

theory of social utility? The differences between the Classical School and the Modern school of economics? Do our teachers dare teach these things?

Practically all of your pupils must work for a living. Their earnings are governed by the produce of marginal land. The margin is being lowered as population increases. We have now 6,000,000 to 8,000,000 unemployed in this country. Our statesmen, editors, teachers and preachers do not seem to know or to agree about what to do. My opinion is that if all of the six or eight million unemployed who are willing to work could find a job at wages that allowed a decent American standard of living, we would hear no more talk in this country of Communism or Socialism. My question is, should economics be taught in the schools, and to all the pupils, and at an early age? I believe that a knowledge of this science properly taught to all the rising generation will solve the problems of unemployment, wages, and the rights of capital.

President Roosevelt's Dilemma

BY LOUIS WALLIS

EVERYBODY will recall that on the fateful night of the historic election last November, the generalissimo in charge of the Democratic strategy issued a statement that there would be "no reprisals." This declaration, being universal in scope, did not specify any one of the seventeen million Americans who voted against the victorious ticket. What, then, was our surprise the next day when, out from the serried ranks of the foe, stood forth in splendid isolation Mr. John D. Rockefeller, Jr., who, in a mellifluous letter to the generalissimo, expressed his pleasure that "no reprisals" were to be visited upon the opponents of the administration!

Under his auspices at Radio City, New York, a little publication is issued, called *Rockefeller Center Weekly*. One number contained an article entitled "Uncle Sam Holds Back the World," asserting that the New Deal prevents universal economic recovery. Another article, entitled "The Big If of the Election" (August, 28, 1936) suggested that the impending battle of the ballots was going to be so close that the choice of a president might very likely be thrown into the House of Representatives. The inner domain of Rockefeller psychology during the summer before the election seems to have been in the betting mood that America was politically "on the fence," and that the Democratic chances were little, if any, above the Republican. But in the light of what happened, it looks as if the wish were the father of the bet.

FROM OIL TO REAL ESTATE

Having lost the protection of railroad rebates, Rockefeller capital has been overflowing into other fields, of which Radio City is an outstanding example. "From Oil to Real Estate" could be the exciting title of a book on economic royalism from a new angle, since the towering structures now rising into the heavens around Fifth Avenue and 50th Street symbolize an epoch not only in the evolution of a wealthy family but in the history of the nation.

Scarcely had Radio City begun to lease out office rooms to tenants before a great outcry was heard from neighboring landlords that Rockefeller was purloining their patrons and grabbing their business; while at the same time real estate experts were declaring that the new enterprise would bankrupt adjacent property. Radio City, indeed, (like the huge "Empire State Building" on 34th Street) illustrates the relative oversupply of capital in America today. Mr. Rockefeller

does not own the enormously valuable ground on which his new project is located; and so Radio City must pay a tremendous annual bill for the use of the land, while at the same time carrying a terrific load of taxes. These formidable structures, then, are figuratively between the jaws of a huge vise—the upper jaw being the pressure of taxation, while the lower one is the force exerted by ground rent.

This, however, is only a special case. For the aggregate American capital engaged in producing and selling farm goods and manufactured articles must pay approximately ten billion dollars per annum on account of land rent or interest, while at the same time carrying a vast burden of local and federal taxation which, for the country as a whole, comes to at least another ten billion a year.

ORIGIN OF LAND SPECULATION

The fact that land brings rent, or can be sold for a sum whose interest equals or exceeds the rental value, is what lies back of speculation in land. Speculative land prices act as a kind of automatic, unplanned blockade all over the nation, holding up the use of sites for all sorts of purposes by capital and labor. The price of agricultural land in the Middle West, and beyond the Mississippi, rose to such an inflated figure before the crash of 1929 that growing multitudes of worthy farmers were foreclosed and evicted. Secretary of Agriculture Wallace, in a recent radio broadcast, said: "Sometimes I think land speculation is a plague more terrible than drought or insect pests, and almost as bad as war itself."

Reverting again to Radio City, we find a very instructive example of land-value growth in an issue of the *Rockefeller Center Weekly* (November 7, 1935). A picture of the old Rockefeller home on 54th Street just after the Civil War. In the background of the house can be glimpsed an unimproved area of twelve acres, lying between 48th and 53d Streets, which is now occupied by Radio City. We are told that at the very beginning of the nineteenth century (1801), this land was bought by a professor in Columbia University for \$4,800; that only thirteen years later, a valuation of \$80,000 was put on the tract, the site being then taken over by Columbia University; and that one hundred and fifteen years later (1929), the annual rent of the property was three million dollars, which, on a six per cent basis, would pay interest on a purchase price of fifty million dollars.

ECONOMIC SYMBOL IN RADIO PAVEMENTS

Anybody who will take the pains to inspect the pavements in Radio City will find there an unusual symbol of the problem which capital and labor face today. Neatly sunk in the concrete walks, at a distance of about four feet from the walls of the National Broadcasting Company, is a line of half-inch brass rail, finished off smooth on a level with the surface over which millions of hurrying feet have tramped. Connected with these rails are metal plates upon which is found information telling that the long strips of brass in the sidewalk are boundary marks of the ground landlords, among whom are "The Estate of David Wolfe Bishop deceased," The "Underel Holding Corporation" and "The Trustees of Columbia University."

In the earlier periods of our history, land was cheap and taxes were light, so that capital was not squeezed between ground rent and heavy fiscal burdens. But by the beginning of the present century cheap frontier land was no longer available in the west. And yet there was in 1900 (as there is today) a tremendous amount of unused land, in and around every city and village, and out in the open country, east and west, from Atlantic to Pacific. This vacant space was locked in the grip of speculation and held at inflated prices which, together with mounting taxes, hindered the nation's economic progress and began to boost the cost of living at the very time when improved machinery and better transportation should normally have brought down the cost of goods and services.

SPECULATION PROMOTED; INDUSTRY PENALIZED

When money is put into the erection of homes, business block

and factories, these buildings are at once burdened with heavy taxes. In other words, the productive cooperation of capital and labor is virtually penalized by the fiscal power of government. In the meanwhile—at the very time when the nation's industry is loaded with heavy tax burdens—a lighter scale of assessment upon land makes possible the withholding of unimproved property for speculation throughout the entire country. It is this mere, simple difference between the heavy assessment of industry and the lighter assessment of land that puts productive capital and labor "on the spot" between the upper millstone of burdensome taxation and the lower millstone of recurrently inflated ground rent.

The practice of penalizing industry, while at the same time promoting speculation in land, has gradually and imperceptibly raised impediments against the normal flow of capital and labor into productive work, resulting in the spread of idleness among millions of people and the piling up of idle billions in the banks; with consequent reduction in the rates of interest. The accumulated billions of unused capital were formerly at the disposal of stock speculators and so-called "high" financiers, fertile in wild-cat schemes that made the rich richer while making the poor poorer. Stock speculators in the past have been playing around with funds made inactive by land gambling and by heavy taxes on industry. The attempt of the federal authority to control stock manipulation by means of the "SEC," and by raising the Reserve bank limits, etc., is worthy in its purpose. But it deals with effects, instead of penetrating to the more intimate, causes of economic phenomena.

ROCKEFELLER EMPHASIZES PRODUCTIVE CAPITAL

President Roosevelt's dilemma now begins to take definite form. With a little further psychological assistance by the worthy scion of Standard Oil, we shall reach a point where the situation comes out clearly into view.

An outstanding article in the *Rockefeller Center Weekly* says that our taxes are very bad in their effects upon capital in active industry. They wear it down and prevent its growth to meet the current needs of business. Again, it is emphasized (October 31, 1935) that the "well-to-do" resent, more than anything else, a rate of taxation so altitudinous that it forces them to cut expenses incurred for the sake of others, or in the promotion of a business venture.

According to the Rockefeller statistical computation (January 24, 1935), sixteen million American families have less than two thousand dollars in annual income; whereas every family in the United States ought to have, as a minimum, at least \$4,370. In harmony with the foregoing claims, it is emphasized in another issue (January 23, 1936) that real prosperity cannot grow out of "luxury" purchases by the rich, but must be founded on buying power widely diffused among the people. But we are not told how the nation's capital can face the growing blockade of land speculation, liquidate the annual burden of ground rent and heavy taxes—and still pay wages high enough to secure widespread buying power among the ranks of the people.

Business recovery must go forward and extend in scope, or the New Deal will be a failure. But, if recovery does go on, then this new activity will bring with it another period of land speculation, inflating ground rents in city and country alike, all over the nation; which will bring another economic slump. Real estate, declares the *Rockefeller Center Weekly*, is a very good investment at the present time, because prices are going up (May 29, 1936). The President can legislate against buying stocks "on margin"; but he will need to discover why people buy land on margin if his policy is ever going to attack the evils of speculation at their source.

LIGHT FROM THE ANTIPODES

For the last generation, the great city of Sidney, Australia, in raising its local revenue has exempted from taxation all capital invested in homes, business blocks and factories, while at the same time taxing into the public treasury a correspondingly greater proportion of ground

rent, thus decreasing the selling price of land, and making sites more available for improvement and more difficult to exploit in a speculative way.

Alderman Firth, of that city, speaking recently in New York, said: "Population has moved out, with no overcrowding, into the suburbs where lands had formerly been held for a rise. The vacant areas have been peopled and the houses have spread themselves out, because the inhabitants have not been held in by a ring fence of monopoly prices for land. The growing population had got land cheaper than it otherwise would; and this has ensured liberal space for each house."

"The effect of the abolition of taxation on buildings, and the raising of all taxation from land values, has enabled our city to occupy an area about the same as the city of London, which has practically six times our population. Any suggestion to go back to the old system of taxing buildings would not even be calmly discussed in this city. Public opinion is overwhelmingly in favor of the present system."

The stranglehold of speculation has been relaxed also in many parts of New Zealand, where taxes have been shifted from productive capital to ground values, with consequent new growth of workingmen's homes and agricultural small holdings.

The Sydney system has been used for a generation in the thriving city of New Westminster, British Columbia, Canada, described as follows by the mayor in an article published in the *American City* (March, 1935): "It now has the largest invested capital, per person, of any city in the Dominion of Canada, and this capital investment is not in inflated speculative land value but rather in factories, machinery, stores and goods. Population and industry have boomed, but land speculation has been buried."

Capital, in the form of productive equipment, has been the chief agency in lifting civilization out of medieval barbarism. The foregoing examples from British frontier experience help to show that what we need in the United States is not a "single" tax in the utopian sense, but a capital-relief-tax, or "capretax" (a term which explains its own purpose). Capital and labor alike have been oppressed for centuries by land tenures growing out of aristocratic conquest in the Middle Ages, and our fiscal methods are literally inherited from the aristocrats of Europe, who sought, by manipulation of the fiscal power, to protect their ground rents from taxation.

That our land system is like a silent, unseen blockade against the welfare of the nation, is now being emphasized by Mr. Francis I. du Pont, of the munitions family at Wilmington, Delaware, in a series of private letters addressed to "Fellow Georgeists."

Only by prompt readjustments of tax and land usages, in both city and country, can we make our way between the horns of the economic dilemma now gradually coming into view in the clouded atmosphere of America today; and a sane solution of this problem will carry us far onward along the path of democracy.

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OUR cherished belief in the common man means belief that a worthy human life grows from the bottom up, not from the top down. When we have a belief in the common man that expresses itself in action we shall find a spirit of devotion, of sacrifice and of enthusiasm that cannot be matched in any country that believes in leadership by dictatorship from above.—DR. JOHN DEWEY.

THE squalid poverty that festers in the heart of our civilization, the vice and crime and degradation and ravening greed that flow from it, are the results of a treatment of land that ignores the simple law of justice.

—HENRY GEORGE.