

# TAX FACTS

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## THE BOOKINGS SURVEY

Figures are not always useful any more than they are interesting. There are times, however, when carefully garnered facts help to substantiate or disprove the claims of would-be prophets. We might, for instance, be able to form a clearer opinion of the claims of the technocrats if we knew more definitely about our capacity to produce; and we could better judge the advisability of increasing or curtailing production if we had more facts about our capacity to consume.

For three years the Brookings Institution of Washington conducted a survey to obtain actual facts regarding production in America, and the findings of this inquiry have been published in four volumes. Dr. Harold G. Moulton, President of Brookings Institution, has summarized the entire study in an article, *Economic Progress Without Economic Revolution*.

The failure of our economic system to maintain the well-being of our country naturally raises the question whether "we can get swifter and surer improvement by scrapping the whole machine and building a new one or by adjusting and adapting the old one." Both opinions have their adherents. Unfortunately, both the survey and Dr. Moulton's summary fail to answer the question, because both utterly ignore one of the primary factors of production. Nevertheless, it is helpful and suggestive as far as it goes.

"It was found," says Dr. Moulton, "that throughout agriculture, manufacturing, mining, and other branches of industry, the practical productive capacity of the country in 1929 had been substantially greater than the capacity actually utilized . . . Roughly speaking it was found that the country could have produced 20 per cent more than it did in 1929 . . . And it was further found that this proportion of non-utilization had remained fairly constant over the thirty years preceding . . . the practical productive capacity of the country, even in normal times, is largely in excess of the productive capacity actually utilized." If this is true when only capital and labor were considered by these researchers after facts, how much more convincing the figures would have been if they had included

the unused productive capacity of idle and inadequately improved land.

Evidently, Dr. Moulton does not understand that land goes hand in hand with labor and capital in the production of wealth. If he did, he would recognize in that fact the connecting link between production and consumption. There is no reason why every child shouldn't make his own mud pies if he has access to the mud. But let one bully in the group claim the mud-puddle and try to exact toll from the others, and there will probably be a fight.

Dr. Moulton says that the country suffered from no physical inability to consume that extra 20 per cent. "Families having incomes of \$2,500 a year or less spend practically all their income for bare necessities. These families therefore are practically without conveniences or luxuries. Since, even in 1929, there were almost twenty million such families . . . it is evident that almost three-quarters of the population were without, and were therefore potential buyers of, luxuries and conveniences."

Many families had incomes under \$1,500, and still others had incomes under \$1000, "it is probable that many of these people were potential buyers of unbought necessities as well." It is obvious that America never has reached the limit of her capacity either to consume or to produce. Dr. Moulton points out the fact that the concentration of wealth in the hands of a few tends to bring about a deadlock. Those receiving this enormous wealth cannot possibly consume all of it, and their saving does not create a demand for capital goods. It merely furnishes funds which *may* be used for the expansion of manufacturing plants or the construction of new ones. This use of savings, however, will be profitable only if there is an expanding market, and there cannot be a growing demand for goods when the great mass of people have not experienced an increase in their purchasing power.

"The problem then," says Dr. Moulton, "is to determine whether the flow of the income stream to the various groups in society can be so modified as to expand progressively the effective

demand for goods and thus evoke an ever greater volume of production." For this laudable purpose, there are plans aplenty. Two or three of the principal ones are discussed briefly in this article. The findings of the survey disprove the claims of the technocrats that we have already enlarged our productive power to the point that we must "curtail output and provide for enforced leisure." Even during our most prosperous era when production was at its peak, there was no great accumulation of unsold goods. This situation developed after the depression came and buying power decreased faster than production could be curtailed.

While Dr. Moulton's argument regarding the share-the-wealth schemes is true in the main, his ideas of wealth are so badly confused that his figures become useless. In speaking of the national wealth in 1929, he says: "Four hundred and sixty million dollars, however, is merely the value placed on our farms, railways, factories, etc. It includes not only private property but also that owned by the government." Natural resources and labor products are grouped together and termed wealth, "because they produce income." Since the share-the-wealth advocates make this same mistake, perhaps it doesn't matter. Whatever his definitions, there is much truth in Dr. Moulton's statement: "The only way in which the wealth of the country could be distributed would be by confiscation by the government and the issuance of pool ownership claims to the people; in other words, complete socialization." Nor would it be possible to distribute national income equally and thereby raise the standard of living. Contrary to popular belief, there isn't enough of it.

Taxation as a solution of the problem is considered, in this article, only in the light of its present use—the development and extension of public works to give employment. We have already discussed in Tax Facts the point that Dr. Moulton brings out here. "While public employment gives wages to workers, it does not necessarily give additional goods and services of the kind that the workers wish to purchase." The ever increasing burden that is being imposed on the taxpayer, is bringing protests, but no sign of relief. This method of trying to distribute national income without increasing the *volume* of income is working toward its own destruction. We discourage the very thing we want, labor products, by taxing industry.

The attempt to raise the standard of living and increase purchasing power by raising wages arbitrarily, has not, and can not, be successful. Real advance in wages can come only through a general scarcity of labor. "Labor organizations have been able to obtain at best higher incomes for but a fraction of the population. Of the forty-nine million gainfully employed workers in

the United States in 1930, only 3.4 millions, or less than 7 per cent, were members of any labor organization." Furthermore, farmers would not receive any benefit from a wage increase in the industries, and there would be a growing disparity in the incomes and purchasing power of the industrial and agricultural population.

Dr. Moulton suggests that if we cannot raise the standard of living by increasing wages, perhaps we can achieve the same end by decreasing prices. "The price-reduction method of distributing income has the outstanding advantage over other methods that the benefits are automatically extended to the entire population." But Dr. Moulton runs into a new difficulty. When the individual businessman finds it necessary to make price concessions in an effort to stimulate a dull market, he is tempted to cut costs by reducing wages. If this plan is followed by the majority of business managers, the purchasing power of the wage earning population will be materially lessened.

The competitive price system has met with interference from three sources—"unified monopoly or industrial combination under single management. The second is the cartel or collective monopoly, under which there is group control of production with a view to stabilizing prices in a given industry. The third is a trade association which seeks, usually through informal cooperation to stabilize certain conditions within particular industries without interfering with the control of production." Where free competition would allow prices to be quickly and easily adjusted to a changing market, monopolies tend toward inflexibility in price fixing.

Then we come to one of the enigmas of our economic life. "In practice the benefits of technological improvements have not always been automatically disseminated to the population as a whole." So far as we can see, it is impossible for Dr. Moulton to answer this question without taking into consideration all of its elements of production—which he most certainly does not do. It is also regrettable that so much time and money should have been spent on research work that was meant to be exhaustive in its scope, but which failed to cover nearly half the field.

Why don't these studious gentlemen petition this same Foundation (the Falk Foundation of Pittsburgh) or any other foundation, for funds to make a survey of land and land values; the part that economic rent plays in production; the effect that high land values have on employment; the relation of land speculation to land use? Why don't they? Well, probably, they never thought of it. If they had, the funds would have been forthcoming. The Lords of Privilege always have frowned on any studies that might reveal the truth about the economic situation.

Half-truths are not so bad—if you know which half to tell—and privilege does!

Land is the passive factor in production; from it we draw our materials; on it we stand to make the objects of our desire, to eat, to sleep, to breathe. And the gentlemen of the Brookings Institution expect to give us a complete survey of productive activity in America while they continue to use the very thing that they ignore!

"Benefits of technological improvements have not always been automatically disseminated to the population as a whole." Certainly not. These benefits have been absorbed by patent rights, by tariff tolls—but most of all by rising rents. If those conducting the survey had given a little serious thought to what has happened to land values in our industrial centers during the past half century, Dr. Moulton could answer his own question about the benefits of technological improvements. If they had given as much attention to land as they did to the other two factors in production—capital and labor—they might see that whether prices are high or low, they must be divided three ways, into rent, wages and interest. The more that must be taken out for rent, the less will remain for wages and interest. How can just and reasonable wages or prices be maintained when labor is so hedged about by privilege and monopoly, and when it is denied access to the very source of production—the land? How can the Brookings Institution, or any other defenders of our present economic system, make out a good case when they persistently ignore the effect of land monopoly on labor and capital, alike?

#### Storm Signals

In looking through a number of daily papers this morning, searching for items relevant to the tax question, our editorial eye slithered over the most astonishing number of horrible headlines—is quite characteristic of American newspapers, oh dear yes. Can it be possible that they reflect the trend of the average American mind? Are those the things that interest and satisfy the great mass of readers? Must be.

No more discouraging or depressing are the reports by radio directly from the scenes of the flood disaster than are the signs, everywhere about us, of the indifference with which people stand by while the whole structure of civilization is slowly pounding to pieces on the rocks of ignorance. As Henry George said, the earth is the tomb of dead empires no less than of dead men.

Meanwhile, they are rolling the guns into place for the opening salvo of the next war. Civilization is on its way out—and it isn't going on tiptoe.

#### Competition

In a defense of the competitive system, John W. Davis makes some very pertinent remarks.

"The free competitive system under which we have lived and prospered has raised human productivity and with it the general standard of human living more rapidly than any other that has ever existed. This is a fact so patent that only those ignorant of economic history can deny it. What is needed for the better functioning of this system is not less, but greater freedom; not more, but fewer restraints, both public and private; not higher prices, resulting from private monopoly or government fixation, but prices constantly tending to a lower level and therewith to a broader market and a larger number of buyers. We need not higher taxes and tariffs or more trade barriers, but lower taxes, lower tariffs, and freer inter-change of goods and services, both at home and abroad.

"There is no health to be found in substituting for the efforts of free men freely working out their own destiny any system whatever of government management or control. For this, surrounded as it must ever be by political influences, is usually unintelligent, seldom unselfish, and never efficient. That way lies the road to a lower standard of living for every man, woman, and child in the U. S."

#### Fulfillment

"Continued development of new industry, thus increasing payrolls and taxable wealth, is not only vitally necessary to the welfare of all classes of citizens, but particularly to the entire community." These are the words of President R. J. Cope of the Firestone Tire and Rubber Company.

Many people, particularly politicians, look upon any increase of wealth in a community as a great boon because it means more tax money. Is it just to lay heavier and heavier taxes on a man because he is industrious, able, successful? Isn't the thing that he produces his? What becomes of your "property rights" when the government, local, state, and federal, steps in every year to deprive you of that which you have honestly earned? Think about it, folks. Such procedure is as unnecessary as it is unjust.

Many of the political speakers who make addresses over the radio should be taken off the ether and put under it.—*Providence News-Tribune*.

A police surgeon in Philadelphia says one is sober if he is able to say "Susie sat in the soup." The one we wonder about is Susie.—*Portland Oregonian*.

Today is the tomorrow that you worried about yesterday.—*Shipmate Bob*.

A man should never be his own disciple. He should always be advancing beyond himself.—*Ernest Crosby*.

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## OUR PUBLIC DOMAIN

We might ask ourselves, not only where is our country going, but where has it gone? In the United States proper, the area that was once public land or in the control of the federal government, includes all of the states north and west of the Ohio and Mississippi rivers, except Texas, and includes the states of Mississippi, Alabama and Florida—1,442,200,320 acres.

"Exclusive of Alaska and the public lands included in Indian reservations, national forests and national parks and withdrawn for water power, stock drives and other purposes or withdrawn as valuable for mineral or for prospective mineral value or classified as mineral, the area of the public domain subject to disposal under applicable land laws on June 30, 1934, was 165,695,479 acres, of which 119,341,782 have been surveyed.

"During the fiscal year 1935 all public land in the United States proper was withdrawn from entry, except under the mineral laws, for classification and in aid of the Taylor grazing act of June 28, 1934."—*Chicago Daily News Almanac*, 1936.

In 1859, Mr. Grow, of Pennsylvania, proposed that Congress should amend the Homesteading laws by adding the following section:

*"Be it further enacted, That from and after the passage of this act, no public land shall be exposed to sale by proclamation of the President, unless the same shall have been surveyed, and the return of such survey duly filed in the Land Office, for ten years or more before such sale."*

Horace Greeley, writing in the old *Tribune Almanac* for 1860, explains this proposal by saying: "With the addition of Mr. Grow's amendment to the existing laws and regulations touching the Public Lands, they would be open to preemption ten years before they could come within the grasp of the speculator, thus giving the poor, industrious settler ample time to 'clear up' his farm and pay for it from the proceeds of the soil."

In the same publication and on the same subject, Mr. Greeley wrote an article, "Land for the Landless."

"The Public Domain of the United States is still immense," wrote Mr. Greeley in 1860, "notwithstanding the millions upon millions of acres which have been squandered or passed over to the hands of speculators and monopolists, by the action of the National Government, during the past few years. It is estimated by intelligent persons, who have given their attention to the subject, that lying within the States and Territories of this government there are now about one thousand millions of acres of public lands, still unentered. 'What shall be done with this immense domain?' is a question which has for years occupied the minds of thoughtful men, who have the best interests of society at heart. At length, the great question of the proper disposition of these lands has become one of party, and may be stated as follows: 'Shall the Public Domain be open to monopoly by speculators, leading inevitably to a landed aristocracy? or shall it be reserved for actual occupants in small quantities, at a nominal price, or without price?' There would be no difficulty whatever in adjusting this question at any time and in the right way, if the Negro question, which, in National Administration, absorbs or overrides all others, were not behind it. . . . That interest, which is ever vigilant, understands that it cannot well exist where small freeholds prevail and hence it opposes, with all its great power, all Preemption and Homestead laws, knowing well that if our new States and Territories are to be occupied in quarter-sections, they will be occupied by working farmers, and not by speculators and great planters."

The Epics and their friends have raised a cry that sounds like much and means nothing: "Production for use." Whether a manufacturer makes skillets or sprocket-wheels, he does so with the firm conviction that some people want to use those things, and with the sublime hope that they will buy their supply from him. When the demand falls off, he cuts down production. He doesn't keep on making those articles just for the fun of the thing. Production for use has been his guiding principle for many a year.

If the Epics would change their slogan to: "Land for use," they would have an idea worth developing. If a man were not allowed to hold land or if it were made unprofitable for him to do so, unless he used it to the best advantage, town lots and country acres now being held for speculation would be released for the use of those who wanted to build homes or places of business. Production would be stimulated all along the line.

Horace Greeley's objection to land speculators and monopolists was well founded. It is absurd that a country as vast and as rich in natural resources as the United States cannot support the people who inhabit it.