection of railroad rebates, Rockefeller capital has been overflowing into other fields, of which Radio City is an outstanding example. "From Oil to Real Estate" could be the exciting title of a book on economic royalism from a new angle, since the towering structures now rising into the heavens around Fifth Avenue and 50th Street symbolize an epoch not only in the evolution of a wealthy family but in the history of the nation.

Scarcely had Radio City begun to lease out office rooms to tenants before a great outcry was heard from neighboring landlords that Rockefeller was purloining their patrons and grabbing their business; while at the same time real estate experts were declaring that the new enterprise would bankrupt adjacent property. Radio City, indeed, (like the huge "Empire State Building" on 34th Street) illustrates the relative oversupply of capital in America today. Mr. Rockefeller

does not own the enormously valuable ground on which his new project is located; and so Radio City must pay a tremendous annual bill for the use of the land, while at the same time carrying a terrific load of taxes. These formidable structures, then, are figuratively between the jaws of a huge vise—the upper jaw being the pressure of taxation, while the lower one is the force exerted by ground rent.

This, however, is only a special case. For the aggregate American capital engaged in producing and selling farm goods and manufactured articles must pay approximately ten billion dollars per annum on account of land rent or interest, while at the same time carrying a vast burden of local and federal taxation which, for the country as a whole, comes to at least another ten billion a year.

ORIGIN OF LAND SPECULATION

The fact that land brings rent, or can be sold for a sum whose interest equals or exceeds the rental value, is what lies back of speculation in land. Speculative land prices act as a kind of automatic, unplanned blockade all over the nation, holding up the use of sites for all sorts of purposes by capital and labor. The price of agricultural land in the Middle West, and beyond the Mississippi, rose to such an inflated figure before the crash of 1929 that growing multitudes of worthy farmers were foreclosed and evicted. Secretary of Agriculture Wallace, in a recent radio broadcast, said: "Sometimes I think land speculation is a plague more terrible than drought or insect pests, and almost as bad as war itself."

Reverting again to Radio City, we find a very instructive example of land-value growth in an issue of the *Rockefeller Center Weekly* (November 7, 1935). A picture of the old Rockefeller home on 54th Street just after the Civil War. In the background of the house can be glimpsed an unimproved area of twelve acres, lying between 48th and 53d Streets, which is now occupied by Radio City. We are told that at the very beginning of the nineteenth century (1801), this land was bought by a professor in Columbia University for \$4,800; that only thirteen years later, a valuation of \$80,000 was put on the tract, the site being then taken over by Columbia University; and that one hundred and fifteen years later (1929), the annual rent of the property was three million dollars, which, on a six per cent basis, would pay interest on a purchase price of fifty million dollars.

ECONOMIC SYMBOL IN RADIO PAVEMENTS

Anybody who will take the pains to inspect the pavements in Radio City will find there an unusual symbol of the problem which capital and labor face today. Neatly sunk in the concrete walks, at a distance of about four feet from the walls of the National Broadcasting Company, is a line of half-inch brass rail, finished off smooth on a level with the surface over which millions of hurrying feet have tramped. Connected with these rails are metal plates upon which is found information telling that the long strips of brass in the sidewalk are boundary marks of the ground landlords, among whom are "The Estate of David Wolfe Bishop deceased," The "Underel Holding Corporation" and "The Trustees of Columbia University."

In the earlier periods of our history, land was cheap and taxes were light, so that capital was not squeezed between ground rent and heavy fiscal burdens. But by the beginning of the present century cheap frontier land was no longer available in the west. And yet there was in 1900 (as there is today) a tremendous amount of unused land, in and around every city and village, and out in the open country, east and west, from Atlantic to Pacific. This vacant space was locked in the grip of speculation and held at inflated prices which, together with mounting taxes, hindered the nation's economic progress and began to boost the cost of living at the very time when improved machinery and better transportation should normally have brought down the cost of goods and services.

SPECULATION PROMOTED; INDUSTRY PENALIZED

When money is put into the erection of homes, business block