

any personal guilt home to anyone except possibly the chairman of the local board of elections.

How many ardent supporters has Municipal Ownership and Operation now out of the thousand enthusiasts who marched under its banner in the happy days before Mr. Hearst made the cause his personal property? The ideal has been examined more closely, and it is found to be stuffed with straw, which protrudes from various sections of its anatomy. From being a matter of principle, it has fallen to the low level of expediency.

And what about Free Trade? But one moribund organization even carries the name. Probably the reason why it is so nearly dead is because of the indisputable fact that Great Britain, which came nearer to realizing the free trade ideal than any other country in the world, proved that of itself it could accomplish no miracle for the welfare of the masses. Of course in any strict sense, Great Britain never had Free Trade, but it had a system which did not permit the home manufacturer to increase his prices, because the importer was obliged to pay a heavy fine for the privilege of bringing goods into the country.

In one sense these facts may be regarded as indicating among our growing youth a lack of interest in right and wrong; a lack of ability to become aroused over questions of abstract principle. On the other hand, they but confirm the off-expressed belief of middle-of-the-road Georgists, that no policy is worthy of the expenditure of any energy which does not keep in view the central problem that until the relations of man to Mother Earth are based upon the highest conceptions of justice, all attempts to patch up the social order must of necessity fail.

J. A. H. Hopkins as a Tax Reformer

OUR old and still undaunted friend of the 48ers, Mr. J. A. H. Hopkins, is out with a pamphlet on Taxation. An endorsement on the first page by Mr. Wilbur Eastlake says that "this tax brochure should be in every school, college and university not only in this country, but in Canada, Australia and Britain, and in the office room of every United States Senator and Representative in Congress."

With such a recommendation we sat down prepared to be enlightened. The reading of it brought keen disappointment. It is a fine example of loose reasoning. Mr. Hopkins comes to no very definite conclusion on anything. He would retain nearly all the taxes we now have. Even the excess profits tax (which was repealed as a national nuisance, and which he declares worked disadvantageously,) he would nevertheless restore when we have determined what are "normal" profits. Mr. Hopkins has a new method of arriving at this. "Normal profits" would be ascertained "by fixing a fair percentage of the net earnings upon the volume of business transacted," and he seems to

think that this would be analogous to the fixing by many of the states of the rate of interest!

We are familiar with the log-rolling by representatives of special interests before tariff committees when the preparation of tariff schedules is in progress, but here is an opportunity which would develop infinitely greater possibilities when these great industries send expensive legal counsel to appear before committees entrusted with the fixing of "normal" profits. We think our readers will see, too, where the small business man would "get off" under such an arrangement. But of course the suggestion will appeal to every bureaucrat, as adding a million more government officials charged with the duty of investigating "abnormal" profits.

Mr. Hopkins utters a few kind words for the Single Tax, which he says may come to prove the answer to our existing problems. Then he suggests a literal enforcement of present tax laws so that "every taxpayer must declare the value of real estate and personal property (especially stocks and bonds) which he possesses." He even suggests an amendment to the Federal Constitution so that those particular sources of revenue may be used for both federal and state purposes. This amazing non sequitur is a curious method of coming to what Mr. Hopkins has declared may prove to be "the answer to our existing problems," the Single Tax on land values exclusively.

Are Capital and Labor Enemies?

ASPIRING to the high ideal of becoming a journal for the intelligent minority, the *American Mercury* has set forth its aims in an editorial article representing the combined thought of its two thoughtful editors. Hastening to deny the unkind rumor that they are radicals, the editors roar as gently as any reactionary, and announce that they are not opposed to what they term the "the capitalistic system." In this they are in accord with the great unintelligent majority, so it is found necessary to explain that there really are "class barriers" in America, and to brand as a delusion "the doctrine that the interests of capital and labor are identical." This notion, it is asserted, is equivalent to saying that the interests of landlord and tenant, of cat and rat, are identical, a notion that the editors sadly admit permeates all American thinking.

This view of the essential antagonism of interests between capital and labor may not be radical, but it is clearly Socialistic, and is, indeed, the basis of the confused and confusing theories of Karl Marx. According to that exponent of economic determinism, the capitalist, or property owner, is engaged in a ceaseless struggle to exploit labor by robbing it of all its products above what is necessary for the workers' bare existence. Capital is a predatory monster that oppresses labor by forcing it to work for a minimum wage, and uses the surplus wealth wrung from its victims to forge new chains for the wealth-producers. That explains why what he calls "capitalism" is the fundamental on which the

Socialist bases his demand that the State should expropriate and manage all the machinery of production.

It may be expecting too much of the minority intelligentsia that they should know what they are writing about, but they at least should know the meaning of words; what "capital" is, and what are its functions. As universally defined by economists, capital is wealth;—labor products,—devoted to the production of more wealth. To say that the interests of capital are directly opposed to those of labor is saying that the products of labor, when used in making more wealth, are injurious to the producer, or, to take a specific case, that when a farmer exchanges his surplus wheat for capital in the form of a tractor, he is creating an antagonism between himself as a worker, and as owner of a machine. The mere statement of this simple proposition should be enough to show its absurdity, yet it is on such a flimsy contention that there has been constructed the whole Socialist and Communist scheme for reforming society by government ownership and management of industry. Elementary economics will evidently not be a strong part of the *American Mercury's* message.

Why Dwelling Rents are High

FOUR important causes for the scarcity of housing accommodations and high rents in all the large cities are: (1) Foolish tax systems, that fine capital and industry for erecting new buildings, and encourage owners of valuable city lots to hold them idle for speculative purposes; (2) high interest rates on loans for building; (3) high labor costs, forced by the necessity for more wages to meet the higher cost of living; (4) high prices of building materials, due in large part to increased labor costs, higher freight rates and tariff taxes, and to some extent to price-fixing combinations in the industries supplying these materials.

The local tax factor will be eliminated when the wise men who make the laws discover that it is better to encourage industry than speculation in vacant lots. Interest rates will fall when capital becomes more abundant and the opportunities for excessive profits in favored industries become fewer. Labor costs will decline when the workers in the building trades realize that steady employment at fair wages is better than part-time work at higher rates. Lower costs of building materials will come when there is a substantial decline in taxes on railways, lower tariff rates, and the strict enforcement of laws prohibiting combinations in restraint of trade. Until these changes are brought about by an enlightened public sentiment, grumbling over high rents will be among the popular diversions.

THE Agricultural Department of Mexico is dividing up vast landed estates among those who want acreage, supplying seed, agricultural implements and even burros to draw them.

Pity the Poor Realestator!

A WORD TO GOVERNOR SMITH

ECONOMISTS may have the necessary qualifications for statesmanship but they are seldom successful politicians. Conversely hardly any politician is on speaking terms with economics. To be a good politician one must believe in the omnipotence of statute law and deny the existence of natural law. Otherwise one would be embarrassed by the demands of one's constituents to do things which are in their nature impossible. In the politician's lexicon there is no such word as "can't," though it sometimes appears there without the apostrophe.

These near-thoughts are generated by the reading of a message of Governor Smith of New York to the Legislature of that State. He deplores the increasing burden placed upon real estate and suggests that relief for overburdened real estate be provided by an income tax which may be levied by local authorities for local purposes. Hence we may look forward to a time in the not-far-distant future when we shall spend an appreciable part of our valuable time filling up income tax blanks for federal, state and local officials and making our checks or money orders to pay these imposts.

The message is an ominous phenomenon because Governor Smith, while nearly as innocent of economic knowledge as Ivory Soap is from all impurities, is far from being unintelligent. Indeed in common sense he must be ranked high among professional politicians. And he seems to possess a recognition of his identity with the common herd which is rare among men who have climbed so high on the ladder of national notoriety. But when he wanders into the (to him) unexplored wilds of economics, as he does in this case, he becomes hopelessly bogged. And in this respect he is representative of ninety per cent. of his fellow citizens.

This fact makes it all the more important that we should endeavor to point out to Governor Smith, with all due respect, why he is partially right in his diagnosis and totally wrong in his remedy.

He is partly right in saying that the tax on real estate is onerous if not crushing. But he fails to distinguish between the two elements which constitute the composite subject, "real estate," land and the improvements on land, or as we may call them in general, buildings. In so far as a heavy tax burden is placed on buildings, it tends to raise rents, to discourage new construction and to be therefore the most powerful factor in prolonging the crisis due to housing shortage; in so far as the tax upon real estate bears upon land it is wholly beneficial and merely means that the community is getting back some more of the value which it produces itself. In a word, a tax on real estate works two ways, one prejudicial, one beneficial. The prejudicial tax should be reduced or abolished, the beneficial tax should be increased and intensified. If building were