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COSHOCTON, OHIO

Editors,
The Freeman,
211 W. 79th St.,
New York, N.Y.

Gentlemen,

Herewith an article I have written and wish to submit in your contest for a plan to solve the economic dilemma.

Sincerely,

Robert B. Wallace
Robert B. Wallace
Managing Editor

Let's Double Wages

By Robert B. Wallace

If America's wages and salaries could be doubled within the next week, the current recession would fade like mist before the morning sun. Such a tremendous increase in purchasing power, if sustained, would usher in a new era of prosperity, an economic era the like of which the world has not yet seen.

In speaking of wages I mean real wages, not money wages. If prices remain stationary, you can double the wages of a man earning \$30 a week only by paying him \$60. But if the price of everything he buys is cut in half, his wages will be doubled, in effect, with no increase in monetary pay. Obviously, then, it would be possible to double wages without adding a penny to payrolls.

The plan which I propose embodies both methods of raising wages. While it would bring a marked increase in monetary pay, it would actually tend to decrease monetary prices.

Wishful thinking? Well, let's see.

In the first place, consider taxes. It is conservatively estimated that taxes, federal, state and local, now consume from 20 to 25 percent of our national income.

If all taxes were repealed then, the producing public would receive \$100 of income for every \$80 it now receives. But we must have government, you say. We must have police protection, good roads, public schools, courts of law and all the other things government

gives us. Yes, indeed -- but wait a moment, we're coming to that.

Just now, let's say we've repealed taxes and thereby increased the public income by at least one-fourth.

Next, let's consider another drain on income. There's a certain type of citizen whom we shall here designate as an economic racketeer. Whether you realize it or not, you're paying tribute to him every day of your life.

In the common definition, a racketeer is a man who, by methods of force or terror, or other criminal means, exacts unearned tribute from his fellow human beings. This is the criminal racketeer. Similarly, the economic racketeer is a parasite on the producer. He toils not, neither does he spin; but in most cases he lives very well. Unlike the criminal racketeer, however, his methods are entirely legal.

In the city of Cleveland there's a building that brings to its owner rents totaling about \$50,000 a year. It isn't a very big building, and it's far from modern. It's old and grimy and badly in need of repairs. In a city of 10,000 population, it would do well to bring in \$5000 a year instead of \$50,000.

There you have the answer. It isn't the building, it's the location that's valuable. The owner did not create this value. Perhaps he put up the building. But the city, the entire community, created the value. The owner merely has the legal privilege of collecting.

An acquaintance of mine bought a farm a few years ago. He made a little profit, operating the place with a tenant. Later he learned there was a vein of coal under his land. Now he makes about \$10,000 a year from his coal lease.

He certainly didn't create the coal. He didn't pay for it, and he has no part in the mining. But he has the legal privilege of collecting.

There are many forms of economic racketeering, too many people in our society who live by virtue of unearned income.

The Rockefeller millions were built on a monopoly of petroleum, the Mellon fortune resulted from a virtual monopoly of aluminum deposits. Now, the production of petroleum, or aluminum, is a very good thing for society. But monopoly is a bad thing.

A man can be both a producer and an economic racketeer. That part of his income derived from his own energy, ingenuity and business ability is earned income. The rest of it, the part springing from his monopolistic advantage, is unearned.

For the sake of simplicity, however, let's look at it this way. Suppose we have four men, three of whom are producers, each turning out eight units of wealth per day. The fourth is an economic racketeer who lives without working.

Each of the producers, let's say, is compelled to give up two units daily to the racketeer. All four, the racketeer included, pay

two units each in taxes. The final division of the total wealth production, then, goes like this: taxes, eight units; each producer, four units; economic racketeer, four units.

The producers, you see, receive only half their real earnings. In a rough way, this is the picture of our economic society as it functions today. One other consideration remains to complete the picture.

This consideration is the manner in which the operations of the economic racketeer restrict production, curtail purchasing power and boost prices. The huge amounts the economic racketeers collect from society are only part of the damage. Economic racketeering throws a monkey wrench into the social machine, and tends to put the whole works out of gear.

In addition to the three producers and the economic racketeer we mentioned a moment ago, there's another man in the picture. This man is unemployed. Part of the taxes go to him -- relief. Like the economic racketeer, he lives without working.

He may grow to like this life. But in most instances it isn't his fault. He can't get work, and in this tragedy we can plainly see the fine Italian hand of the economic racketeer.

Thru his control of natural resources and site values, the racketeer can collect a higher and higher toll from producers, make it more and more difficult for business, industry and wage earners to live. He's likely to charge all the traffic will bear. In good

times, he'll keep boosting the rate. Rents, prices of minerals and other natural resources go higher and higher. Finally, the whole price structure is out of line, business houses fail and we have depression.

If this fifth man, the unemployed man, were working, the purchasing power of our little society would be increased by one-third. Lack of purchasing power causes economic waste. We have a "surplus" of farm products. We have "overproduction" in industry. And at the same time, one-third of the population remains "ill-fed, ill-housed and ill-clothed."

So each of our producers loses one more of his hard-earned wealth units because of economic waste -- lack of purchasing power, unemployment and depressions, past and present. He now has only three units from the original eight.

Suppose, now, the government shifts its taxation methods. Suppose it collects the unearned income. Immediately the economic racketeer must go to work. Suppose further that the government collects only a fair return, that it opens up natural resources and site values so that anyone may use them by the payment of a reasonable price.

Monopoly is eliminated in many instances, and regulated in the rest. Production of all sorts is ~~stimulated~~ stimulated by this, and by the removal of taxes. There are jobs for all the jobless.

With all five men engaged in useful production, the original three producers will find they are each receiving six units instead of three -- although they are working no harder and producing no more.

Six units? The figure probably should be seven, since there are now more taxpayers, and since with no unemployment there won't need to be much of a relief budget. The government could further reduce taxes by eliminating needless bureaus, graft, useless jobs and by practicing rigid economy.

The total production of our little society will now be 40 units daily instead of only 24. Everyone will be much more prosperous and happy, even the racketeer. Everyone will be more ~~s~~^ecure, since robbery, kidnaping and other crimes are usually based in poverty and want.

With plenty of purchasing power and plenty of jobs, our American economic machine would rapidly pick up momentum. Many industries that are now seasonal could operate the year 'round. Wage earners in these industries, with steady employment, would thus receive three or four times as much annually, instead of only twice as much.

Here, then, is the program to double wages and bring permanent prosperity to America:

1. Repeal all present taxes as rapidly as feasible, shifting the burden so as to collect the unearned income from site values and natural resources.

2. Carefully regulate or control any business or industry which

tends to become a monopoly.

3. Practice economy in government.

If this simple program were put in effect, the United States government would no longer need worry about price and wage fixing, farm control, stabilization of industry and so on.

Labor would be in such demand that the wages and living standards of the American people would soar to unbelievable heights. The enterprise and ingenuity of American industry, if let alone, will take care of economic problems better than the brain-trusters.

The capitalistic system in America, in the century from 1820 to 1920, demonstrated that it is the greatest system yet devised by man for wealth production and human happiness. Compare its achievements for any five years of that century, even in periods of depression, with the record of Russia's "five-year plan" or any other "controlled" economic society.

And America will go on to a more glorious future if she follows the simple rule of allowing society to take its just income, leaving to the individual the earnings that are justly his.
