

## FUNDAMENTAL CAUSES OF HIGH COST OF LIVING\*

### First

*What are the fundamental causes of the increased cost of living?*

Since costs of living are usually expressed in terms of money, the question might be interpreted as a problem of prices for goods.

Were that the core of it, I should suppose that the cheapening of the cost of producing gold would go far toward an answer. But in my opinion the cheapening of gold production does not account for that increased cost of living which concerns all who pay for their living with their own labour.

While it is true that teachers' salaries are under contract, and therefore that rising prices for commodities might put teachers at a temporary disadvantage pending expiration of contracts, their salaries upon renewal would rise to meet higher price levels, if there were no more powerful factor in the problem than the cost of producing gold. A relative over-supply of persons able and willing to teach must be more effective than gold production; and if this relative over-supply persists, it must be because labour energy as a whole exceeds effective demand for it as a whole.

By way of comprehensive generalisation, I should say that the fundamental causes must be in the nature of obstacles to the meeting in freedom of supply and demand. Not supply and demand in the superficial sense of supply of produced goods relatively to demand for produced goods. I mean supply and demand with reference to the exchange of human service for human service—of useful work for useful work. Whatever tends to increase friction in the trading among workers of some kinds of work for other kinds must tend to increase the cost of living to all workers relatively to the work they do or are capable of doing and willing to do.

Specifically, if teachers doing or able and willing to do at any period as good or better work than before, get a poorer living, it is a fair inference that the fundamental causes are somehow related to opportunities for trading the service of teaching for the service of food-making, shelter-making, garment-making, &c., and of course the materials, machinery, &c., therefor.

Friction in trading services for services may indeed be due to such causes as inadequacy or derangements of trading facilities, the mechanism of trade as they are called. Therein alterations of money standards and price levels may play a part. But only temporarily. All prices, wages included, would adjust themselves to the new level if not obstructed by influences more fundamental. If in spite of friction-lessening improvements in the mechanism of exchange, the cost of getting industrial services in general rises relatively to the burden of giving industrial services in general—and this seems to be a fact and of the essence of your question—then the increasing economic friction in trading services for services can hardly be accounted for fundamentally by the mechanism of exchange. The difficulty must lie deeper.

It might be due, of course, to a relative over-supply of some kinds of service—teaching, for example. But notwithstanding the intense specialisations of our time, industrial specialisations are not exclusive enough to maintain a

relative over-supply of particular kinds of service very long if there be no over-supply of all services relatively to all opportunities for service.

But the supply of services of all kinds appears to be greater than the demand for services of all kinds; notwithstanding that this could hardly be in the nature of things, since demand and supply are correlative in the processes of specialised industry.

If our laws and institutions approximated the ideal, this theory of a natural equilibrium of service for service might be rejected offhand. But do they? Scrutiny of our laws and institutions, intelligently (and without rabbit-like timidity), would in my opinion reveal the fundamental causes your letter asks for.

### II.

A great variety and complexity of law-made and moss-grown obstacles to the free trading of work for work would be encountered in that scrutiny. They might be confusing if no common principle were considered. But rational generalisation would reduce most of them to two great classes—taxation of industry and monopoly of land.

Let those two fundamentals go unchallenged, and I see no possibility of improvement—industrial, governmental, or social—which would not tend to intensify the problem instead of solving it.

### III.

As your question calls only for opinions, I offer no argument except such as may be inferred from the foregoing explanation with reference to the subject in general and the following with reference to the two fundamental causes I have assigned.

(1) Taxes upon the exchange of services for services (including of course taxes upon produced goods) tend to increase the difficulties of exchange and thereby to make demand recoil from supply. This is so whether the services seeking exchange are those of original production of commodities (as in mining and agriculture), or of secondary production of commodities (as in transporting and store-keeping), or of the directly personal kind (like teaching), or (as the actual condition is) of all kinds in a medley of the market.

(2) Land monopoly tends on the one hand (A) to absorb in land values the financial advantages of general improvement; and, on the other (B), to make labour energy dependent almost altogether upon capitalistic control for opportunities to expend itself.

### IV.

As to the relative importance of each of those fundamental causes, I consider industrial taxation the less, and land monopoly the more, important.

By that distinction I do not mean to minimise the sinister and subtle power of industrial taxation. I incline to believe that taxation of industry by government and monopoly of land by capitalists have much the same tendency in economic effect and are essentially much the same in political principle.

But exemptions from industrial taxation would be reflected in the land values of the location where that exemption might be enjoyed. Workers would consequently have to pay land monopolists, in higher site premiums, or in depressed wages and salaries and business earnings, for the superior opportunities of working in such a place. It is for this reason that I regard industrial taxation as less important than land monopoly—"less fundamental" would probably carry my meaning better.

### Second

*What action by individuals, private associations, and governmental authorities may be undertaken with the greatest hope of success in remedying the inequities caused by the increased cost of living?*

\* Body of a letter dated August 8th, 1912, from Louis F. Post, to Professor Robert C. Brooks, of Swarthmore, Pa., Executive Secretary Committee of the National Education Association on Teachers' Salaries and Cost of Living, in response to a request for answers to a series of questions on the increased cost of living and remedies therefor.

## I.

Assuming my opinion above to be a true answer to your question, no action can be effective with much permanency unless it succeeds, whether at one blow or progressively, in (1) abolishing all national, State, and local taxes on industry, and (2) abolishing land monopoly. Therefore, I advise favourable action with reference to what is commonly known as the Singletax.

This aims at the progressive (instant if it were politically possible) exemption of every kind of useful industry and its products from taxation, and the coincident transfer of tax burdens to land in proportion to site values—an *ad valorem* land tax.

## II.

The presumed effect of the Singletax (and I have never heard or seen a plausible argument to the contrary) would be:—

(1) The removal, in degree proportioned to the exemption of industry, of the friction of industrial exchange caused by industrial taxes.

(2) A checking of the tendency of land values to absorb the financial benefits due to exemptions from industrial taxation.

## III.

Applied to the full all government expenses would be paid by land taxes *ad valorem* according to the differential advantages of location financially, and both industrial taxation and the monopoly of land as fundamental factors in obstructing exchange of service for service would be gone.

## IV.

The Singletax admits of progressive application, so that its stages may be:—

(1) Exemptions, in greater or less degree according to local circumstances, of personal property, or real estate improvements, or both.

(2) Further exemptions of the same kind, as public opinion grows into an apprehension of the desirability of such exemptions and of the consequent increase of taxes on land in proportion to land value.

(3) Further increases of taxation of land values, if needed to prevent monopoly of land, and as public opinion recognises its industrial advantages.

## V.

As to whether such action as I suggest would solve the whole problem involved in your question, I could not probably do better than quote the following from Henry George's *SOCIAL PROBLEMS*, chap. xviii.: "We might recognise the equal right to land, and yet tyranny and spoliation be continued; but whatever else we do, so long as we fail to recognise the equal right to the elements of Nature, nothing will avail to remedy that unnatural inequality in the distribution of wealth which is fraught with so much evil and danger."

LOUIS F. POST.

### £67,600 for Rehousing 560 Persons

The London County Council has, after much delay, decided to proceed with a part of the Brady Street, Bethnal Green, slum clearance scheme. The area to be dealt with covers some two acres, and the clearance will involve displacing some 1,121 persons. £50,000 is to be spent on the acquisition of the property, and roads, &c., will cost £3,000. The total expenditure will be reduced to £46,800 by taking into account the value of surplus lands and rehousing sites. In addition, the cost of erecting dwellings to rehouse the 560 displaced residents will amount to £20,800.

## PUBLIC AND PRIVATE INTERESTS

### A LAND VALUATION CASE

#### Possibility of Purchase by a Public Body held to Increase the Value

An important decision of the Valuation Appeal Court (Lords Johnston, Salvesen, and Cullen) with respect to a valuation under the Finance Act is reported in the *GLASGOW HERALD* of February 8th.

The point in the case was the fixing of the amount of original total value. In October, 1911, the Kirkcaldy and Dysart Water Commissioners purchased from the appellant, Mr. Glass, the estate of Easter and Wester Feal for the sum of £5,000. The Commissioners of Inland Revenue put in the provisional valuation the original total value at £3,379. Mr. Glass appealed to the referee against this value, but the referee did not alter the figure of the Inland Revenue. He then appealed to this Court, and in March, 1914, the Judges, Lord Cullen dissenting, held that the referee ought to have taken into consideration the fact that the Water Commissioners had in 1908 obtained power to acquire the lands for the purpose of protecting the purity of their water supply, and that as at April 30th, 1909, the lands had in respect of that power an additional value over and above their agricultural value. They pronounced an interlocutor remitting the case to the referee to revalue the property in the light of the opinions of the majority of the Court. The referee adhered to his former finding, and Mr. Glass again appealed to this Court.

The Court (Lord Cullen dissenting) found the referee had gone wrong on the facts proved before him, and pronounced an interlocutor finding that the true value ought to have been stated at a figure £1,250 more than that stated by the referee. The true total original value of the lands at April 30th, 1909, was therefore £4,629. This results in the sum on which increment value duty may be claimed being reduced to the difference between £4,629 and the sale price of £5,000. The appellant was found entitled to expenses both before the referee and in this Court. The case was debated upon the whole of the evidence led before the referee and printed for the convenience of the Court.

### DUBLIN HOUSING CONDITIONS

Speaking at the meeting of the Engineering and Scientific Association of Ireland, held in Dublin on January 27th, Sir Charles Cameron, Medical Officer of Health, said:—

It was not the well-paid artisans who lived in the worst slums. It was the very poor people with very small incomes who should command their sympathy most, and when they had provided the poorest classes of society with better dwellings, then let them endeavour to effect the betterment of the better-paid workers. In Dublin they had a very old city with housing conditions not prevailing elsewhere. They had an enormous population occupying the old houses in the city—57 out of every 100 families in Dublin were living in tenement houses, and there was nothing approaching that in any other part of the United Kingdom. In streets in which, even in the days of his youth, the houses were occupied by single families, every house was now occupied by ten, twelve, or fourteen families. The population of Dublin was peculiarly susceptible to changes of temperature. They had a frightful death-rate in Dublin as a result of the recent severe weather—up to 40 per thousand. And