

iginated in business involving monopoly, and hence deriving monopoly rents. Our multi-millionaires have gained their mammoth fortunes through oil, steel, railways and urban realty.

Under present conditions, the inequalities of wealth tend to become permanent. The corporate form of management makes it possible to place an income-bearing certificate in the hands of persons not actively connected with a given business. As a result stocks and bonds issued by a given corporation may be retained within a family for generations, exactly as may real estate be thus retained. The proverb which is so conducive of tranquility,—"three generations from shirtsleeves to shirtsleeves"—is not applicable to an industrial age in which the small firm and the partnership are replaced by the corporation. Thus, all three of Gide's characteristics are violated in the United States at the present time.

This country has reached a period in its development when free land no longer plays the important role in modifying economic and industrial conditions that it once did. The amount of nominal wealth bound up in land and other market opportunities is rapidly increasing. Year by year the absolute and probably the relative amount of market opportunity rents, as compared with other forms of income, is increasing. High capitalization of market opportunities, when the major portion of the income from these opportunities is diverted from the public treasury into the pockets of private individuals, imposes a heavy burden upon industry.

A few statistics, in addition to those given above, will illustrate this point. The average value per foot front of the best business property in New York City may be assumed to be \$20,000, or approximately \$8,000,000 per acre. Assuming an income of 4 per cent from this valuation, the net economic rent, or market opportunity rent, would be, \$320,000 per annum. This amount would be the gross income per acre from buildings and lot, minus all charges for services in the building, taxes, insurance, interest on the capital invested in the building, depreciation and repairs. This income is approximately equivalent to the average wage paid in the manufacturing industries of the United States in 1900, to seven hundred and thirty workmen. The market opportunity rent of one acre in the heart of New York City absorbs, therefore, the equivalent of the money wages of 730 workmen.

Assuming \$1,500 per foot to be the value of the best business property in a city of one hundred thousand inhabitants, the annual rent derived from one acre would be approximately equivalent to the annual wages of 57 workmen.

Turning from land owned distinguishably in this manner, to other forms of ownership of market opportunity, inclusive of land and franchises transferable in corporation stocks and mingled with other property, a similar phenomenon is found. The net earnings of the United States Steel Corporation, in 1900, were \$108,000,000, or about 7 per cent on the total capitalization. According to a conservative estimate, one-half the securities of this large corporation is "water." Therefore, it is certainly justifiable, bearing in mind the percentage earned, to estimate that at least one-half of the net earnings is market opportunity rent; that is, a return for monopoly privileges, or for unique advantages in regard to a market. This sum is equivalent to the annual wages of 128,000 workmen in the manufacturing industries of the United States.

According to Moody, the total capitalization of the "trusts" in the United States, including railways, street railways, telegraph, telephone and industrial "combines," is \$35,000,000,000 or about twenty-three times that of the Steel Corporation. If the net earnings and the market opportunity rents are assumed to be equal per share to those of the Steel Corporation, this semi-soc-

ial income equals the annual wages of nearly 3,000,000 workers.

R. M. Hurd states that the total capitalization of the Consolidated Gas Company of New York is about \$230,000,000, of which about \$200,000,000 is "water." Mr. Hurd holds that this company is probably now able to pay 5 per cent. on the "watered" stock. If only 4 per cent was earned on the watered stock, the total annual amount would be \$8,000,000; or approximately the equivalent of the wages of 18,300 workmen.

The inert burden under which industry is staggering may be further illustrated by another extreme case: The editor of a conservative magazine cites an instance of a public service corporation which serves a half dozen villages situated in the suburban zone of Greater New York. The aggregate plant, including all machinery, is capitalized at \$32,000,000, but is not actually worth over \$2,000,000. The consumers are paying dividends on \$30,000,000 of watered stocks and bonds.

Mr. John Moody in a recent article, after presenting numerous examples of the growth of corporate values, adds that one-half of the estimated wealth of the United States is not "created" wealth. In other words \$60,000,000 out of a total of \$120,000,000 is in the form of paper wealth.

These statistics give some idea of the inert burden which modern industry is obliged to carry.

Here is a problem which cannot be safely thrust aside. The economist, the financier and the politician must deal with it, or else bow to the inevitable storm which delay will certainly brew.

The utilization through taxation by the government of a portion of these enormous market opportunity rents would not only allow for the remission of many other forms of taxation; but would allow the government to enter upon new projects for social betterment. It would relieve capital (distinct from capitalization), which is subject to the force of competition, from a portion at least of the burden of taxation under which it is now struggling. Only by diverting to collective uses the enormous returns due to market opportunities of various kinds, can our industrial system as a whole continue steadily to increase its productivity and improve its efficiency.

An increased tax upon land values (not including soil or improvements), and franchise values, would serve to stimulate industry. It would be a burdenless tax from the point of view of the efficient producer. A change in tax rates on market opportunities is no more confiscation than any other increase in the tax rate, or of any change in the tariff. An increase in the rate might only be made when the land, or other market opportunity, passed from one owner to another through inheritance or sale. Such a policy would be a step toward the removal of the evils connected with the private ownership of monopoly privileges; at the same time the benefits of private enterprise and initiative would be retained. The movement toward government ownership of public utilities, and toward socialism, can only be checked, if either be desirable, by reducing and finally eliminating the power to reap benefits where one has not sown, or to permanently capitalize and receive income from monopoly strength or privilege. In the case of land, whether urban, agricultural, mineral or timber, the problem can only be met by a distinct separation of land proper from improvements, for purposes of taxation. In the case of franchises, two methods are of course open: increased taxation of the franchise as real estate, or reduced rates for the services rendered.

Lack of financial resources is ever the great obstacle in the way of increasing educational facilities and of enlarging the civic functions of the State and of the municipality. Educational facilities, for example, lag behind the demand of the times because of a lack of money; but a fund can be utilized which may do for the schools