

is or can be saved in a rich community either for the cost of sustaining the rich in the manner defined in this treatise, or for the maintenance or increase of the capital of that community.

EDWARD ATKINSON.

BOSTON, Mass., Feb. 17, 1904.

*To the Editor of The Single Tax Review :*

DEAR SIR : I have read Mr. Atkinson's answer to my article and it confirms me in my belief that his position is unsound. He marshals a quantity of figures in his supposed account and they may deter the casual reader from attempting to follow him, but the upshot of his example is this : A certain rich man has an income of \$100,000 a year from railway bonds. Of this he spends \$5,000 on shelter, food and clothing for himself and his family and Mr. Atkinson admits that this is "real credit to the community" against him. The other \$95,000 he spends in support of his household and place, on his farm, in building a macadamized road and in a new railway investment. Mr. Atkinson distinguishes these expenditures from the \$5,000 by the fact that they each enable other people, (not the rich man himself or his family), to get shelter, food and clothing for themselves. But surely this is a most unscientific distinction. The money which he spent for himself for "shelter, food and clothing" enabled his landlord, grocer and tailor to procure "shelter, food and clothing" for themselves, just as much as the other expenditures did. How in common sense can the fact of a payment be affected by the subsequent use of the money by the payee? And this is really the issue between us. A rich man or a poor man (for of course the law applies equally to all, and the only reason that I spoke of a rich man was that Mr. Atkinson did so in his original article in the Brandur Magazine)—a rich man or a poor man costs the community just what he takes from it and he must be debited with that exact sum. His subsequent disposal of the amount (charities aside) is altogether immaterial, for he will not let it go without getting an equivalent satisfactory to himself, whether he spends it on food or farms or roads or railways. In each case he will exact a *quid pro-quo* and his account for the future with the community will balance, leaving the original debit untouched by anything of later date than itself. Mr. Atkinson's long and lumbering way of meeting this very simple issue assures me that he has not seized it clearly in his mind. I suggest that you call in some level-headed thinker like Louis Post and submit the question to him as to which of us is wool-gathering.

ERNEST CROSBY.

COURTEOUS REJOINDER BY MR. ATKINSON.

*To the Editor of The Single Tax Review :*

Mr. Crosby asks how in common sense can my analysis be applied? I leave the answer to common sense. If my article is "lumbering" it will not be useful to blockheads.—E. A.

MASTERLY SUMMARY BY LOUIS F. POST.

*To the Editor of the Single Tax Review :*

Mr. Atkinson's "account current" is evidently drawn from the ledger of the "Rich Man," whom Mr. Atkinson describes in his text as "a certain Mr. Ernest." This gentleman appears by the account current to stand to the community in something like the relation of a bank to one of its depositors. That is, the community is supposed to deposit with Mr. Ernest \$100,000, for which

he gives it credit ; and Mr. Ernest is supposed to pay out for the benefit of the community \$95,000, with which he charges it. The balance of \$5,000 is characterized as, "Balance to the credit of the community." Mr. Ernest appears, therefore, to be acting as a trustee of some sort, with the community as his *cestui que trust*.

The obvious inquiry of Mr. Crosby arises. Why isn't the community charged with the \$5,000 expended by Mr. Ernest for his own family consumption? Why is that item a "balance to credit of the community?" There is no bookkeeping difference between it and other items of personal and family expenditure ; yet in his account current Mr. Atkinson charges those to the community. What bookkeeping difference does this eminent accountant observe, for instance, between the cost of Mr. Ernest's carriage in which he is driven to receptions, and the cost of the swallow-tail coat with which he is clothed for those occasions?

Mr. Atkinson explains that the coat is consumed by Mr. Ernest himself. But that is not a distinguishing fact ; for so is the carriage. Mr. Atkinson explains that carriage makers secured their shelter, food and clothing out of what Mr. Ernest paid for the carriage. But neither is that distinctive ; for so did tailors and cloth makers secure their shelter, food and clothing out of what Mr. Ernest paid for the coat. Mr. Atkinson might possibly urge that the carriage is cared for and driven by a coachman to whom Mr. Ernest may be said to have lent it in effect, and whose capital it therefore, to all intents and purposes, is. But neither would this be distinctive ; for Mr. Ernest's swallow-tail coat is cared for and put upon him by a valet to whom likewise Mr. Ernest may be said to have lent it in effect, and whose capital it therefore, to all intents and purposes, is.

How can it possibly be good bookkeeping to enter the cost of Mr. Ernest's carriage on one side of the account, and the cost of the coat on the opposite side? How can one of those items properly appear in the \$5000 "balance to credit of the community," and the other in the \$95,000 group of items to the debit of the community?"

Mr. Atkinson, eminent accountant and statistician though he is, must have been so over anxious to make a point in economics that he has made a slip in bookkeeping. It is not to be presumed that in arbitrarily crediting one group of things to the community, while charging the community with similar groups, he has done so with any deliberate purpose of covering up his fatal error of proving too much. He would indeed have proved too much very obviously, had he treated Mr. Ernest's swallow-tail group of items as he has treated Mr. Ernest's carriage group ; for then he would have made it appear quite too plainly that his typical rich man had lived sumptuously, and had invested \$25,000 besides, all out of an income of \$100,000 which he had also turned over for the support of other people! That would have been very like eating your cake and having it too. It would have been exactly like eating it all yourself and giving it all away as well. Yet Mr. Atkinson shows by his account current a result which falls only five per cent. short of the same absurdity. For he allows it to appear that Mr. Ernest has lived at the rate of \$75,000, and invested \$25,000 more, out of an income of \$100,000 from which he has turned over \$95,000 for the support of other people. There could really have been no temptation for Mr. Atkinson to try to avoid detection by discriminating with reference to the \$5,000 item, even if he were disposed to mislead. The subterfuge would have been too transparent. But, and this is conclusive, every one acquainted with Mr. Atkinson knows that he means to be right, happen what may. His misplacement of an item in bookkeeping is a kind of slip which any bookkeeper may make in the best of good faith.

A second bookkeeping error, one of greater magnitude in money terms

than the first, seems to me to vitiate Mr. Atkinson's bookkeeping, precisely as Mr. Crosby intimates. While disclosing facts enough to show that Mr. Ernest received back for his own use and that of his family, full value, dollar for dollar, in one form of service or another, for every cent of expense he has charged to the community, Mr. Atkinson has absolutely neglected to credit the community therefor. His account current is consequently fatally defective.

So far from being a correct account between a rich member of an industrial community on one side, and his industrious fellow members on the other, this account is such as might be rendered to a Board of County Commissioners by the warden of an almshouse, the inmates of which were all idle dependents. Even for that purpose, wouldn't it be suspicious? "Received of the county, \$100,000; expended for support of inmates, \$70,000; expended for aid in construction of a local railway for the convenience of the institution, \$25,000; salary, nothing; expended for myself and family, \$5,000, which is a 'balance to the credit of the' county." Blind, indeed, if not corrupt, would be the County Commissioners who, upon receiving such an account, did not promptly set on foot a searching investigation into the warden's personal affairs.

And what if it were known that the inmates of that almshouse were not idle dependents? What if it were known that they were generally industrious and generally at work, and that any who shirked and were caught at it were expelled? The almshouse warden who in those circumstances should charge the county \$100,000 for expenditures, without disclosing anything in the way of assets except a balance of \$5,000 due from himself for his keep, would either have to plead guilty of malfeasance or explain his omission as a book-keeper's oversight.

To return to Mr. Ernest. In the community which, by way of analogy for purposes of book-keeping illustration, may he called the almshouse he was warden of for a year and Mr. Atkinson the accountant, the inmates were not idle. They were all hard at work all the working time. Some served the warden's family at household work; some educated his children; some built him yachts and carriages, and others cared for and operated them; some repaired his houses; some built macadamized roads on his estate; some helped build a railroad, and he got, in his own name and as his own property, the stocks and bonds for the value of the work they did, his payment for which he has charged to the community; some kept hotels for him and others ran railroads for him, to the value of what he paid them; some made his swallow-tail coats and other clothing; some doctored him; some preached for him; some acted for him; some made books for him; others made pictures; and so on and so on. In a word, of all the people whom he supported out of his \$100,000 appropriation from the community, some gave him substantial products in exchange, and some gave him unsubstantial services; but all gave what he wanted and what he required of them. They gave their labor. And they gave it to him; to Mr. Ernest himself. Who paid for it? According to Mr. Atkinson's account current, the community did. As a simple matter of ordinary book-keeping, then, since the community is charged with what these workers and traders were paid by Mr. Ernest, it ought to be credited with what Mr. Ernest paid them for.

Is it asked how the value of their unsubstantial service can be ascertained? Mr. Atkinson himself gives a sufficient rule where he says: "The man who does two dollars' worth of work in a day on a farm or elsewhere can always get it. \* \* \* A man is paid according to his service." \* \* \* Also, where he says that the compensation of workers "is fixed by the measure of the service which they can render in meeting human wants." If this is true as a rule, then the converse is true as a rule; for value is but a resultant of two opposing forces—the force of supply and the force of demand. So we may

expect Mr. Atkinson to admit that as a rule the man who gets two dollars for work does two dollars' worth of work as a rule, his service being according to his pay; and that the measure of the service which workmen render in meeting human wants is fixed as a rule by their compensation. The services which Mr. Ernest enjoyed must be regarded, consequently, as worth to him what he paid for them; and, under that rule of valuation, which Mr. Atkinson advances, Mr. Ernest's account ought to credit the community not only with Mr. Ernest's income of \$100,000 from interest on bonds, but also with the value, at cost, of all the services and property he received and for which he has charged the community with the cost in his account current.

The foregoing considerations proceed upon the assumption apparently adopted by Mr. Atkinson, of a "national product" and community capital. In fact, however, there is no such thing in any other than a census or statistical sense—the sense of the joking office boy when he boasts that he and Mr. Rockefeller together get \$1,000,003.50 a week. The community does not produce this product; it does not own it; it does not place it with anybody in trust; it is neither to be credited with what any individual receives for his own labor, nor to be charged with what he expends for the satisfaction of his own wants.

With the exception of communal enterprises and taxation, the whole matter is individual and not communal. Not only is economic supply a result of complex individual actions as distinguished from common communal action, but so also is demand. I think Mr. Crosby was mistaken when, in his original paper in this controversy, he said that "demand is always the act of the community." As with supply, that is true only in metaphor. The demand of a community is the totality of the individual demands of its members, acting for themselves and not for the community as a whole; conversely, the supply of a community is the totality of the individual labors of its members, acting for themselves and not for the community as a whole.

If that is so, then anything which any individual gets in voluntary exchange for his labor is his, and not the community's; and when he parts with this for something that he prefers to it—whether for a substantial product of labor, like a house or a coat; or a permanent personal service of labor, like teaching; or an evanescent service of labor, like "setting a table," "making a bed," or sweeping a room—he simply exchanges what he has and relatively doesn't want, for what he gets and relatively does want. Consequently, when he makes up an account of his transactions, and finds a balance like that produced by Mr. Atkinson, it belongs not to the community but to himself. If he has earned this he costs neither the community nor anybody else anything whatever. He has paid his way by working his way. But if he has not earned it, then he has not paid his way and is to that extent a burden on somebody.

There are men in the latter category, and this fact makes much of the confusion that Mr. Atkinson still further confounds. Mr. Atkinson himself recognizes this confusing fact when he alludes to the obstruction of industries "by legislation and by what is sometimes called protection." But protection, highly effective as it is in taking their earnings from workers and giving them to parasites—much more effective than Mr. Atkinson would concede—is not the most effective nor the most fundamental species of coercive legislation. Mr. Atkinson's mythical Mr. Ernest might not be getting \$100,000 a year for his "mental energy and organizing power" expended in the past, if legislation had not shackled competition with reference to the useful expenditure of every kind of human energy and power. That he would not, is a fair inference from Mr. Atkinson's statement that "the nation is always within one year of starvation, within two years of being practically naked, and within three or four years more or less of being houseless."

Is that statement true? To a general intent, I think it is. But if it is true, how can any man, even though he have "mental energy and organizing power," perpetually control the distribution of food, clothing, shelter, luxuries and capital to the value of \$100,000 annually, without occasionally repeating the productive expenditure of his "mental energy and organizing power?" Is there any other explanation than that somehow, in some way, legislation or an equivalent expression of legal power, continually diverts some proportion of the current production of food, clothing and shelter from its current producers? I think not. In free contract no active producer would voluntarily give up a share of his current product to inactive men. Yet if the active did not relinquish to the inactive, either voluntarily or through some kind of coercion, the inactive would, on the average, starve in a year, go naked in two, and be shelterless within three or four. Only the working classes could be comfortable all the time; the leisure classes would have to return to work at frequent intervals.

So it may be that Mr. Ernest's \$100,000 income is in whole or in part a profit not from his labor power offered in free trade in the labor market, but from the coercive operation of restrictive laws and institutions of which he has learned how to take advantage to the detriment of other people. If this be true, Mr. Ernest is to that extent not an earner.

Probably Mr. Atkinson's theory would be better understood if he had made Mr. Ernest's account current with "Census Statistics," or some such purely book-keeping title, instead of making it with the "Community." The latter implies a real debtor or creditor, who actually owes and must pay his debit balance, or is entitled to receive his credit balance; whereas, "Census Statistics," being like "Inventory," or "Cash," or "Profit and Loss"—a mere book-keeping device for enabling Mr. Ernest to keep accounts with himself—would imply no obligation. In that case, Mr. Atkinson's "balance to credit of Community" would not mean that Mr. Ernest owes the \$5,000 to the community; but only that he has reduced the aggregate of all the property of all the individuals in the community, including himself, by that amount. Upon this supposition, Mr. Atkinson could probably be understood as intending to show that it is not Mr. Ernest who reduces the census aggregate when his servants and teachers eat food and wear out clothes and houses, but that these servants and teachers do it. Also that he doesn't reduce the census aggregate, but increases it if anything, when he directs labor to the construction of the local railway and his macadam roads; and that he himself reduces that aggregate only as he himself and his immediate family themselves consume food, clothing and shelter.

But it is aside from the question here at issue to consider this view of the matter. Mr. Atkinson has not made his account with a book-keeping myth like "Census Statistics," and it might be justly regarded as impertinent on my part to discuss the question upon the assumption that he means something which he does not say. It is enough to remark that if Mr. Atkinson did mean what I have just intimated as possible, his book-keeping is nevertheless, defective in the same way and to the same extent as upon the other hypothesis.

LOUIS F. POST.



Friedrich List, the German political economist, and teacher of protectionism, shot himself in 1846. He is the only one among the "eminent" protectionists who ever did that. Architects of the national ruin, they generally live to enjoy the contemplation of their own handiwork.