

# TAX FACTS

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## TECHNOCRACY

The Tax Relief Association has some very definite ideas of its own about unemployment, business depressions and economic conditions in general, hence, it would not be well to spend too much time discussing the propositions or refuting arguments of those whom we believe to be on the wrong trail. Technocracy, however, is attracting so much attention and receiving such wide publicity, perhaps some of our readers wonder what we think of it and why we don't give it a place on our program. We are devoting this number of Tax Facts to this much-talked-of theory.

In the magazine and newspaper articles, both for and against technocracy, too much of the discussion has been concerned with the petty details of figures presented by the technocrats, and with their proposal that we be governed in the future by a body of engineers who would direct our lives by a kind of glorified Communist-dictatorship.

There are two fundamental errors in technocracy. These engineers made their first mistake when they tried to analyze the economic situation, and the second one when they proposed a remedy. Indeed, they have not earned the right to prescribe for ills that they have failed to diagnose. Their attention has been centered on gathering statistics, drawing graphs, preparing charts, but apparently, they have not yet found the Rosetta stone that will enable them to interpret their own hieroglyphics. These men profess to be studying the science of the production and distribution of wealth, and because their work has been carried on in the shadow of a great university, it has gained prestige in the eyes of many who would otherwise consider it piffle, and has given immense comfort to the Socialists. Upton Sinclair says, with satisfaction and complacency, "That is what *we* have been trying to tell the world for years."

Before considering the proposal that we give up our individuality and sell our souls for \$20,000 a year—or any other sum—it may be advisable to see how well the technocrats understand

the present situation. They claim that unemployment has been caused by the introduction of labor-saving machinery into industrial life, and many people accept that statement without question. Let us agree that the use of this machinery in any line of work will release men from that particular occupation. There will not be so many men required to turn out a given number of shoes or pencils or pneumatic tires, but this is no reason why men released from these jobs should be idle. That is what we want to get at, what we must determine before we are qualified to express an opinion or propose a remedy for this economic debacle. The technocrats have not accounted in any way for this idleness. They have failed to distinguish between sequence and consequence, we might include coincidence. They have thrown scientific laws and methods to the winds, so that what inferences they have drawn are of no value.

### I

There are three factors that operate in the production of wealth—land, labor and capital. The technocrats have much to say about labor, a little less to say about capital, and the passive factor, land, is practically ignored. They have gathered a little data about coal and minerals, but the relationship of man to the earth, the part that land plays in the production of wealth, the significance of economic rent in social problems—this they they have missed entirely.

This error not only makes it impossible for these technocrats to devise any plan for our economic recovery, but is the cause of their making a very common mistake regarding machinery and unemployment. All tools and machinery have been invented and constructed for the purpose of saving labor. We see the effect in primitive society and in the home, but in the industrial world, how much has the laborer been benefited by labor-saving machinery? Not at all. Low wages, with accompanying low standards of living, unemployment, strikes and lockouts characterize the labor situation in communities where the most modernized and efficient machinery is

in use. In many cases, labor is worse off than it was a few generations ago when more work was done by hand. Only arbitrary laws forced through legislatures by labor organizations have saved certain groups of workers from even greater misery than they now endure.

The invention of the sewing machine made it possible to increase the output of garments many times for the same expenditure of time and energy, yet Miss Francis Perkins industrial Commissioner for New York State, who is an authority on industrial conditions, finds women and girls in sweat-shops, working nine and ten hours at these blessed labor-saving machines "for pay-checks that represent a wage of less than ten cents a day."

Labor, then, has gained nothing from the introduction of machinery. Has capital? No. Interest rates have not risen by leaps and bounds as production has increased. The interest that capital can command depends upon the supply and demand of capital, just as wages depend on the supply and demand of labor. In newly settled countries where capital is scarce, and there is considerable demand for it, interest is high. In older, thickly settled communities, where many people have saved part of their earnings, the supply of capital is much greater in proportion to the demand, and interest rates are lower. We do not find interest rising as manufacturing communities grow and the output of production increases.

If labor and capital have not been benefited by machinery, what has? This increased production of wealth must be going somewhere. We said in an earlier paragraph that there are three factors in the production of wealth, and since two of them have not been benefited, it must be the remaining factor, land. It doesn't take a crystal gazer to see that with the introduction of machinery, land values have been steadily rising. What happened to land values in Detroit when one after another of the big automobile plants was located there? Did money lenders get any more interest for their loans? Did wages double and treble and skyrocket as the big wheels hummed? In 1900, Detroit had a little over a quarter of a million people. In 1930, it had over a million and a half. The introduction of machinery, principally for automobile construction, increased the production of wealth in Detroit enormously and brought over a million people to the city—and the landlords raised the rent, the lot owners raised the price of every foot of ground that was needed for homes or business sites. It was the owner of the land who benefited by the introduction of machinery and the consequent increase of population.

This is true of every industrial center. In

new countries where we find wages and interest high, we find land cheap. In older, more populous communities where wages and interest are low, we find land values high.

A great economist, Henry George, saw clearly what the technocrats have missed entirely. "Labor saving improvements only increase the power of producing wealth from land. And land being monopolized as the private property of certain persons, who can thus prevent others from using it, all these gains, which accrue primarily to labor, can be demanded from labor by the owners of land, in high rents and higher prices. Thus, as we see it, the march of improvement and invention has increased neither interest nor wages, but its general effect has everywhere been to increase the value of land."

There is one other element, though it is not a factor of production, that has been taking toll from the wage earner. The great wealth accumulated by some capitalists who own machinery is not the earnings of capital, but the spoils of privilege. The Socialist does not exert himself to the point of distinguishing between capital and monopoly—if he did, he wouldn't be a Socialist. Whenever a capitalist enjoys some advantage in the form of a franchise, a patent right, or a tariff, competition ceases, and he will charge all he can get for his goods, or services. This is not the earnings of capital, but the plunder of the pirate. Mr. Insull could tell you some more ways to pile up the millions at the expense of the dear people, ways that we wot not of.

## II

Some weeks ago, Howard Scott, leading technocrat, made an address before a gathering of bankers. To be exact, it was a dinner, and being a dinner, it suggested to Mr. Scott the only idea of any importance in his entire speech. After wandering through a maze of useless figures and data in which we were informed with all the seriousness in life, that "the curve of pig iron swings low," Mr. Scott walked right up to the door of his labyrinth, and never saw it. He concluded his address by calling attention to the microphone into which he was speaking and the dinner which had just been eaten. "The microphone," said Mr. Scott, in effect, "is the symbol of modern invention. Food, and its preparation by the combustion of heat, has not changed materially in seven thousand years." That is where Mr. Scott should have begun, not concluded, his speech.

Modern machinery has not changed man's relation to, nor his dependence upon, the earth. The very machines that he constructs are made from materials deposited in or grown on the globe, itself, before man existed; and if he lives for millions of years, and changes his diet to

follow a thousand facts or fads, so far as we know, he will still consume organic matter from the vegetable or animal kingdoms.

Suppose machinery and the "push buttons" release 20,000,000 workers from their customary jobs within the next three or four years. How are they any worse off than 20,000,000 people who lived before the invention of modern machinery? People *did* live and love and hate and fight and die before anyone thought of a tractor or a power loom.

As long as grains of wheat will germinate and grow in soil plowed with a crooked stick, what is there to prevent these farmers who have been crowded out by farm machinery from raising their own wheat? What is there to prevent anyone from growing his own breakfast foods and salads? There is just one thing to prevent him — land monopoly. That is the thing that accounts for the idleness of those who have been released from their former jobs by the introduction of machinery. Suppose they are turned out on the street, barehanded, if land is accessible to them, and the earth belongs to them as much as to anybody, they should be able to maintain a foothold in this queer old world.

Will Durant calls our attention to economic conditions a hundred years ago. He says that if man did not like the terms of employment along the Eastern seaboard, he could pick up his belongings, cross the Alleghenys, buy some land from the government for a dollar an acre and call his soul his own. How could employers exploit labor under such conditions? How could employers exploit labor now if we were to duplicate those conditions by restoring the land to the people? If every man who has been released from his old job by the introduction of machinery were free to move out on the land where he could provide for himself and his family after the manner of our pioneer ancestors, what would become of our unemployment problem? If it were unprofitable to hold city lots idle, how many homeless men, women, and children would be begging shelter at police stations and welfare centers?

The introduction of labor-saving machinery in the Eastern states could not have caused this distressing unemployment situation while the West and Middle West were open to settlement. It could not cause such a situation now if all this vacant land were made available to those who are not needed in the mills and factories.

Let us restore natural opportunities to mankind. Let us break up this system of land monopoly and make the earth accessible to all. Then, when men have a chance to work for themselves if they don't like the terms offered by prospective employers; when other forms of privilege that are robbing labor and capital of their earn-

ings have been destroyed, then we can consider the problem of labor-saving machinery, if it presents a problem, not before.

### III

There's a funny thing about charts and graphs. They so often point to something that isn't so or will never come to pass. Once upon a time, a gentleman by the name of Malthus got himself involved in a kind of patent never-leave-off multiplication system that promised the world a population that should be running over the edges by this time. The technocrats have not made allowance for any change or adjustment in conditions, but take it for granted that things will follow along the present tendency.

Walter Lippman wrote five splendid articles on technocracy. In one of them, he says: "They (the technocrats) believe, in short, that every kitten must grow up to become a cat, every cat to become a tiger, every tiger to become a dinosaur."

"It is this projection of tendencies into the future, this (to use the jargon beloved of technocrats) extrapolation of the curves on the statistical charts, which is the cause of Mr. Howard Scott's present notoriety. The existence of the kittens is generally admitted. That they may become cats is not improbable. But that they must become tigers and dinosaurs—this is Howard Scott's contribution, this is "Technocracy" for the general public."

The question naturally arises, if one man can push a button and turn out five miles of sausages, how often will he push that button if the men thrown out of jobs haven't any money to buy sausages? Until he has twenty-five miles or fifty miles or a hundred miles? Or will he say, "Heck! I'm going to make sausages the old way. I can't dispose of this quantity before it spoils on my hands."

Why should a brickmaker keep on turning out bricks by the hundred thousand if these millions of unemployed haven't any money to buy bricks? The unemployed haven't any money to buy building materials or clothing now, and what has happened? The brickmakers and clothing factories are shutting down on their output. A machine that could turn out a million pies a minute wouldn't be worth a nickel if you couldn't sell the pies. Isn't it possible that the law of supply and demand will continue to function in a highly modernized age and serve as a very effective check on the introduction of machinery and magical push buttons?

It was not machinery and push buttons that caused the downfall of Rome. It was land monopoly and various forms of privilege enjoyed by the "upper classes." If our civilization is swept away, it will not be through the use of machinery

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EDITORS  
STOUGHTON COOLEY - - - - - NORMA COOLEY

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and push buttons, but because of our land monopoly and various forms of privilege.

In 1854, Charles Dickens wrote a book which he called "Hard Times." He gives a graphic picture of the squalor and misery in which the "Hands" of Coketown lived. He makes Stephen Blackpool, a power-loom weaver, express something that must have been Dickens' own confusion regarding the cause of such deplorable social conditions. "It's aw a muddle, aw a muddle," was all the conclusion Stephen could reach, yet Dickens took into consideration something that the technocrats and Socialists don't seem to appreciate, and that is the uncertainty of human nature. This view of the social problem is so well expressed in this book, we think it worth quoting here.

"Stephen bent over his loom, quiet, watchful, and steady. A special contrast, as every man was in the forest of looms where Stephen worked to the crashing, smashing, tearing piece of mechanism at which he laboured. Never fear, good people of an anxious turn of mind, that Art will consign Nature to oblivion. Set anywhere, side by side, the work of God and the work of man; and the former, even though it be a troop of Hands of very small account, will gain in dignity from the comparison.

"So many hundred Hands in this Mill; so many hundred horse Steam Power. It is known, to the force of a single pound weight, what the engine will do; but, not all the calculators of the National Debt can tell men the capacity for good or evil, for love or hatred, for patriotism or discontent, for the decomposition of virtue into vice, or the reverse, at any single moment in the soul of one of these its quiet servants, with the composed faces and the regulated actions. There is no mystery in it; there is unfathomable mystery in the meanest of them, for ever—Supposing we were to reserve our arithmetic for material objects, and to govern these unknown quantities by other means!"

There is something for the technocrats and Socialists to think about. Charts and graphs may be very pretty things to play with, but when you come to make economic readjustments, you are bound to come bang up against human nature. What is the use of talking about energy con-

sumption, kilogram calories per capita per day and so on, and then attempting to draw up a plan whereby the little freedom that we have will be lost, and the whole social order regulated in a manner absolutely contrary to our fundamental needs and desires:

We want more, not less, freedom. There is altogether too much regulation now, and it is increasing. William Green threatens Congress with a nation-wide strike unless it passes a bill limiting the hours of labor. There is constant agitation for laws compelling workers to turn back part of their wages to be stored up for them and used as an old age pension. And so it goes on and on with a never ending list of laws that have been passed or are being proposed to regulate the individual in matters that are strictly his own business. What we *should* do is to remove some of the restrictions that are already strangling trade and production. Take down the tariff walls and permit goods to flow between nations as freely as they do between states. Nobody complains because we have free trade among forty-eight states. Repeal the laws and regulations that give the railroads an advantage over steamship companies, and stop giving subsidies to steamship and airplane companies. In other words, remove any and all restrictions that give some a better chance than others to build their fortunes.

Human nature naturally rebels against too much regulation, and Americans are the world's prize law-breakers. They don't like to be told. The increasing number of farmers occupying rented farms has led some sociologists to say that we are developing a farm tenant class in this country comparable to the peasant class of Europe. It is true that the farm tenant class has greatly increased as the good farm lands have been fenced in, and as the original farmers have retired, but apparently the tenant farmers have not lost all their independent spirit. There is nothing characteristic of the European peasant in the manner in which the American farmer is endeavoring to handle his problems today. He is introducing the Middle West to a new type of auction sale, and has made several governors and legislatures sit up and take notice.

The old eagle has a few screams left in him yet, and America is not going to succumb to the stifling domination of either the Socialist or the technocrat, not while there is any other way out, however much she may shrink from trying that "other way." Some day, she is going to try it—and like it. It is our duty to show her, so far as we can, that a readjustment of ideas regarding property rights will lead to greater, not less, freedom and independence, security and prosperity. "Never fear, good people of an anxious turn of mind, that Art will consign Nature to oblivion."