

ONE SOLUTION TO THE PROBLEM OF IDLE MONEY

By LOUIS WALLIS

An economic commonplace, agreed on by everybody, is that money and bank credit should normally go into new industrial equipment and commercial transactions which employ labor and create mass buying-power.

But instead of this, money and credit are more and more piled up in the banks; while at the same time we have unemployed labor, unused industrial opportunities, and restricted power to buy goods.

Idle money is at the very focus and vortex of today's financial troubles. The banker himself is the outstanding victim of the economic problem, and not, as charged by wild-eyed radicals, the master of public destiny.

INDUSTRY OVERBURDENED!

America is interested as never before in stimulating individual enterprise and preserving our democratic way of life. But we are blindly trying to manage our economic affairs against the sinister and increasing pressure of an Invisible Force. This force is un-American and un-democratic. It was introduced into our country from Europe away back in the colonial period; and the reason why it has not been recognized by the general public will be clear when we look at the record and examine the underlying facts.

All the governments of Europe were founded by military conquest. The conquerors appropriated the land in country and town alike, becoming ground-landlords and absolutely controlling governmental policy everywhere. They then proceeded to pile the growing burdens of taxation upon

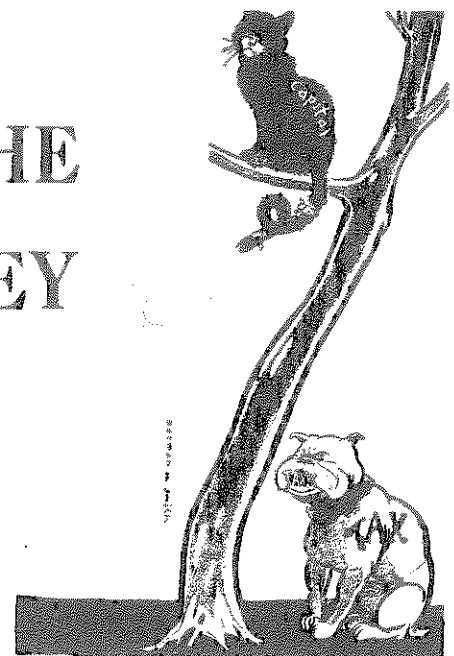
the peasantry, the merchants, the artisans, and the manufacturers in order to leave tax-free the ground rentals and unused lands of the conquering aristocracy, their heirs and assigns, forever.

The fiscal methods of the Old World, then, are deliberately based upon the assumption that productive industry should be penalized with heavy taxes in order to make landholding a special privilege; so that the ground itself, in country and city alike (being tax-free) can be used as a tool for extracting rental tribute from the labor of the people.

Europe has been practically ruined by aristocratic fiscal methods, which have put the industry of the people "on the spot" between taxes to support the government and ground rentals to support the landholding aristocracy.

The only reason that these European, aristocratic, fiscal methods, when transplanted to America, have not ruined our country thus far is because our taxes have been lower (until recently), and our immense western frontiers have tended to curb the monopolistic price of eastern land while offering an outlet for social discontent in the more settled parts of the country.

Nevertheless, by the invisible operation of undemocratic, foreign fiscal methods (even though modified in form), our whole industrial structure, from coast to coast, has been slowly and insidiously over-weighted with a growing tax-load: while at the same time, a lower scale of assessment has promoted land speculation and inflated site rentals everywhere: so that



—Smith in N. Y. Journal-American

More Friendly Breed of Dog Needed

the very ground itself (in country and city alike) has been converted into a mounting liability on business at the very time when taxes were going up!

Our problem of idle money came to a climax in 1928-29, when all credit flowing out of the banks into industry and commerce was compelled to reckon with two staggering items of "overhead" more formidable than anything previously known in American experience. These were (1) the market price of square foot space in terms of ground rent or interest on site-cost; and (2) the aggregate load of local, state, and federal taxes. Greater than ever before, these two costs had to be liquidated prior to wages, causing a fall in buying-power and a rise of unemployment, even in so-called "prosperous" times.

LABOR-SAVING MACHINERY

In blindly seeking to meet the problem, so as to defray rising overhead, American business introduced labor-saving machinery on a new scale: while industrial and financial establishments consolidated everywhere. But this only made the economic situation still worse by throwing greater masses of laborers and white-collar workers into idleness, which brought further contraction of general purchasing-power.

Thus the problem of idle money and unemployment arose long before the "New Deal" came into existence; and it cannot be considered primarily in terms of today's politics. The situation is more fundamental than any issue raised thus far between Democrats and Republicans. The New Deal, viewed from the purely economic standpoint, is bankrupt.

It is generally agreed that taxes afford one of the most important explanations of the accumulation of vast sums of idle capital. In this article, Mr. Wallis (a follower of the Henry George school of economic thought, and author of several treatises on economic and sociological subjects) presents an approach to the problem which differs from the views of the majority. The principles underlying this discussion are highly controversial, but the article should prove interesting even to those who may disagree violently with the conclusions.—The Editors.

SOLUTION TO PROBLEM OF IDLE MONEY *Continued*

But the Republicans have no constructive program to suggest.

Suppose, for instance, merely as a matter of argument, that the Republicans carry the country and reduce the total tax-load fifty per cent. What would happen? Money would undoubtedly begin to flow out of the banks into industrial and commercial business; and there would be a growing demand for labor, with a consequent rise in general buying-power. But since we no longer have any "frontier"; and since all vacant land in America is now held on speculation; this new industrial activity would at once be reflected in rising land prices and re-inflating ground rentals; which, together with taxes, would bring on a new depression, exactly as in 1929.

But let us turn from suppositions to facts: The Great Depression of 1929 occurred when the Republicans

themselves had been in power more than ten years. And the depression remains with us after almost eight years of Democratic rule. By spending taxpayers' money on "relief" and on what President Roosevelt calls "pump-priming," millions of idle people have been kept from a blind uprising. But the "New Deal" is a monumental failure, so far as the basic industrial situation goes; and yet the New Deal, or something like it, would have to be continued, even if the Republicans won the election.

The mere, plain fact is that neither the Democrats nor the Republicans, notwithstanding undoubted sincerity, are talking in view of conditions which actually exist. Neither of them can begin to extricate the country from depression without reversing the aristocratic, European fiscal methods which bear down with increasing severity upon American business. These alien, foreign methods (even though modified in our usage) deliberately *penalize* productive industry with heavy taxation, while at the same time *protecting* land specula-

tion and ground rentals by a lower scale of assessment.

Turn where we may, private enterprise in America will be more and more restricted—money and credit will continue to accumulate in the banks—unless we learn to transfer taxes from productive industry to both ground rentals and to speculatively held sites. All the elements of optimism and prosperity are with us if we will only put them together in the right way! There is no other escape from the economic "dead end" of idle money, idle men, and idle opportunities.

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Of importance to those interested in further studies of economics from the viewpoint of the "single tax school" is the chartering by the Board of Regents of New York State University of a School of Social Science at 30 East 29th Street, New York City, from which any business man may obtain a free correspondence course in economics.

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