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What are the effects of industrial progress on the distribution of wealth?

Merrily We Boom Along

FIFTH OF A SERIES

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SHALL WE repeat the history of the late twenties, with a big wave of prosperity after this war? The business man is already optimistically making plans for supplying depleted civilian stocks of merchandise; the land owner is awaiting a building boom in low-cost, prefabricated housing; and the man on the street is being influenced in his attitude toward postwar problems by revelations of mechanical wonders that are to lighten the load of labor in the years to come.

For current publications are replete with glowing promises of impending industrial miracles. We shall live in solar houses—90 per cent glass, and especially designed to utilize the sun's rays for heat and light, costing as little as $6,000. We shall have raspberries in January, served from quick-freezing units in our own kitchens; tedious tasks, such as ironing and dusting, accomplished entirely by automatic servants; breakfast cooked on the dining room table; dishes—even the crystal and silver—washed and polished in a sink that does all the work. The theater will move into our homes via television. And we can have week-end trips to Mexico City, London or Paris, at a maximum cost of $21.50 a person, including meals.[1] The faith of the masses in material progress seems to continue unabated despite the disappointments that have followed every new advance in science, within our memory. Improvements in railroad engineering and the building of great railway systems throughout the Central States and the Far West created, in the 70's and 80's, a period of national prosperity—only to be followed by the empty dinner pail of the late 90's. At the turn of the century, the telephone aided greatly in reviving business. It materially lowered the cost and time of communication, increased the efficiency of labor and multiplied sales opportunities. Yet the panic of 1907 followed hard upon the heels of this truly marvelous commercial development.

Then the automobile pulled the nation out of its despondency. Wages hit a new high when Henry Ford guaranteed his workers the "large sum of $5 a day." Other manufacturers reluctantly raised their regular wage scales, but it was only a few years until economic conditions throughout the world threatened to produce general revolt on the part of the masses. The outbreak of the first World War saved the monarchists, royalists and monopolists from being forced to face this issue.

In subsequent years invention succeeded invention with unprecedented rapidity, and any one of these major developments should have been sufficient to raise the income of the average worker, with permanent benefit to his family and his descendants. But, in the words of W. E. Woodward, author of *A New American History*, "Before the array of machines and finance stood the workman, inarticulate and bewildered. Wages were cut to the bone at a time when all prices were rising. Even little children under twelve years of age worked thirteen hours a day."[2]

Is it possible, in view of this history of inventions and of prosperity alternating with periods of low wages and recurrent depressions, that there is some force inherent in the growth of population which dictates the regularity of business cycles and so interferes with the rise of man? Is it possible that this fateful force reveals itself in the history of the growth of cities? Let us examine this premise, using the story of the development of Chicagoland as typical of large cities.

WHEN JOHN STEPHEN WRIGHT, later founder and editor of *Prairie Farmer Magazine,* and his father, "Deacon" Wright, came to Chicago in October, 1832, it was a squalid little frontier village with possibly thirty log cabins and a population of some 100 souls.

Because Deacon Wright was looking for a suitable place to bring his family, he went further north, toward Galena, and then explored the northwestern part of the state. The merchandise he had brought from the East was stored in Chicago, and his son John was left in the care of friends at Sauganash Tavern.

Being "on his own," young Wright investigated the fur trading business in Chicago. He ransacked the log cabin stores, noting what articles were stocked and the prices they brought. He talked to travelers, questioning them about the business that had brought them to Chicago. He watched the prairie schooners rolling through, the hucksters arriving with their ox-driven loads of apples, peaches, butter and lard—all of which they sold right off their carts along what is now Michigan Boulevard. He watched the Indiana drovers who took possession of the town for two weeks at a time, while they killed and packed the razorback hogs they had brought to market.

John Wright realized that here, at the end of the lake, was a natural location for a great city. To him it was clear that as the fertile prairies of Illinois and Indiana filled with farmers, these farmers would follow the example of the pelt traders of the Northwest and bring their wares to Chicago to sell.

Acting on his convictions, John rented a vacant cabin at the southwest corner of Lake and Market streets, unpacked his father's merchandise, and set up shop. The goods sold at 100 to 150 per cent above their original cost in New York.

When Deacon Wright came riding back to town, he was waving a piece of paper which indicated that he, too, had decided to settle in Chicago. This paper was a deed to a lot, 80 by 150 feet, on Lake street near Clark, for which he paid $100. Imagine his surprise when he learned that his son had contracted for the purchase of 160 acres just west of the settlement and less than two miles from the lake at $1.25 an acre!

As the farm families streamed into Illinois and Indiana, men of every trade and skill were drawn to Chicago. A soap factory and a brick yard were started in 1833. By 1837, there were 29 drygoods stores, 5 hardware stores, 45 groceries, 10 taverns and 19 lawyers' offices. Chicago had become the trading center for all the territory within a radius of 200 miles, and frequently as many as 500 farmers' wagons could be counted in the market place.

By the end of 1836, John Wright's holdings comprised 7,000 acres, and their value—including that of his city property—had risen to $200,000.[3] The advantages of a center of population—enhancement of the effectiveness of labor—increased the returns to production far beyond what the same efforts would have yielded even a little distance away. And this was reflected in the rising land values of the period, as is well illustrated by the following figures showing the relationship between the price per front foot and the population of the city over a period of one hundred years:

Date	Population	Price front foot
1830	50	$ .25
1836	3,820	130.00
1873	380,000	750.00
1894	1,400,000	3,235.00
1931	3,341,913	5,000.00

(From Homer Hoyt's "100 Years of Land Values in Chicago")

So enormous are the opportunities which the land of Chicago offers for the application of labor that for many years giant buildings have been operated profitably upon it. The Merchandise Mart, at Wells street and the River, stands on what was once known as Wolf's Point. Where, in pioneer days, a family might have eked out a living from the yield of these two blocks of ground with a garden and some livestock—thousands of people now work, tier on tier, twenty-four stories into the air. The increase in productive power of this area—typical of all other large building sites throughout the nation—is a thousand times greater than the original productivity of the land.

PROGRESS AND WEALTH DISTRIBUTION

"But," argues the skeptic, "the immediate effect of every new invention is to release men from their jobs. Ten men can do the work for which twenty or more were required before the advent of a given machine." This would, indeed, create a difficult employment situation if man's desires remained static. But since they are in reality unlimited, every new product creates demand and opportunity for an infinite number of other products, and thus the forces of industry keep moving. If some way could be found to meet these desires more effectively—to satisfy the wants and needs of society with less interference with exchange—no one would be put out of work by new machinery or improved processes. His services would be in immediate demand in other fields of endeavor.

During the period of our greatest national expansion, between 1860 and 1915, manufacturing grew in volume by fifteen times, while labor, as employed in these industries, increased only nine times. The following chart indicates the relationship between population gains—by geographic areas—and the per cent of increase in labor's output.

Area	Per Cent Population Gain	Per Cent Increase Labor Output
North Atlantic ...	163	848
Upper Mississippi.	185	2120
Southern	116	2260
Mountain	950	4270

With such phenomenal industrial and commercial development in these various regions, more and more raw materials had to be fed into this channel of conversion. This extended the demand for land. As this trend continued, inferior lands were brought into use. Then men set about, through research, to develop to the fullest these lands of lower productiveness.

For instance, iron ore previously considered worthless, is now being utilized by Henry Ford. After years of research, the Ford Company has learned to make use of the low-grade ores of Upper Michigan and Minnesota, which contain only 20 to 30 per cent of iron. By a new process, the iron is dissolved out of the ore by chemical treatment, and then a concentrated solution is electrolyzed to recover metal of 99 per cent purity. The resulting product is in some respects better than iron formerly obtained from ores containing 40 or more per cent of iron.[4]

A new chemical treatment, which hardens wood and will produce a thousand kinds of "hardwood" unknown to nature, was recently announced by the Du Pont Company. By means of a chemical bath, under pressure, almost any soft wood can be transmuted into a new material—part wood and part plastic—which rivals ebony in hardness and exhibits a riot of new graining and colors. For use in furniture, these woods surpass natural woods in durability of finish, and do not swell, shrink or warp.

The United States lumbers only about 50 species of forest trees, but nearly 1,000 others have been of little use industrially, chiefly because their wood is too soft. The discovery of this new treatment widens the range for lumbering and gives increased values to low-grade timber lands.[5]

Owners of mines bearing poorer grades of bitumionus coal will find new opportunities in the postwar era because of improved heating equipment for homes and factories. New smokeless stoves and modern mechanical stokers will make possible the efficient utilization of this cheaper fuel. And in factory operations, the recovery of by-products heretofore wasted will further increase the demand for marginal coal lands.

As science and industry advance, the productivity of all lands increases, thus giving them added values. The effect of invention on the distribution of wealth is, then, the same as that of increasing population—namely, to raise the portion of wealth produced, that goes to pay for the use of land, and to decrease the amount left for labor and for the owners of machinery.

EFFECT OF IMPROVEMENTS

One more hitherto unconsidered factor enters our economics picture at this point. In all progressive countries, the steady advance of land rentals raises the expectation of fortunes to be made from speculation in land. Therefore, land is commonly held out of use in anticipation of sales at higher and higher prices, or for the purpose of collecting rent on the basis of expected values.

This tendency is illustrated by the present degree of scattering of the population of the United States. The story goes that the 56,605 "Okies," who were forced to leave Oklahoma between 1930 and 1940, passed hundreds of miles of unused but preempted land before they reached California. In his *Grapes of Wrath* John Steinbeck explains that, since there was no free land to provide them opportunity for existence, the wages of these migrant workers—more than 2,000,000 from various parts of the Southwest—were based, in California, on subsistence levels. How truly Governor Olson expressed the nature of this problem when he stated: "This is not California's business alone!"

In no large city is the land wholly or adequately used. Lots denied home-builders and business interests, through placing inflated prices upon them, remain vacant after many years of city growth. For example, 35.5 per cent of the territory suitable for building purposes within the city limits of Chicago is vacant. And in Chicago, as in all other metropolitan areas, there is a general exodus to the suburbs.

Naturally, one reason for this migration is the purported desirability of living out in the open spaces—of having large lawns and gardens, or even small farms. But that this is not the primary cause of the apparent existing trend toward city decentralization is made evident by a visit to a suburban territory.

"We walked block after block from the little railroad station to reach Bill's home. We noticed as we went along that much of the intervening property was unused. Occasionally, we passed a lonesome two-story home and then again several three-story apartment buildings huddled together in a row, but surrounded by entire blocks of vacant land. Even the frame houses scattered here and there were erected on city-size lots instead of on wide acreage, as one would expect in the suburbs.

"At the first opportune moment, we 'quizzed' Bill on the whys and wherefores of this land situation. His explanation was very enlightening."

"Well, it's this way. This is a subdivision development, financed by city real estate interests who bought up a large part of this vast acreage many years ago. They figured that the city would ultimately move this way, so they decided to get in on the ground floor. Their prices for this land were based on expectations, and when they found that people didn't rush to purchase, they estimated that the cost of holding was low enough that they were better off to continue holding the land at high prices, with a few sales, than to quote figures low enough to induce mass migration. They've already realized such a speculative profit on the property around here that they are satisfied to keep much of it vacant until they receive their anticipated returns from it.

"We bought this house on the basis of these inflated values, but it would have been better for us—even with greater inconveniences in transportation—to have gone farther out in the real country for our home acreage."

LAND SPECULATION affects all of us—whether we want to live on a farm in Connecticut or in an apartment on Fifth Avenue—from the northeast part of Maine to the southern tip of California. It affects us as consumers because it means higher prices for the things we need. Even goods produced close at hand are abnormally expensive primarily because of inflated rents, and merchandise from distant locations is costly due to the long haul over needlessly idle territory.

Speculation in commodities—or the products of labor—is limited by the tendency of increased prices to draw forth additional supplies. But this is not true of land speculation, because land cannot be produced by man, and speculation tends continuously to reduce the amount of land available for public use.

There is, however, a limit to land speculation, for it can cause prices of consumer goods to become so high that public buying is checked—or it can so reduce the returns to labor and capital that both cease to function. Then we have strikes on the part of labor or shut-outs on the part of management—or both. There is a virtual deadlock in business and industry—an impasse between the owners of land and the producers of wealth.

Obviously this is the condition which the nation now faces, and were it not for the war, the so-called struggle between "capital and labor" might develop some very serious situations. In the next article in this series we shall discuss what generally happens under such circumstances. Meanwhile, under the pressure of necessity for national unity, we are "merrily booming along." The pertinent question is: TO WHAT?

continued on next page