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Big reason for recent neglect of distribution theory, I think, is because of growing conviction that Δ production, NOT redistributing it, is ~~answer to~~ best way to Δ welfare. This is all to the good.

& that effects of redistribution on total output, thru mpc & mec, were more important.

Constancy of relative shares?

Labor's share stays at 2/3 of GNP, they say. But that 2/3 is divided among more labor than before. Land's share is divided among same amount of lands.

Thus, if GNP remained const., wage rate would have to fall.

Amazing that hasn't been brought out!

Who says no one is interested in functional distribution?

(Not printed at Government expense)

United States of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 86th CONGRESS, FIRST SESSION

Labor Gets 83.2¢ Out of Every Dollar!

Two Recent Studies Shed New Light on Inflation

SPEECH

OF

HON. PHIL WEAVER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Monday, April 20, 1959

(Mr. WEAVER asked and was given permission to extend his remarks at this point in the RECORD and include extraneous matter.)

Mr. WEAVER. Mr. Speaker, these days everybody is talking inflation, although recent opinion surveys show that the average person is pretty mixed up on just what the word means. Up in the Congress we have a wide range of studies being conducted by various committees, seeking to discover cause, effect, and cure.

The President has put in motion two broad studies: The Cabinet Committee on Price Stability for Economic Growth, headed by Vice President NIXON, and a committee on Government Activities Affecting Prices and Costs, headed by Dr. Raymond Saulnier, Chairman of the Council of Economic Advisers.

On top of all this Government activity and interest, the unions, corporations, trade associations, college professors, and economic foundations are busily pursuing the problem and issuing pamphlets and speeches. Activities of all these groups are reported in the press and on the air, and argued back and forth by business commentators. They are further chronicled in speeches and statements printed in the CONGRESSIONAL RECORD. Is it any wonder the average citizen—worker, consumer, and stockholder alike—is confused?

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In all this welter of activity—some of it based upon new theories, such as Dr. Gardiner Means' "administered price" concept, but much of it based upon well-grounded economic approaches—very little seems to have been contributed to basic facts.

For this reason, two independent studies conducted in recent months by the National Industrial Conference Board and the private economic study organization known as Econometric Specialists, Inc., are worth reviewing for the record. They bring into focus a very important aspect of the problem of inflation: The division of national income between workers and people whose savings provide the tools for production.

The Industrial Conference Board inquiry shows that after exclusion of all taxes labor gets 83.2 cents out of every dollar of income generated in the national economy, while property claims 16.8 cents. The Econometric project used a different approach but obtained substantially similar findings. This study places labor's share at 76 to 85 percent.

Both studies were based on the 1954 census, the last year for which the required figures were available.

The Conference Board study first calculated labor claims for the national economy as a whole. Separate computations were made for each of eight selected commodities to show the labor-cost constituent in their selling price: an automobile, a pound of beef, a bus ride from New York to Boston; a pack of regular cigarettes, a gallon of regular gasoline, a man's business shirt, a pair of man's work shoes, and a ton of steel.

For the national economy, after elimination of all taxes, the board summarized its findings in a table, based on sales value, which shows labor getting from 71.4 to 82.17 percent of the total.

Labor and property claims (after taxes) as shares of total private claims on sales value

	Labor claims	Property claims
	Percent	*Percent*
Automobile	80.1	19.9
Beef	71.4	28.6
Bus ride	87.2	12.8
Cigarettes	78.6	21.4
Gasoline	79.7	20.3
Man's shirt	80.4	19.6
Man's work shoes	74.8	25.3
Ton of steel	82.17	17.22

Econometric Specialists, Inc., traced total labor content in value of production for the six product groupings of carbon steel, machinery, motor vehicles, paper and paperboard, textiles, and residential housing.

Total labor content in value of production

	Percent
Carbon steel	76
Machinery	81
Motor vehicles	79
Paper and paperboard products	77
Textiles	85
Residential housing	84

The data provided by these two independent studies deserve nationwide attention on at least four counts:

First, the close agreement between the surveys; second, the industries and products analyzed represent basic operations that should give a valid indication of trends throughout the economy; third, the organizations conducting the research are noted for their objectivity and integrity; and fourth, these are the most authoritative figures recently available to show the share of the national income going to labor.

We ought to take a good look at studies such as these, for they tend to put this whole question of inflation into the clearest perspective yet. They help to place in proper position the chicken and the egg, as between wage costs and price increases. The conclusion seems almost

inescapable that because they are so large a part of the total, rising labor costs must, in the long run, end up in rising prices.

These figures point simultaneously to the relatively small margin of total costs that represents the return to property. They show how deeply any significant increase in labor's share of the sales value of output would cut into the small margin of income that is now left for meeting property claims—for expanding the Nation's productive resources.

The records of past decades show quite clearly that it is in periods of good profits and peak capital investment by industry that industrial workers have enjoyed highest employment levels and wages.

CUMULATIVE LABOR COSTS

We are familiar with the term "spiraling prices," and perhaps we can summon up a picture of how price increases affect creeping inflation. But these two new studies are like a spotlight, enabling us to visualize also the part that cumulative labor costs play in the price of the final product.

In order to understand how labor costs account for such a large share of the national income, it must be remembered that purchases flow in our complex economy from original sources of raw materials to the final finished product.

As the flow of materials moves along, labor—and labor costs—are steadily being applied to it. In addition to labor costs involved in the manufacturing processes, there are also the labor costs of transportation, of packaging, of wholesaling, and finally, of retailing.

But how many consumers realize that $300 paid for a refrigerator, for instance is made up chiefly of payroll costs accumulated along the complex route of production and distribution?

The steel in the refrigerator, for example, was sold for around $17 when it left the mill. For a $3,000 automobile the required steel costs about $290. These prices at the steel mill, in turn, include labor costs as their chief component—costs incurred not only in the mill, but all the way back to the mines.

NEED FOR HIGHER PRODUCTIVITY

The United States faces grave problems as the result of misunderstanding about labor costs and productivity.

To the extent that higher wage payments have been accompanied by increased productivity, they have helped to advance the country's living standards. But, the important fact is that wage increases have gone far ahead of productivity increases. Government data show that in manufacturing industry as a whole, average hourly earnings—not including wage supplements—increased by 60 percent in the 10 years 1947–56 while productivity rose by only 45 percent.

No one really gains from such inflationary wage increases. The housewife in the home of the wage earner soon finds that the new-born increase in the family's pay envelope has evaporated in higher living costs. The hardest blow is suffered by millions of others whose incomes have not gone up—the people on salaries, fixed incomes, and pensions.

CONSUMERS SQUEEZED BY LABOR COSTS

It hardly needs repeating that as productive efficiency increases, a share of these productivity gains should always be passed on to consumers in lower prices. But this becomes impossible when labor costs sop up all the productivity gains and much more besides.

What has been happening all across this country is symbolized by these facts in the steel industry: labor costs increased by 75 percent in the 1947–56 period, while productivity was increased by an estimated 29 percent, according to latest available BLS data.

All of this is reflected in the declining purchasing power of the consumer's dollar. The 100-cent dollar of 1940 was worth 63 cents in 1947 and by mid-1958 was worth only 49 cents.

FACTS TO BE REMEMBERED

The papers are full of talk about the negotiations in the steel industry. The Government is pressuring both management and labor for a settlement that will not be inflationary—that means a wage increase moderate enough not to affect prices. But who can say whether that is possible. If a product costs more, it usually ends up selling for more.

It would be well, however, for all concerned—unions, management, consumers and Government to understand three key facts underlined by the conference board and econometric studies:

First. Labor claims in 1954 accounted for 83 percent of all claims—excluding taxes—against the national output;

Second. Any new round of wage increases in a basic industry rapidly fans out through the economy by touching off demands for matching increases all along the line—in manufacturing, transportation and distribution;

Third. Each such "round" in a basic industry, and the spreading wave of matching increases in all other industries will have clearly predictable results when not accompanied by equal increases in productivity. The increased wage bills simply force inflationary price increases everywhere along the line—in production, transportation, and distribution.

Since labor unions are subject to little control or regulation, labor leaders have it in their power either to weaken or to strengthen the national economy, according to what course of action they choose.

Companies that are forced by added labor and other costs to ask for price increases in order to stay in business find themselves under two natural restrictions. Of these, competition is the first; the second is consumer ability or willingness to pay the advancing costs.

Squeezed between these disciplines, many companies have been quite unable in recent years to cover all their increasing wage costs by adequate price rises. The evidence is in their declining profit ratios. The steel industry, for instance, has managed to match its prewar ratio on sales—8.1 percent in 1940—in only 1 year of the postwar inflation spiral.

For all manufacturing industry the ratio of profits to sales has declined from 7 percent in 1948 to 4.8 percent in 1957, according to the Securities and Exchange Commission.

One of the most dangerous consequences of inflationary wage increases—one which saps the growth power of the entire American economy—is depletion of the margin of capital available for investment in tools to increase productivity.

The importance to our economic welfare of replacement and development of tools cannot be ignored. Without the tools we now have—using only obsolete tools like those of eastern Asia—we should see our level of productivity drop to an insignificant fraction of today's.

And how were our modern tools developed? Through invention and improvement on invention, made possible in the United States by our free enterprise system of risk capital—capital accumulated a little at a time from savings and the profits of previous ventures.

Without the chance to accumulate these amounts we would still have an oxcart economy; the hand plow would still be used on our farms. We would be living much as our ancestors did—in times before the improvement, replacement, and development of tools brought this Nation, by good use of venture capital, to living standards we take for granted today.

GOVERNMENT CONTROLS?

One alternative to our system of risk capital does exist: Capital investment by Government, under stern political controls. Either by direct taxation or by inflation, Government would raise the required funds. But the experience of many countries with political control of industry shows the unfortunate results of political management over economic enterprise. It invariably leads to problems still greater than those it was supposed to solve.

Our American economy has flourished as the purchasing power and living standards of the people have advanced, any everyone today surely believes in the highest possible wage levels. But wage increases which overleap productivity and bring on further inflation are an attack on the welfare of all.

I should like to insert in the RECORD at this point outlines of the studies by both the National Industrial Conference Board and Econometric Specialists, Inc.:

NATIONAL INDUSTRIAL CONFERENCE BOARD—THE RELATIVE SIZE OF LABOR CLAIMS, PROPERTY CLAIMS, AND TAX CLAIMS, NATIONALLY AND IN SELECTED COMMODITIES

EXPLANATION OF THE STUDY

In this study, definitions of labor claims, property claims, and tax claims are defined as follows:

Labor claims: payments to individuals in return for services rendered. These include all wages, salaries and supplements paid by corporate profits, earnings on the investment agricultural enterprises and governments. Also included are imputed labor payments to the self-employed. Not included are government and business transfer payments—such as unemployment insurance payments, or cancellations of bad debts—which are income to the recipient, but are not paid in return for services performed. From this total are deducted the personal income taxes falling on labor incomes.

Property claims: payments to individuals and businesses (corporate and unincorporated) in return for the use of existing tangible and liquid assets. These include corporate profits, earnings on the investment of unincorporated enterprises, interest payments to individuals and rental income of individuals. From this total are deducted the personal and corporate taxes falling on property incomes.

Tax claims: include all direct taxes on the incomes of individuals and corporations, and all indirect taxes, of Federal, State and local governments. In general, taxes which do not arise as a result of current production and trade—capital gains taxes, estate taxes, gift taxes—are not included.

In general, the procedure for allocation of claims against total national output took the form of a series of adjustments to the statistics of the Department of Commerce on national income by distributive shares.

(a) The national income account treats the income of unincorporated business and farm enterprises as a distinct classification of income; in the Conference Board report, the wage, property, and tax components of this income are identified.

(b) The national income total is reported before deduction of all direct taxes. While the corporate tax burden is shown as a separate component, there is no identification of the personal tax burden in the national income figures. The Conference Board study segregates the tax portion of corporate incomes, and extracts personal taxes from labor and property claims.

(c) The national income account excludes two money flows which are claims against the national product—namely, capital consumption allowances and indirect business taxes. The Conference Board study includes indirect business taxes as tax claims, and segregates the labor, property, and tax claims embedded in capital consumption allowances.

The study finds that in 1954 total claims against gross national product were divided as follows: labor claims, 63.1 percent; property claims, 12.7 percent; and tax claims, 24.2 percent. The distribution of all private claims—that is, all claims excluding tax claims—was as follows: labor claims, 83.2 percent; and property claims, 16.8 percent.

With respect to allocations of claims for individual commodities, the procedure was to identify the margins, after materials cost, which are available for distribution to labor, to the owners of the capital employed, and to government in the form of direct and indirect taxes. These distributions of claims for each margin were then summed to arrive at the distribution of total claims.

The Board study deals with the final sale value of each commodity—that is, the retail value—in all cases except steel bars, where the mill price was used. The study calculates the distribution of claims for each commodity as among labor, property, and tax claims; it also calculates the distribution of all private claims—that is, all claims excluding tax claims. Only the latter set of distributions is reproduced here.

ECONOMETRIC SPECIALISTS, INC.—THE RELATIVE SIZE OF LABOR CLAIMS, PROPERTY CLAIMS, AND TAX CLAIMS, NATIONALLY AND IN SELECTED COMMODITIES

EXPLANATION OF THE STUDY

The purpose of this study was to ascertain the relative importance of labor cost, direct and indirect, in the value of production of six representative industries: carbon steel, machinery, motor vehicles, paper, textiles, and residential housing.

The proportion of direct labor cost in the value of production is relatively easy of identification and is often included in the annual reports of leading companies. However, what was sought in this inquiry was the full labor content of a typical motor vehicle, a typical machine, a typical residential dwelling, and so on. By labor cost is meant the payment both of wages and salaries as well as social security, pensions, and other wage benefits.

The inquiry was directed mainly to the other major cost elements in production, to find the labor content in each. Thus, each industry consumes a certain amount of raw materials, fuels, semifinished goods and various kinds of services in the manufacture of its product. In addition, each industry lays aside sums for depreciation to pay for the capital consumed in the production process. Moreover, each industry must pay taxes to local, State, and Federal Governments. Each of these cost elements in the value of the finished product have been examined for their labor content. In these instances the labor content is indirect, but exists nonetheless.

The study was therefore divided into four stages, of which the second required the largest amount of analysis.

1. The first phase was concerned with ascertaining the direct labor cost in each of the six industries.

2. The second and major phase was directed to tracing the labor component of the materials used in producing the six products being investigated back to the earliest supplying stage; i.e., the manufacture of fuels and power for use in the production process. Here were estimated the labor components of all materials used in production of each of these products.

3. The third phase dealt with the estimated labor component of depreciation in each of the six industries. In addition, it established estimates of the labor component of indirect depreciation considered as part of the cost of materials purchased by each of the six industries.

4. The fourth phase made estimates of the labor component of all taxes paid to Federal, State, and local governments. This consisted in determining the relative portion of these taxes distributed as wages and salaries to Government workers, and in estimated indirect labor component of goods and services purchased by these three levels of government.

The final answer for each of the six products thus includes (1) an allocation of some part of the cost of materials for the production of motor vehicles, machinery, etc., the indirect labor; (2) the further allocation of some part of depreciation cost—which in effect is payment for past purchases of goods and services having a labor component—to indirect labor; and (3) the allocation of some part of taxes paid by each industry to indirect labor.

Steel industry's rate of return on sales

Year	Return on sales	Year	Return on sales
	Percent		*Percent*
1940	8.1	1949	7.2
1941	6.0	1950	8.1
1942	3.3	1951	5.8
1943	2.8	1952	5.0
1944	2.7	1953	5.6
1945	3.1	1954	6.1
1946	5.5	1955	7.9
1947	6.2	1956	7.3
1948	6.7	1957	7.3

Source: Annual Statistical Reports, American Iron and Steel Institute.

*U. S. GOVERNMENT PRINTING OFFICE: 1959

Marx

Chap #3: Value in use and exchange value: the socially necessary labor.

Exchange value equals the amount of socially necessary labor in object. Distinguishes value in use not as something which may require no labor, tho useful, but as something not exchanged.

Chap 4:Purchase and sale of labor power.

Capitalist pays worker less than he produces, in value. All other exchanges tend to be at their value, this one is different. Labor only gets enough to sustain life, in "normal condition".

Labor advances product to capitalist before being paid.

Chap 5. How surplus value arises.

I'd say Marx had to use labor theory of value because he assumed capital was not productive. When, indeed, he said the amount of labor embodied in something, he referred to what we should call the labor and capital yield embodied in it. Since he included land in this, he was right in a sense: exchange value of products equals sum of values of all that went into them. But here he and classics had it bassackwards, saying value of factors determined value of products---half backwards anyway. Lange's idea of prices as parameters has possibilities.

Labor is a source of greater value than it possesses itself.

Marx is contemptible. He is rationalizing a prejudice. He hates the capitalist. He describes him in the most obvious prejudicial way as a villain, sneering, laughing, fawning, snarling.

Chap 6. Constand and variable capital. or, fixed and circulating.

Surplus value comes only from living labor, not from dead capital.

All money paid for current raw materials, and for fixed ~~surplus~~ capital, is "constant capital". Money paid for labor is variable capital. Variable capital alone yields surplus value. Constant capital yields nothing.

That s equals v is just an assumption he says, for example. Actually "exploitation of the laborers is not everywhere the same". Rapidity of turnover of capital also affects. So rates of profit will differ. He now proceeds on assumption that s equals v, without saying he will. But he has said just that rate of exploitation may change, not that it is only cause of differences in profit rate. So ok sofar. Each individual gets average profit rate, by no process shown.

Fixed and circulating capital a different distinction than constant and variable. Labber is labor vs others, former is raw materials and labor vs. other.

Chap 7 How uniform profit is obtained.

Actually, he says, the surplus value does not go to the capitalist by whose v it is obtained. Rather, a uniform profit rate, not surplus value rate, is discovered for whole economy, and, while value equals c plus v plus s, price equals c plus v plus average rate of profit. So he's saying the prices at which products actually exchange are not their "values" but raw materials plus labor expense plus the average rate of profit on all the capital involved in production, by which I suppose he includes land too. This is close to the truth. p.56 So he has one explanation for how surplus value is extracted and another for what determines the rate of profit. Very convenient.

This is the "price of production", equals "cost price" plus average profit.

Chap 8: methods by which surplus value is increased.

1: increasing the working day without increasing wages.

2: increasing intensity of labor " " "

These are "absolute ways" of increasing s. The relative way is by lowering the subsistence of labor. This he doesn't suggest doing by lowering wages but by making subsistence less valuable, i.e. making products of industry more valuable. Just how all values are to rise at once he doesn't say, but he says the reason capitalists are always lowering prices, and he regards them in some sort of a conspiracy in this, is to reduce the money price of subsistence of labor, hence to get them to accept less! Just how they will benefit from these lower prices by paying labor less, and not suffer by having to sell at lower value, he doesn't say. Nor does he say how sum of values can fall.

Chap. 10: Influence of industrial progress on the working classes.

Labor of women and children. Prolongation of working day. Intensification of labor. Blunting laborer's intelligence; increaseof accidents. Starvation of the wage earners.(labor thrown idle by machines lowers price of labor below its value)(how this is different from surplus value extraction from "labor's product" he doesn't say) (bourgeois economists say machines which replace workmen set free the capital that hired them to hire them elsewhere. an element of truth) ("machinery is a scourge of the working classes")

Chap 11: Decrease of the rate of profit.

With machines, labor uses more raw materials. Profit falls because % of C to v rises. Even tho absolute amount of labor set in motion by capital and exploited increases. This "logic" does not require the assumption that s equals v, I think Leigh's criticism of Marx was wrong here.

Capitalist production requires constant expansion. "Capital advanced" must constantly increase. Recent immense increased in capital. Distinguishes fixed from machines. Tends to make profit rate fall. Would have fallen more, but for reasons: chap 11; wages go below value of labor;value of constant capital doesn't increase as fast as its quantity, whatever that means; most important, increase of amount of capital, tho how that keeps rate up, just because individual capitalist owns more, is one of those Marxian mysteries.

Chap 12: The accumulation of capital.

A) The uninterrupted continuation of production (reproduction)

Means of production must be replaced as consumed. Capitalist intends to save his surplus value as well as his v when he gets it back. Well, if capitalist consumed all s each year, he would just have v to put back. This is simple reproduction, when s is all consumed and v is used again. Replacement we would say. (Labor is paid this week or year by its produce of last week or year.)(Must think of capital as flow to avoid thinking that capitalist advances wages) Even assuming that the original stock of capital was not gained by labor exploitation, it soon comes to be so, by simple reproduction. Whatever capitalist consumes comes from v, not s--this is asserted not proved. Soon therefore his stock of capital is all from s, by simple reproduction.

The same process of reproduction perpetuates the capitalist system by keeping labor dependent on capitalist. Labor consumes in two ways: consumes the means of production in producing, and consumes his food.

They are the same to capitalist, who regards what labor consumes for its subsistence as quite the same as what it consumes in production.

B) Increase of capital by means of surplus value. Capitalist property.

Capitalist actually doesn't consume so much that ~~///~~ the equivalent of his surplus value is consumed. So capital grows. This involves having production directed to augmenting capital. This latter kind comes to be most important quantitatively.

Chap 13: Influence of the accumulation of capital on the working class. The industrial reserve army. The theory of the growing impoverishment of the masses.

Skipped most. The more capital and labor exists, the more are unemployed.

Chap 15: What capitalist accumulation leads to.

As we leave primitive society, a pre-inclosure system he seems to be visualizing, self earned private property, caused by fusing of labor with his environment, is replaced by capitalistic private property.

Greater centralization of capital follows. Further cooperation i.e. technology - trade development follows, international too. Labor grows in misery and organization, revolts. This is a much less violent thing than the expropriation of the masses by the few that preceded it.

Mather, 23 May

Institutionalists followed natural law. Evolution philos. involved. Marx followed classics, but emphasized evolution, arriving at communism.

Psychology & anthrop. involved with institutionalists. Veblen, John R. Commons, GDH Cole, Vinogradoff. Inst-ists, like early classicists, were reformers. Late classicists were apologists.

Neoclassicists - Austrians - emphasized natural law.

Recent trend: ec. principles apply only in system. Classic ec. evolved into tools of analysis.

More go proponents today than in Marx's time, contrary to his prediction.

My thesis ~~is~~ emphasizes that aspect of bus. cycle which is downswing & failure to recover. Yet also studies upswing, to see what is good. But object is not to remove cycles per se, but to remove ~~& bad~~ what makes downswing so bad. Chronic

'Distribution', JM Clark, 1931

Contractual, functional, personal dist. Smith dist. wages, rent & profits, lumping cap. & mgemt (&risk). Skips contractual problems - e.g. interest - by talking of functions as the rigid classes. Talked of 'natural levels' of shares, pretty empirical. Tended to ~~iron~~ some subsistence law of wages. Talked of equalizing returns among individuals in same function, & causes of differences, but unsatisfactory expl. of levels of ~~the~~ rent & profits.

Malthus subsistence theory, buttressed by law of pop. ~~Designed to~~ Used to argue vs. poor law

Ricardo: value & distrib. the central problems. The 3 shares det. by different principles. Wages ultimately governed by iron law, but proximately by labor force / circ. cap. Profits a residuum. As margin falls, will decline until no more inv, stationary state.

Senior - 'abstinence' as supply cost of cap. Disagrees that profits tend to min. thinks fixed cap. may give opp. for further inv. Like Ric, thinks of dist. as 'natural', unaffected by inst.

Mill softened Ricardo, introd social & inst. matter. 'Laws of prod.' are 'physical truths', of distrib are matters of human inst. only. Questioned land prop.

Recanted wages-fund, after Thornton's criticism. (so?) Broke down profits into interest, insurance, & superintendence. Like predecessors, rent the surplus over marg. yield, wages = subs. stand. of living, profits a residuum.

~~Says~~ Ric's rent first marginalism, marg. became Austrian basis.

Cairnes, non-competing groups (esp. among labor), wages det. by s&d in each compartment.

Mangoldt dist. interest & profit; & treated rent as a surplus which may be present in other shares than land. Francis Walker followed this further.

Bastiat - extreme individualist -, & Carey, founder of 'American School', - & state-over, - both merged cap & land, & called wages one big share of one big whole, denying classics 'pessimism'.

Classics started from hypothetical primitive equality, prop. grew from cap. accum. Sismondi, ~~ante~~ early 'exploitationist', refuted historically. Overproductionist, like Hobson, & related this to distrib. - the use made of profit & rent, in spending & saving, determine eg. - s.o.s. In much, followed Smith closely.

Rodbertus, a Prussian landowner, overproduction rev, but would (due to labor not receiving products

(- i.e., stressed imp. pt that productive contribution, not subjective sacrifice, is imp. thing in value.

raise wages w/o eliminating rent.

Then Marx. He stimulated marginalism, which based value on 'utility' instead of labor cost, & say all factors are productive, & receive rewards based on assignable contributions to joint product. This was to undermine basis of Marx theory.

von Thunen forerunner of marginalism, 'broadened' concept of dim. & marg. prod. from land.

Marginal theories, supreme 1875-1900, said value not from costs, but v.v. Distribution is imputing values created among factors. Menger, Wieser, JB Clark,

Check Wicksteed ? on that some day

Wicksteed evolved math. proof that Σ marg. contributions = tp., recanted when Edgeworth criticized that it required an implausible prod. fn. (linear homogeneous?) That's all he says about it. Was problem ever solved?

B-B. first to use productivity of cap. to explain int. (John Rae forerunner) Discounting futures mentioned. (time-pref?) Fetter rejected productivity, used 'time discount' exclusively.

✓ Marg. ism makes a homogeneous thing possible. All factor returns due to one principle. So can cease distinguishing. Some call all prop. yields 'rent', & 'int.' is 'rent' expressed as %.

'Bargain' theories make mkt. more than a passive registerer of forces, a contributor to outcome. Dühring & Tugan-Baranowsky said buyers & sellers of factor service do not meet on = terms, hence prices differently det. than goods prices. This probly foreshadows recent emphasis on 'collective bargaining' expl. of wage rates. Eby, inst. studies in dist. (between tenant & owner?)

Distribution is among people. Simple principle of justice: distribute to each according to his productive contribution. Is also principle of utility, incentive to doing what is most useful.

Owning existing assets not a productive contribution.

Hart, A.G. "Risk, Uncertainty, & the Unprofitability of Compounding Probabilities"

'Risk' is a known probability distrn. of some future ~~possibility~~ value. Uncertainty it is unknown. Hart thinks only uncertainty worth discussing.

He asserts that providing flexibility by being more liquid, using less specialized equipment, etc, has no cost. -- he is all wet, article has no meaning.

(J.K. has)

Aluminum

Const. output 1919-41
Wages = ¼ sales

Bloom, Gordon F., A Reconsideration of the Theory of Exploitation.

Defines exploitation as when labor receives less than its marginal revenue product. (one might call it exploitation when labor receives less than its marg. product, i.e. in all monop. situations where mp is greater than mrp)

Pigou defines exploitation as paying labor less than marg. physical product. Bloom doesn't like this, because it means amost all labor is exploited. But perhaps that is, after all, the case, and is basis of most claims of exploitation, so let's admit it.)

Chooses to define marg.product in a long run sense, after other factors have time to adjust. Because he thinks the concept of marg. product depends on variations in industrial methods. (there are, truth is, short run & long run mps)(either is just as true as any other) Also in inclusive sense, include all effects, by-products, etc. of hiring extra factor.

In Wages, include not just pay envelope, but all amenities & other costs of hiring labor provided by employer. When m wages are held rigid, actual cost of labor often varies considerably by changing these non-monetary perquisites of work.

NON*DELIBERATE EXPLOITATION

1.Rising labor supply curve

A. Closed shop, union with very restrictive policy. Employer can add only so much labor, no more. Where he stops, mp exceeds wage

B. Employer in monopsonistic position, i.e. labor supply curve to him is rising. Mc exceeds wage. He stops where mc eq mr, at which pt. mr exceeds wage.

This situation more common where labor scarce & employment full, than where large pool of unemployed labor.

2. Cost of Change

Wages fall a little, but it is too expensive to lower prices. But this might happen other way as well he says. (not clear) (i.e. not clear why he doesn't expand production) (because he couldn't sell any more probly w/o lowering price. But this, then, is just another aspect of the exploitation due to monop. position of producer)

Bloom follows the Chamberlin fallacy (he is a Harvardian) of distinguishing selling costs. Says maybe you would not expand production because, tho mr exceeds cost, selling costs make up the difference. But he doesn't consider this important, because when wages rise a little, employer won't raise price either, and employer will be exploited. The selling costs he conceives of are the costs of informing the public of the change in price. But at one pt. he talked as tho he meant the optimum complement of advertising for the product sold, and if he meant that, then when output is reduced this cost will also fall, and he cannot reason backwards -- in fact there was no distinction of mr & mc, either forwards or backwards.

3. Discontinuous product demand curves.

Or Sweezy kinked curves, with discontinuous mr curves, at the prevailing price.(Then mc would exceed mr, in the relevant sense, because the mr from increasing product would be lower -- tho the mr from last unit is higher. I suppose the latter is more relevant, so we have exploitation here.)

If oligopolistx's demand curve has horizontal section, and mc cuts it there (where mr eq. ar), oligop. acts like competitor, no exploitationeven in Pigovian sense.

Where mc curve ~~dats~~ cuts mr curve in vertical or discontinuous portion, mc can shift around and still mr doesn't change, is divergence, expboitation. USS kept price constant for 15 yrs, while costs surely changed. Bloom says that when wages "fall", labor then is exploited, and when they "rise", employers are exploited. This is wrong -- he implies some "correct" wage in middle of vertical portion. But obviously as long as wages are below top mr before curve gets vertical, labor is exploited. And Bloom ultimately comes to concede that under oligopoly, esp. "mature" oligopoly (where pricehas become fixed), labor will be exploited in sense that wage is less than mr. (curiously all this is based on Sweezy's modest little kinked curve)

DELIBERATE EXPLOITATION

Monopsonistic discrimination. e.g. paying same wage to men of different efficiency, or different wagesto men of same efficiency. -- a separate bargain with each man. Man getting highest ~~lowest~~ wage/product is not exploited, all others are.

There need not be competition among employers, he says, to assure that wages equal mr. product. For, the wage having been set, every employer hires wages to that point. The essential pointis not that employers compete, but that the supply curve of labor to each employer is elastic. This probly goes with competition among employers, but not nec.

Deliberate expl. exists when 3 conditions obtain at once: Absolutely inelastic labor supply; employer can set the wage; kink in demand for product at prevailing price. (the lst two seem adequate to me)(no, for tho he forced down wages to zero, he would hire men until mp equalled zero)

In oligopolies with kinked demand curves, unions do, by raising mc (but not thereby reducing production because of kink) prevent exploitation, raise wages to equal mp.

Hayek, The Mythology of Capital

He is defending, vs. Knight's attack, which restates JBClark vs. B-B, idea of a time dimension of production, of some meaning to "the period of production".

He credits Knight with having shown relationship of productivity & time preference elements in i.r. determination "masterfully".

The periods which are lengthend when inv. is increased are "periods for which particular factors are invested", not periods for producing any one particular kind of product.

Knight says capital, once created, is permanent. Hayek says it must be re-invested continually. *Hayek has a point here*

Increase of capital will cause "factors" to be transferred to industries where they will be "invested" for longer periods. But he doesn't say what he means by this. But I judge he is just referring to the difference between inv sting in towels & in steam shovels: you must wait longer to get your money back out of the steam shovels. The capital is committed longer to one use. But if this is it, there is no reason for believing that if we have more capital, we will necessarily use it more for things with longer lives than before -- it might go into things with shorter lives. This is evidently Knight's point. Hayek talks all around it. He is very fuzzy, I skip.

Knight, FH, Capital & Interest

Physiocrats & classicists both accepted idea of labor producing all values, ~~xi~~ land & capital just supporting. Capital viewed as "advancing" means of subsistence, as well as tools. Returns to capital clled "profit", thought ofin terms of British "farmers".

Say introduced Smith into France, & was influential in U.S. Americans, e.g. Henry Carey, esp. criticized Ricardo's rent. Senior introduced abstinence idea, as parallel to irksomeness of labor, as justifying interest.

1870s, Menger, Walras, Jevons, Clark, changed things by saying value from utility demand side. B-B elaborated his own version of abstinence theory of interest (time pref), also developed a productivity theory of it, w/o reconciling the two. A development of Smith-Ricardo view of cap. as consumptiongoods advanced to labor. After B-B, generation of controversey between "productivity" vs. "psychology" theories of interest, reconciled by Marshall. *Just as he also reconciled value theory.*

JB Clark, m.p. theory of distribution, applied to capita also.

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Capital resources are moved around by depreciating & reinvesting he recognizes. He stresses is on diff. in factors.

(at one time, maybe, land ownership useful to let people borrow -- as they could not pledge selves due to anti-slavery laws, could pledge land. But now are plenty of other things to pledge, & they can be insured, no problem.)

Austrian Time-Pref. is elaboration of J S Mill & Senior's abstinence. Marshall combined, s&d analysis, with productivity. Knight goes for just productivity -- perfect

foresight.

Haley & Fellner's on mod.

trouble with distrib. theory is that wage supply now considered not independent of demand. -- circular idea. [If this is all that is wrong, I think it's better off than other branches of theory.

Interest + theory also pooled up.

Even on non-mon. level, are those who ~~define~~ have 'period theories', with periodic disinv., & those who ~~imply~~ use 'net inp of cap', "thus implying perpetual maintenance" -- (why?) (no nec. link -- 2 separate questions)

200B
Buchanan, Wed. March 14

Miss Bowman's article. Why did she do it?
Because it is bad to have very unequal distribution.

Ass — Read Fellner's & Haley's intro. to Rdgs. in theory Inc. Dist.

With development of mp doctrine, distinction of land, labor & capital lost interest, all factors considered uniform. Malthus stressed distinction, idea that labor would multiply, land & capital would not.

effect effect effect effect effect effect effect effect effect Jaffney Jaffney of Jaffney Jaffney

No one has settled question of effect of inventions on distribution.

Everyone agrees theory of distribution is unsatisfactory today. No one sticks neck out on it now. Because:

1. Lack of perfect competition. Difference between msp. & mp private prod.
2. Lack of mobility -- for you need it to get equating at margins, etc. Specialized capital goods, which cannot be shifted. (B.B.)

Say early theorists were thinking of inventories, not fixed cap -- I doubt it.

3. Early theory carried on in real terms, money just a measure. Now we think money important in itself.

Since traditional theory was formulated in non-monetary terms, is now unsatisfactory. ✓

We now admit don't know what supply curves for labor look like.

Ass. ✓ 235-281 in Joan Robinson. & Bloom on Exploitation.

Knight, Fr, Risk, Uncertainty & Profit, HB601 K7

Bain, HB171
.5
B23

Consider staying home to finish thesis?

Buchanan, Wed, March 21

Ass. Write something about theory of distribution
1. What is theory of dist. trying to do
2. a theory of distr.
3. Lines along which a theory should move.

Marshall said that, for producer, no difference between land & capital.

From viewpoint of individual entrepreneur, is still a small difference. But those who originated distinction were reasoning from social viewpoint, where there are significant differences.

—

Austrians paid little heed to changes in amount of capital & labor, whereas earlier English had worried about capital growth, pop. growth. Austrians had stationary state. -- & neo-Austrians still tend this way, Hayek etc. (?)

If all resources are fixed, (all are then land) then only problem is allocation.

Menger, Wieser, Böhm-Bawerk. Wicksell a latter day Austrian, in a way. Now Hayek, Haberler, Machlup, Mises, Lionel Robbins much influenced.
(Wantrup a student of Spiechoff in Berlin.)

— Tradition of this school to think of resources as fixed -- hence no distinction of factors. English tradition to stress rate of Δ of capital.

— ? Keynes Wage Units were means of saying that prices are always constant in terms of labor.

— Joan Robinson is saying that production isoquants indicate more substitution when flatter, less when right angled.

— If a factor becomes cheaper, you get lower costs. If no substt., a min. fall of costs. If substt., max

Elast. of substt. $\frac{\frac{\Delta E}{E}}{\frac{\Delta P_c}{P_c}}$ This is just demand elast. for labor

This elast. depends not only on productive substitution, but also how much sales can expand. Is just Hicks' marg. rate of substt. combined with demand for commodity.

March 21, cont.

She also interested in another matter. Following fall in price of one factor, price of other changes -- up or down, depending on:

→ When elast of subst = elast. of demand for prod., no change
                        >
                        <

But concerned about ambiguity in concept of ~~marg. rate~~ elast. of subst. -- do you stay on same isoquant.?

Then she considers that price of 2d factor may rise, reduce substitution -- better read her.

Ass. Stigler, Ch. 10
Bain Ch 10, 13, 14
~~Knight, Risk etc, ch. 4~~
" ~~preface to London School reprint. c. 1934. Read ch. 4 first.~~

Buchanan, March 28

Call Byron & Dan tonite.
Other possible singers: Dick W.
Germanfellow

1. House Party tonite. Work it in. Get Ticket.

1. What to produce
2. Who & what produces it
3. Who gets it.

In Hicks demand theory, eqat pt where prices & marg. rates of subst.

In distrib. theory or production theory, prices should be & marg. rate of transformation of ~~produc~~ factors into products (?) (why not ~~into &~~ rate of subst. ~~of~~?)

Why pay factors? Because of alternatives. How about why pay the inal ternative uses?

Theory of distribution, from individual view, is just exercize in marginal productivity →

Knight spent his chapter mainly to say no point in distinguishing factors, is just mp. of individual factor.

Cairnes developed idea of 'non-competing groups' -- people with rare talents, so no one can compete. (probly vastly overdone)
Rents to individuals.

Barbers in California ~~gets~~ are licensed, barbers control licensing, & restrict number, get higher wages than anywhere but Chicago.

Fellner's bilateral monopoly treatment considered best for union bargaining.

Due to such things, you have number of special cases, so overall theory of distribution doesn't apply to much -- b.s., is still general level to set.

→ Unions can't set wages too high, or they will lose members thru unemployment. Nor too low, or no one will support. & must adjust. Can't think of union trying to maximize anything one thing, have all kinds of political factors to

Ask him for blackboard.

consider.

Has been much work in labor distribution.
That in capital mostly off on money.
Little in land. -- that he knows of at least.

Ass. Knight Ch. 5

Ch 3 opt.

By reading Knight, you get a good picture of modern theory of distribution as ordinarily conceived -- aside from that just a few special cases.

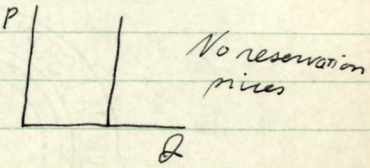
Apx. 4.

Can talk about equilibrium analysis, prices & mps, once you assume constant quantities of factors.

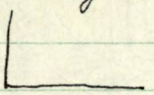
In ch. 5 he discusses what gives when factors can change. No tendency to equilibrium. Knight clearly distinguishes the 2 kinds of problems, criticizes others for not doing so.

Classic notion was that general supply of cap & labor varied with their returns. Knight points out other things more important.

1. Market Price - given quantity of final goods, & given preference schedules:



2. Given pref. schedules, given amts of productive agents



Ass. 1. Rate of prod. = rate of cons.

2. Prod. prices for all buyers are ∝ m.u. (or marg. rate of subst.)
MP of factors ∝ prices, & all homog. factors, same payments.

3. Y = exp.

Tomorrow go early, get blackboard

Long run, says Knight, most partial supply curves absolutely elastic.

Productive agents with inf. life. Discount. Why? Knight doesn't deny time pref, but thinks you cannot put whole explanation on it.

Knight says land gets a price, & this price reveals the rate of discount.

?? (capital also has infinite life, ~~because it~~ as an economic entity not as a physical entity)

Says discount rate so arrived at is not same as interest as distributive share ??

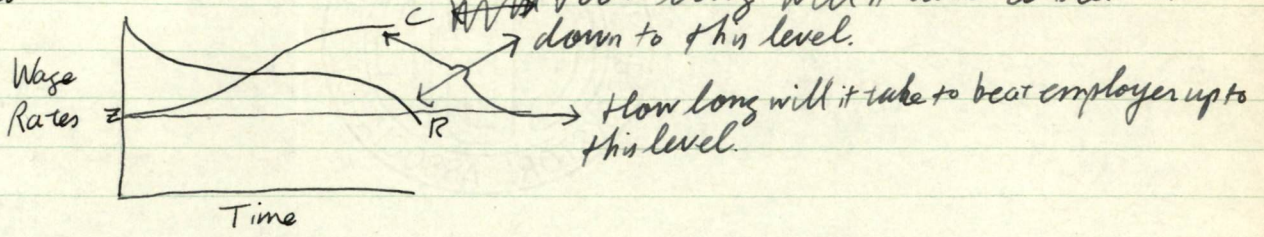
Exchanges between cap. goods & final goods occur, at some implicit d.r., & he speaks as tho this determines d.r. -- seems to me they reflect d.r.

The i.r. is made to = m.p. on margins, in production, & this rate then used to capitalize.

Over time, capital becomes more abundant, capital-intensive products get cheaper -- utilities.

2008, Apr. 18. (Missed last week -- get ass. & notes.)

Hicks p.142, "The Theory of Wages"



Resistance & Concession Curves

Point on R curve means rather than accept any wage less than that, union would strike that number of days. The lower the wage offered, the longer they will stay on strike to avoid it. (But then does it mean they will strike longer for a lower wage?)

Is it assumed that union unconcerned about employment? In R curve, loss of inc.$^{(t)}$ weighed vs gain in rate.

Buch. thinks that Hicks "wage rate" means union's aggregate inc., not just wage rate -- so it takes employment into account.

The "C" curve: Firm's viewpoint -- balances time, loss of profits from staying closed, vs. loss of profits from higher wage rate in future.

R curves not stable. Knight often says conception of problems changes in course of dealing with them. -- as negotiations proceeds, curves may change.

? (Seems to me basic fact is, people will strike longer to get a higher wage. Hicks curve is bass-ackwards, he says they will strike longer to avoid being pushed down further.

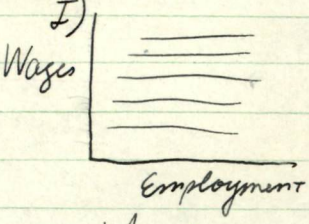
Ass. { Hicks, Ch. 7 & opt., app Ch. 5
Fellner, QJE, Aug '47 "Bilateral Monop."
~~Opp~~

RTID, #20, 21, 23, 24 (22 opt)

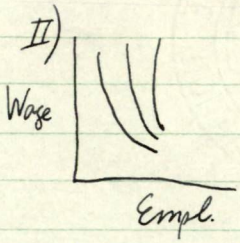
~~See Landsberg for cases.~~

Fellner

I)



II)

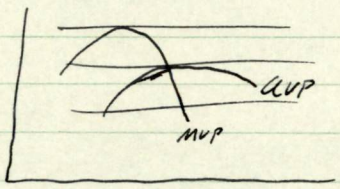


What is maximum each would exact if he could? There set limits, solution is somewhere in between, by "bargaining"; he is only makes limits exact, not the bargaining.

I, Union not concerned with volume of employment. No limit to how high they will demand.

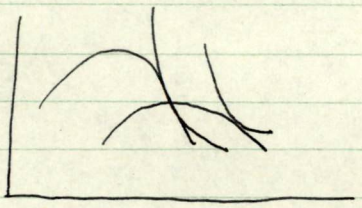
II. Shows how much ~~Δempl.~~ drop of wage they will trade for some Δempl. As drawn, shows great concern for employment.

Adds MP & AVP curves to I



Union would choose max. A.V.P (not max MVP) as wage (i.e., it would be getting everything)

II



Union chooses pt. on higher indiff curve.

Employer has some wage below which he will not go, because he would get no one. & between this lower limit, & union's upper limit, bargaining sets wage.

Effect of wage changes on value of output -- still Fellner. ⇦ ⇨

1. How will ΔM wage affect real wage? If real wage ↓, get ΔC, & ΔI. & what happens to uncertainty? Buch. thinks is important, but hard rdg, not clear. Reread. Also p. 311 to end, on collective bgng, Comp Among the Few.

Oss.

Stigler, Chap 10, good on exhaustion of distrib. shares

Sun, May 20, 3d man in Wheeler.
ask about having Weeks make up exam for me in Aug.

Add my paper on land allocation to Leigh.

Buchanan, 200B, May 2

Interest. p. 266-274 in Felbner (Comp Among Few, I think) deals with effect of ↓wages on real output.

Don't read Hayek's article.

In 19th, much emphasis given to effect of bank rate on prices & hence on ec. activity -- & this early ec-ists much concerned with i.r., for same reasons as K, later. So interest discussions had important policy implications. Also, due to working of interna. gold standard, interest played a vital role. & as early theories were of distribution, they had to complete it.

As Keynes writes about interest in terms of liquidity pref, presumably he would have no int. in a moneyless ec. -- tho if asked this point blank he would not concede no doubt.

Hayek wrote Prices & Production on very high level of abstraction. After Wicksell.

In Knight's theory, expectations are perfect, hence play no role.

Buch. thinks confusion over i.r. is that people who discussed it weren't clear on their assumptions, as to what kind of a world they were talking about.

Knight's description of how int. can arise by exchange of 'cons. goods' vs land is simplest possible theory of int. -- even abstracts from capital accumulation.

Then Knight brings in cap acc. -- & mp of cap. determines. In Engel. article. ~~Time pref~~ Supply is socially conditioned, demand is from productivity. He does not object to time pref, but doesn't stress it.

Socialists often argue that should be no int, because intra-marginal ~~labor~~ savers would save w/o int. But they also argue that people will work with no returns for work, just getting flat payments, just for prestige. So, should there be no wages?

Knight says that as cap. acc. increases, prices of cap. intensive goods fall relative to others, thus cap. yields fall.
Non-reproducible goods cannot be increased, rise in price.

(thus he is distinguishing between Land & cap, in spite of everything he said before)

So he says i.r. tends to a Low eq. rate. But is continually prevented from doing so by inventions. The eq. rate being one at which no new cap acc. would occur. Criticizes Marshall for implying that eq rate would be approached in reality.

→ Knight speaks as tho capital just automatically replaces itself, & Hayek wants him to ~~stress~~ stress decision to reinvest -- I agree. In fact, Knight ignores possibility of disinvestment, which Buch. thinks wrong -- whoops, Buch thinks it impossible to disinvest, now, with big factories, etc.

— Knight, Austrians, Marshall, are all productivity of cap. theories, not so different.

→ Monetary theories -- come down to same thing. On supply side, beside natural sources, have banks. Demand side, use, & hoarding.

→ Modern theory says that on market you have demand for hoarding as well as to invest productively, etc etc, all brought together.
(Machlup has theory of delay hoarding, that after hoarding has gone on a while, people think rates going lower, hoard more.)
Can also be treated thru price of securities.
Gets you into rate of exch. between m & other securities, which leads right into liq. pref.

Buchanan, 200B, May 8

(Take work with investment advisory outfit, learn how to invest own funds, thus get into practical)
Ec. research & forecasting for some business)

Interest

In a liquidity crisis, people pay very high rates for cash to avoid bankruptcy, & these rates have little to do with productivity at times.

Stick with Somers

Keynes etc. just said that in particular circumstances influence of liq. so great, that you might as well think of it as whole story. But he would not say this was always true.

Buch. thinks we should now look forward to being chronically short of capital, & savings will be inadequate. He is discressed at how many graduate students think mainly in Keynesian terms

? Ass - Hart -

May 16 Profits. Is in saddlest shape of all.

Static state of Knight, no profits. Then Knight brings in uncertainties, someone must risk them, therefrom profit.

Schumpeter's ~~gain~~ profit: ~~from~~ first innovator getting them, as others lag coming into field.

Buch. also says some special advantages, like good sites, yield a 'profit'. But he is vague on distinction of rent & profit.

Knight distinguishes risk & uncertainty, & others have followed along. Risk is what you can calculate actuarially, insure vs.; uncertainty is what you cannot predict. Risk is simpler, just two possibilities, you live or die, you can get records & make predictions. Thing is repetitive, hence subject to laws of probability. With uncertainty you have events of different qualities, infinite possibilities.

How far ahead do people form expectations? & what do they take into account? Hart brought out & isolated everything that might enter into it. -- got pretty complicated.
& what in fact are major determinants of expectations? On what based?

You start with a plan. The further you go, the less flexibility, for you have taken options of e.g. 2, have to finish the other.

You look to future, ask by what date you will achieve a certain goal. There is a most likely, a mat., & a min. time.

These anticipations affect current behavior
Mostly anticip are quantitative.

H

H

Thinks Hart's elaborate studies are a waste of time.

H

H

Ass. Marshall, Book 5, Prime., ch 4, 8-10
Book 6, ch. 11

Readings. Gordon & Cram.
& Boulding & Buchanan on 'surplus'
Hart in Rdgs

Rolph, Earl, The Discounted Marginal Productivity Doctrine

The doctrine is simply that "the product" is not what the factor produces immediately, but what is finally consumed. And that the value of what is finally consumed must be discounted to present to get value of what factor produces. Which is obvious & trivial.

But the discounted mp doctrine is associated with the doctrine of "non co-ordination of factors", that because some factors receive a discounted share, others receive a share determined in some other way. (a residual?) Rolph thinks this an error. p. 282

This theory has origin in notion that labor is only factor that is "really" productive. And other agents only get something because labor's product is discounted. W (Recall Smith in class, raving about Bohm-Bawerk) Wicksell included land with labor as productive, said capital advanced things to them, so their products were discounted, where capitals were not. Rolph thinks correct to take value of thing at time produced, call this the product, no discounting.--which is certainly ok.

Rolph identifies wages-fund theory, which he disputes, with idea that only labor is really productive. i do not see any nec. connection, tho it could be that by wages-fund doctrine it seems that capital's returns are just due to its scarcity or bargaining power or something, its strategic position, not to its adding any product.

Lange also has an "asymmetrical" view of factors. He distinguishes money capital from physical factors, the money capital is not co-ordinate, but super-ordinate, being a means of employing the physical factors. When product sold for more than was paid for it, excess not due t productivity of capital, but just to scarcity of money capital.(useful ess of money, as means of giving goods to people before their own products are usable, is of course the "productivity" involved)

Rolph points to goods in process of production as the capital producing a service for which interest is paid.

Cash also is productive by itself, because of unpredictability of outlays & income.

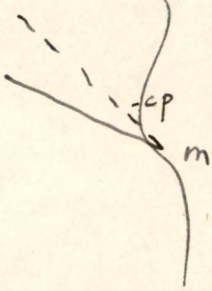
Interest is determined by the productivity of capital -- he follows Knight pretty much.

Thoughts on distribution

The mm curve for cap. still shows the rent caused by adding cap. But not that from adding labor. To get last, show labor mp curve as it is after entire Δ cap added, bring it back out to where it was. Δ rent from labor is all under new curve – but this is 'rent' to both cap & land

The cp cap curve shows tp. (assuming cap. is limitational)

Δ in land rent is found by adding Δ from mm cap. curve & from mm labor curve. As it is Δ we primarily seek, this may be enough.

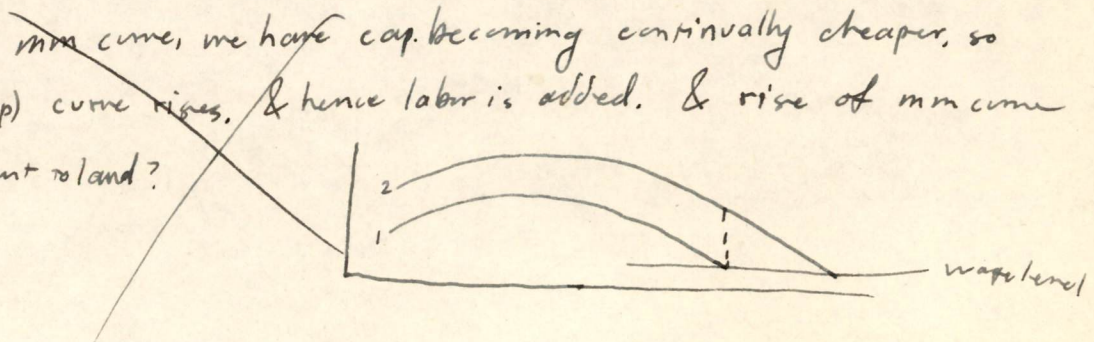


The mm cap. mp curve shows amt added to tp by Δ cap. when labor is used such that labor mp = steady wage level. Why is mp cap. at any time higher than ultimate margin? Because of excess land ratio – not excess labor ratio. Hence all mp above margin goes to land. Whence comes ~~wage~~ product to ~~pay~~ impute to Δ labor? from labor's own mp, not shown here.

Take any particular Δ along mm cap mp curve, & all above marg. cap. return clearly goes to land. ~~As labor is added,~~ & what labor there is is getting marg. pay, from own mp.

Adding cap. then raises labor mp. Allowing more labor to be added.

On labor mm curve, we have cap. becoming continually cheaper, so mm (as well as cp) curve rises, & hence labor is added. & rise of mm curve shows a rise of rent to land?



~~Have Boyson & Reed & Scotty Sunday sing~~

→ Ass: Shoup, Principles of NI analysis. ~~Buy.~~ Read first 5 chaps.

Buchanan, Wednite, Feb 14

Ec 200A is partial eq. analysis.

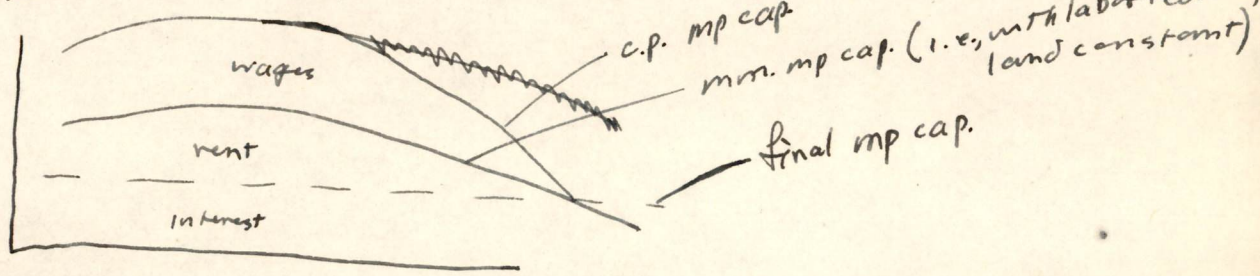
Last 25 years, attention paid to distribution theory has fallen markedly. Elementary textbooks avoid subject entirely.

Reasons: Ec-ists dissatisfied with analysis. Few went so far as to say no relationship of prod. & wages, but it got far from J.B. Clark's simple idea in 'Dist. of Wealth'. Now we have Lester. Idea you must introduce lots of institutional matters, which couldn't be subsumed as 'frictions'. Besides, you couldn't deal then with many important questions.

No 'price theory' in old days, now we have immense literature on various market situations.

Now we have, also, money playing an independent role.

The mm curve shows the mp of cap. when its mp exceeds margin only for reason that land is excess – not that labor is. Hence is ~~an ex~~ a super margin going to land alone. Any pt. on curve shows what a unit of cap. would produce when labor is at margin. The excess over cap.'s margin is due to land excess, not labor excess, goes to land. The labor you add as you go along is not responsible for the level of curve behind it, hence no labor rent. is shown in that. To show labor rent'd, take final amt of labor, hold const, reduce cap. Then the curve would be drawn with labor in excess too, & area under it would be tp; difference of areas is wages

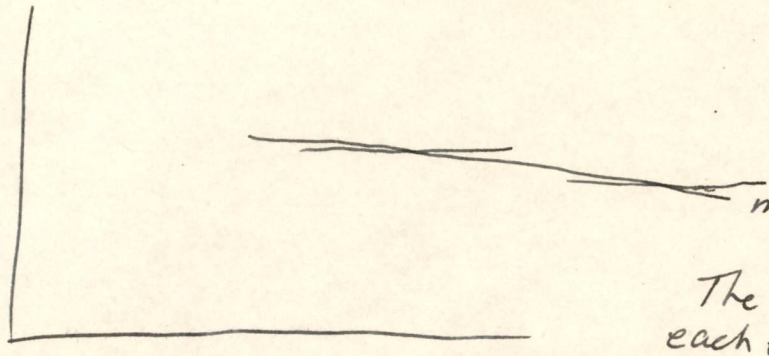


(incidentally ~~if~~ to be completely analogous, bottom line should be ultra mut. mut. mp of cap, i.e. with land being reduced, too, to keep its mp const. as cap. & labor withdrew. In which case it would decline to left, as you got below opt. size.)

– –

No, the Δ rent is just that under the cap. m.m. curve. For this curve shows the Δ in tp caused by adding cap. with labor whose mp = wage. Hence all Δ tp is subsumed here – the labor cost is subtracted from composite Δ tp of labor & cap. in opt. combination to show mp of cap.

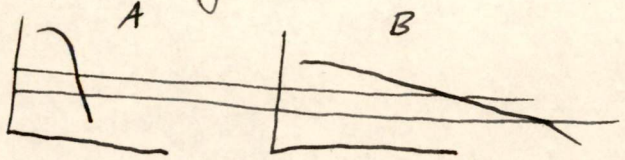
So graph above is correct. All rent is subsumed in rent created by Δ capital. Rent created by Δ labor is subsumed in it. – because of construction under assumption of const. wages, vble i.r. All the rent wages create is reflected in mp cap.



The labor added will have mp = wage each time. No excess. So graph of labor's mp is just horiz. line. No Δ to rent. — not subsumed in cap. curve, i.e.

So this straightens out graphing. Actual size of unimputed Δ remains indeterminate. Must confess another inequity, incid. — some lands will have big triangles, some small.

What is 1st inequity?



A, the ~~cap~~ land using little cap. in opt. use, gets a small Δ to rent by prop. tax ~~forgiveness~~, B gets a lot. Rent was same, so A's land tax rises more than rent does.

So the inequity of the triangles is just an ~~addition to~~ extension of that already mentioned, mainly.

Stigler: Prod & Distr. in short run. - 1939

Law of diminishing mp. requires adaptability in form, but not in number, of fixed factor. Seems to me by same token when you cannot change amt of fixed in short run you cannot change form either.

Form is fixed, short run he says, & ∴ maybe m.c. won't increase. (seems to me this makes them increase faster) (his assertion of constant m.c. over range, here, inconsistent with his 1946 position that raising wages causes employers to hire men to raise mp) (sometimes it would, as with shovels. Only in case of unused capacity would it not)

Divisibility & adaptability, various cases he runs thru.

if plant 'perfectly divisible', no falling a.c. possible, since you can keep some of plant idle rather than allow production in first part of curve.

When plant divisible, a.c. & m.c. rise much more slowly than when divisible.

The more adaptable the plant, the less steep m.c.

Flexibility can be built into plants.

Joel Dean, pioneer stat study of marg cost, 1936, discovered:

1) relative const. mc over usual range of output. (note this is strictly short run, if true, & also it implies idle capacity) - Stig. explains on plant flexibility basis.
2) Some costs behave erratically

Marshall called any return to 'temporarily specialized' factor quasi-rent. - because it didn't have to be paid. Marsh. implies that mp is relevant, doesn't prove it, for short run det. of quasi-rent. I say residual & marginal determination are identical, - Stig. says no. (doubtless due in part to his erroneous idea that Emp ≠ tp sometimes)

But he says: 'since quasi-rent residual, is also a mp'.

Cases 1. One factor, rend is mp
2. 2 fixed ind.v. factors, quasi-rents indistinguishable. (wrong - me still can conceive of what you would give for a little more of each)
3. Same as 2 but divisible, hence vble. at margin, quasi-rents are in prop. to mps.

Bohm-Bawerk's theory of distr. would say quasi-rents equal what ~~goods~~ close subs. are worth. (opp. cost theory?)

Partial adaptability 'reduces indeterminacy of mp'.

Short run alterability of plant gets more complex than theory has so far. No assurance of unique equilibria independent of path used to reach them. (Cbs.?)

The residual claimant may differ from cap-ist; it is he who takes risk of loss. He may borrow cap. Yet he must have some cap. of own, to cover losses. Else, he is not really the residual claimant. Thus he is uniquely assoc. with capital. But not assoc. with all the cap. in the enterprise – indeed, the 'bailing out cap.' might all be outside enterprise. So risk taking, or being residual, is a function in itself. The land & cap. he uses have their presumed opp.-cost, at which accounted. They not resid. Only his management is that. He has the stuff, what he does with it counts.

"Profit", Frank Knight

Classics thought of it as return to "businessmen in moneyed class". A residuum after rent & wages. Classics didn't show how prices were determined. Utility theorists developed distribution problem as pricing of factors.

Mill,& predecessors more vaguely, had 3 components: of profit interest, management, & "risk". But even Mill then lumped all as profit. French school early differentiated ~~xxxxx~~ profit & interest, former sort of wage.

Modern idea is profit is attributable to no factor, goes to entrep. b.s. Thuen anticipated. JB Clark really put it over.

Marx etc abolished distinction of land & capital, which Knight thinks "very dubious". p. 536, amazing b.s., confusing rent & interest.

Knight thinks of profit as income of owner of business as abstracted from any material thing. This is US tendency, Britain tends toward including all equity return.

In complete eq, business owner would have no function as such (but only as manger etc, i.e. -- a dubious distinction) & get no profit. Profit is only from disequiblibriu. Element of it in all incomes. Near truth - cap. gains from shifting values is essence of this thing that eludes them.

Compromise position sought. Contractual vs residual income. An alternative to disequilibrium def.

Monop. income needs a separate category.

What is the service that gets profit. Risk. But only uninsurable risk. Hawley propounds this.

Alternative to risk theory is JB Clark's equilibrium theory.

Knight's theory of profit combines risk, change & business ability as causes. Risk associated with change.

Great empirical variation of profit.

~~buy xmas stuff. Xmas shopping~~

Rolph, Fri, 10 Dec.

Land vs. cap. — As more cap. produced, land is worth more - another difference.

Inv. I

What if Robinson Crusoe invested? —

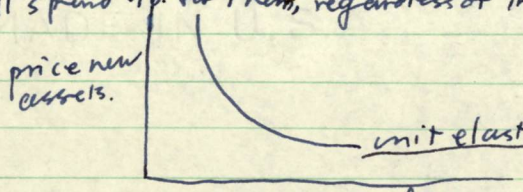
U.S., more than in Eur. JBClark more accepted. (productivity of roundabout methods, idea of B-B, as source of interest). JBC said cap. as abstract fund is productive, not as material.

Knight for Clark, Hayek for B-B, (Haberler, Machlup, Hicks, Lange, all Austrians, for 'roundabout production'), controversy never died down again.

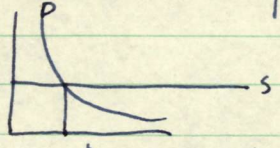
Essentials of Knight. 'Quantity of capital' hard to define, Knight poor on this, is Clark's idea fundamentally. No lag in time, nothing roundabout. Production always brings results. (sounds like Fisher) No product is 'finished,' production continues until finally consumed. Effort always has immediate results. (consumption bad word, say enjoyment). Everything not immediately consumed is new asset. Nothing roundabout about it. (I say you can distinguish in degree between things consumed early & late in their lives, with justice) (& between ~~things~~ net inv. & not, etc.)

Knight says cap. directly productive, can impute its mp to any machine. Cost theory of rate of return. Each person who might invest in real assets treats all as perfect substitutes, because will yield same net inc. (but if people don't assume they know, difficulties) (& I say if opinions differ, not perf. subs. to any individual) So demand is perf. el. — b.s. — for any one asset. (But not essential to argument)

Total demand for all new real assets det. by am't saved, Knight he treats as parameter here. Will spend $1 p. for them, regardless of inc. from them.



Supply side is cost of producing asset yielding $1.00. Assumes it is constant to variations in am't of production of new assets. — i.e. that i.r. won't fall when more cap. is supplied, which is b.s. This is assuming i.r. to be unchangeable over L — but he means short run.



So if it costs $10 to produce asset demanded at $100, 10% i.r.

Over time, i.r. tends to fall. Then cost of unit that will yield $1. rises. (Sch. said i.r. would be 0 without innovations)

So, basically, Knight just has S&D curves, they meet. Called a marg. productivity theory of i.r.

Mon. Nov 29 10¼

3. Enterprise, profits, & the Modern corporation.
Robert A. Gordon.

Objects to profit as residuum, simply.

Repeats Knight's history. After M, II, owner-entrep. distinguished from cap. supplier.

3 schools grew: 1. profits were reward for production; 2. 'pure' residuum, ~~for~~ accidental & functional; 3. monop.

1. Marshall, quasi-rents.? Neglected demand. (changes in demand?) Entrep. makes own demand. Walker explained profits in terms of Ric. rent, only explains differences. Hawley explained as service as risk bearing. But doesn't apply to corp (should it be too hard to)

2. JB Clark, Walras, Knight, Schumpeter. G. thinks these are essentially nonfunctional explanations. (Object, but I see what he means - no labor or waiting. He doesn't see risk as a function.)

→ Entrep. function is control, management not risk. (good-enuff, call dividends interest, not separate risk returns from other. - Tho some separation useful as I have shown) But some incomes are. from exploiting inst position. a) Manipulating b) Residual to equity

Bain.

Ch. 10: Distrib.

Stresses marg. rates of subst. as determining costs.

Overdoes it -- you cannot explain factor value in general that way. He says land valuable because substitutable for labor, &c.

He clearly recognizes difference of land & cap.

Robinson, Joan, The Classification of Inventions

She formerly called inventions "neutral" is they raise mp of labor & of capital in same proportion, is labor saving if it raises mp of cap. more than that of labor, and v.v. -- she limits it to the two factors. Now a new def. she suggests, in which they are neutral if the "relative shares" (rates or totals? Probly rates) are unchanged. I skip the rest.

Lange, Oskar, A note on Innovations

Firms are faced with probability distributions of expected revenues and costs. Mode and range of distribution important. As between two equal modes, they will prefer that with least range.(I wonder)

Haley SCE, pp. 26 ff, on Distribution.

Hicks classified inventions, labor saving & cap. saving. Mrs. R. amended, considering ultimate effects -- i.e., if invention is imp cap, it will ↓ amt of cap, thus, tho originally ↑ing relative share of cap, finally bring wages back up.

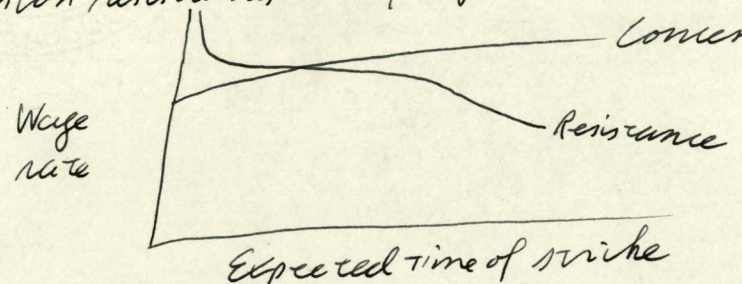
Bloom said was not changes in factor p that induce certain kinds of inventions, as Hicks had it, but persistent conditions, ep. persistent high wages, do it.

Lange has oligop. influencing type of invention, factor saving rather than output ↑ing.

Profits: Some still regard them as a residual, others as the return to entrepreneur. But these 2 are the same, because the residual is ... (v. Stigler's proof)

Hicks, Theory of Wages

Union resistance, & employers concessions, curves:



Curves no good, I think. Imply that after the strike, you are sure of winning, that length of strike means how long it takes to get your way. But you may do no better.

When business good, employers will do anything to avoid a strike, demands can succeed. When bad, they welcome strike, will close down for years.

Is usual to pay flat rates, let unemployment Δ instead of making special low rates for incomp.,... great resistance to -ΔW, ~~etc~~ even when wrong. Takes some unemployment sobering up to bring 'em around.

In Eng. unions aware of subst. when they jack wages, so have concentrated on preventing technological advance.

Marshall, Principles

Rent is effect, not cause. Only on margin, no rent, can we say cost of production determines price.

p. 148 "... much good land is poorly cultivated because those who would cultivate it well have not access to it."

The Washington Post
Sunday, April 18, 1943

Army Town Rots Under Layers of Vice and Greed

By Agnes E. Meyer

LEESVILLE, LA.

The first person I encountered as I was about to enter the town of Leesville, La., adjacent to Camp Polk, was a prostitute who sauntered along the highway under the bright midday sun, in a flamboyant negligee and a hair-do more appropriate to old-fashioned melodrama than the year 1943. Her presence explained the sinister looking contraptions—they cannot be called buildings—which adorn the road on both sides. A few city blocks richly studded with beer hall signs brought me to the U. S. O., where Leesville's Chamber of Commerce had arranged a little luncheon in my honor.

Camp Polk, headquarters of the Third Armored Division, is the largest of several military units that are spread over three counties Rapides, Vernon and Beauregard—or parishes, as they call them, in the State that was once the hegemony of the Kingfish.

They are so sparsely settled that in each case the county seat is the only community of any size.

As the Army officials had invited me to spend the night at the post, I had motored 65 miles the evening before, from Alexandria to Leesville, through some pine forest and much timbered land covered by the pup tents of bivouacked troops.

Humiliating Picture of a City

After dinner my host, Major General Crittenberger, in command of the military forces, showed me an Army post whose clean, efficient and orderly arrangements now stand in my mind, as the background for the most unsavory, chaotic and humiliating picture that I have ever had of our American civilization.

The Chamber of Commerce luncheon began with prayer. I sat through the encomiums of me, of Leesville, of the American Army, with nervous misgivings, but my response to the situation was exemplary, until I asked one of the city fathers for the exact number of places selling hard liquor in Leesville. He answered 24. I thought he must have said 240 and asked him to repeat it. My only inference could be that he hoped I could not count.

In the main, this town is the backwash of the ruthless devastation wrought by the lumber companies who came into this district to despoil the hillsides of its pine trees without regard for anything but their own pockets.

When they moved on, a small group of the laborers remained for reasons unknown. This was Leesville's first boom. When it was over, there was nothing to do, and a part of the population still remembers the Kingfish with gratitude because his largesse was the forerunner of the WPA.

First Complaints Were Reasonable

The impoverishment of this population of some 3500 people must be kept in mind if we are to be just in evaluating their reaction to a war boom which first swept in large construction gangs, to be followed by an Army post that constitutes a city in itself, and camp followers that raised the local population to more than 18,000.

At the luncheon I heard reasonable complaints. The sewerage is, as usual, inadequate for the spread of the city. The disposal plant had been completed with Federal aid, except for the pump. The WPB advised Leesville's mayor to buy it second-hand, but he only succeeded in borrowing one from a neighborhood businessman who makes ice.

The time is at hand when the owner needs his pump if there is to be any ice. What to do? The disposal plant must stop functioning when the iceman takes back his pump.

Garbage is a problem, as I had noticed even in a journey of three blocks. All over Leesville it is obvious that there are no garbage containers to be had, no trucks to haul the refuse away. *It lies in heaps behind the cafeterias.* It rots in pools of stagnant water. It chokes the little streams that trickle through the town. Could such conditions be blamed on Leesville? Nobody seem d to think so.

The general hospital has only 30 beds. A new one was promised by the ever-promising Lanham Act administrators, but somehow it got lost at Forth Worth to another community that is politically more potent. Another bit of hard luck.

Tour of Inspection Tells a Story

Housing is needed in spite of the 600 new family units, because soldiers' wives come in droves to stay with their husbands and have nowhere to lay their heads. I listened to heroic accounts of the efforts made by private citizens to help them out.

My heart was touched with tales of old parents who come to see their boys and sleep in the hotel lobby.

I was almost reduced to a state of abject sympathy—almost. But I could not forget the slatternly prostitute, nor the answer about the 24 liquor dealers. With a last revival of caution, I shook off the city fathers by announcing that I would go look into all these things for myself.

I asked first to be allowed to inspect the Quarantine Hospital for prostitutes infected with venereal disease. Here, as in all acute war areas, there is a United States Public Health Clinic that has a control program and makes the Wasserman tests for the community.

Dr. May, the State health officer, heads the clinic, and Dr. Carl Kuehn, United States Public Health assistant surgeon, is temporarily in charge of the Quarantine Hospital. There are 75 inmates, half of them white, half colored.

The buildings and grounds are inadequate, like everything else in Leesville except liquor and vice and human greed, of which there is a superabundance.

But I must, under no circumstances, get ahead of the day's itinerary. This hospital is doing a first rate scientific job. What is the upshot of it all? The money is lacking to do an adequate social follow-up. Mrs. Sophia Belle May, who is vocational counselor of the institution, does what she can with the help of one assistant, to send these girls home when their cure is completed, to place them in training schools or in positions for which they are equipped.

Agencies Not There Where Needed

The social agencies needed for the continuation of follow-up work do not exist in a rural State such as Louisiana. Several of these girls should be sent to feeble-minded institutions; most of them need psychiatric treatment. That calls for funds and personnel.

So primitive is our handling of this social, mental and physical problem that the patterns for after-care have not yet been established.

I was told that the social protection division of the Office of Defense Health and Welfare Services has been denied funds for a rehabilitation program. Private resources have not, to my knowledge, done any pioneering in this field. As a result, most of these girls slip back into their profession and the valuable work of institutions such as this Quarantine Hospital is only of temporary value.

No Policy Exists With Civic Leaders

The procedure for apprehending the prostitute is equally nebulous. Police and military agents vascillate between uncertainty as to what is expected of them and wholesale arrests that are called "clean-ups." The charge of vagrancy puts these girls out of circulation, but only for a short time.

The frantic solution of the simple-minded is that they be put in a concentration camp for the duration.

The responsible authorities everywhere would like to be given a more precise delineation of procedure.

Perhaps thoughts of this sort, even though not wholly conscious, affect Leesville's civic leaders and account in part for the fact that they apparently have no policy whatsoever. Ladies of easy virtue, imported and home-grown, are very much in evidence. One pathetic by-product of their prevalence is that some of the A. D. C. mothers (those receiving "aid to dependent children" assistance), tempted by the chance to make easy money, have taken up this way of life and neglect their children. I visited the honkey-tonks, but a few of them were enough, especialy as it is not at all necessary to verify the situation with such detailed research.

There are no organized houses of prostitution left. The Army has seen to that. Since Major General Crittenberger arrived six months ago, he has persuaded the State to appoint as head of its police force Capt. Winyard M. White, who is no more to be de-

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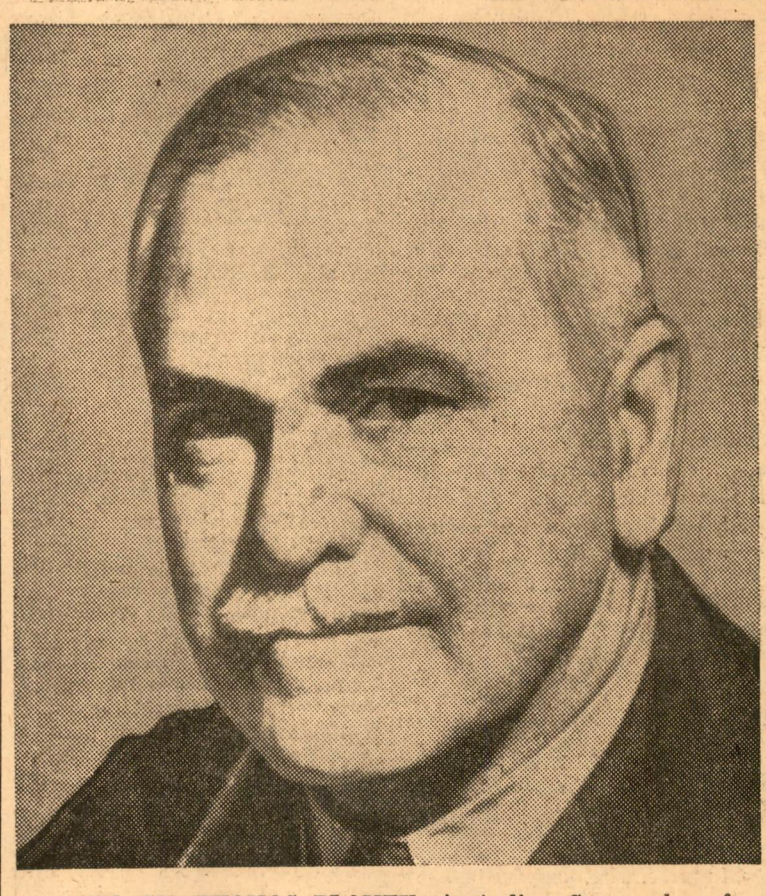
VOICES FROM THE PACIFIC—



DR. HERBERT J. EVATT, AUSTRALIAN minister of external affairs—"It is suicidal to permit Japan to dig in . . . the Australian people are naturally impatient at the thought of the long delay"



GEN. DOUGLAS MacARTHUR—Allied commander in the Southwest Pacific—"If we lose the air, naval forces cannot save us"



GEN. SIR THOMAS BLAMEY, Australian Commander of Allied Land Forces in the Southwest Pacific—"The Japanese are out to regain control of the air so they can recapture the initiative of action generally"

Also in This Section—

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GALLERY GLIMPSES—Sid Simpson, who ran with "Wild Decoys" plank . . . . . Page 2

John Kearney has more information about the District's animal population . . . . . Page 3

Washington not war minded? Here's an answer to critics from the outside. . . Page 3

Text of Justice Frankfurter's address on the bicentennial of Thomas Jefferson . Page 4

Nisei now have their chance to demonstrate loyalty to the United States . . . . . Page 4

EDITORIALS, Letters to the Editor, special news features . . . . . Page 6

Food and famine—a survey of prospects for Washington Purchasers . . . . . Page 8

Jap Bom… But Can't…

By John G. Norris

Post Staff Writer

Two new offensives launched in the Far East last week set the long-simmering Southwest Pacific pot to boiling furiously.

Japan, having considerably expanded its air forces in the perimeter of island bases north of Australia, launched a series of heavy aerial raids on Allied bases in New Guinea.

This air offensive was followed immediately by a full-blast verbal one on the part of Australia's Governmental leaders and Allied military commanders in the Southwest Pacific.

More Planes Is Plea

Voicing alarm at the possibilities of the new enemy move, they put forth new demands that their theater of war be given a larger share of United Nations strength.

Quite naturally, Allied fighting men and civilian leaders in that part of the world have always disagreed with the grand strategy agreed upon by the British-American high command to "beat Hitler first."

They were not saying so last week, however, at least not publicly. Just more planes was the cry from Down Under.

It has been reported that General MacArthur has asked for 7 per cent of the American production of aircraft. That doesn't sound like an excessive demand, but it must be noted that it is bombers he wants.

America's aircraft factories are now turning out well over 500 planes a month, but only a fraction of these are heavy and medium bombers. Both types are greatly needed in every theater of the global war.

How to Apportion

The question raised, therefore, by the demands from the Southwest Pacific is how the considerable, but limited, United States bomber output can best be divided.

Only those having access to the full facts available to the Combined Chiefs of Staff and the top leaders in Washington and London are in a position to accurately pass on this problem.

But some light can be cast on the situation if we remember that the Southwest Pacific leaders are seeking a change in the allotment of bombers to the various fronts—a division that must be constantly reviewed—on the ground that the war situation there has been altered.

In other words:

Should planes scheduled for England, Tunisia or Russia be diverted to Australia?

Is it more important that bombing raids on Japanese outposts and ships be stepped up than that similar attacks on the industrial heart of Germany be intensified?

Will additional bombers sent to New Guinea now pay more dividends than if dispatched to North Africa?

Danger Called Real

Australia's political leaders declare that their country is in real danger of invasion, as the result of the Japanese aerial reinforcements and new mass raids on New Guinea.

Prime Minister John Curtin declared in Melbourne that the enemy threat "is clear" and that the recent air attacks were only the prelude to a general offensive action aimed at Australia.

Air Minister Arthur S. Drakeford proclaimed that Australia is in "grim danger" and that a "great onslaught" by Japan is impending.

Here in Washington, the Australian Minister for External Affairs, Herbert Evatt, charged that Australia was bearing the brunt of the war with Japan. Evatt is in Washington to present the Southwest Pacific theater's case for a larger share of United Nations' strength.

In Perth, Australia, Army Minister F. M. Forde went even further in warning of danger to his country. Persons who belittle such warnings, he declared, are "doing enemy's work."

Blamey Cites Danger

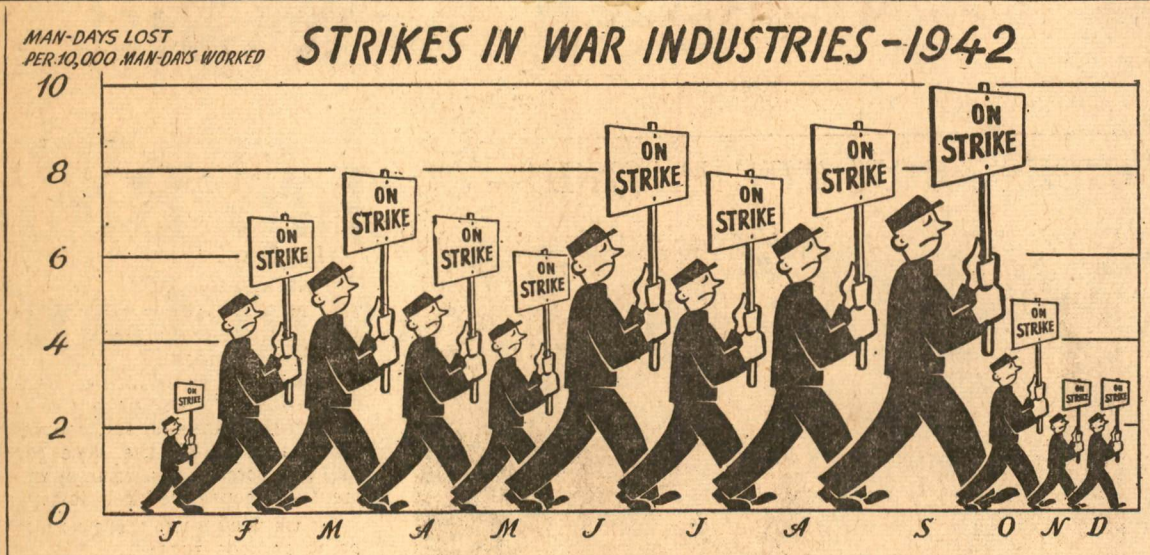
Gen. Sir Thomas Blamey, Australian commander of Allied Land Forces in the Southwest Pacific, in an interview, set forth the nature of the danger with which his country is threatened.

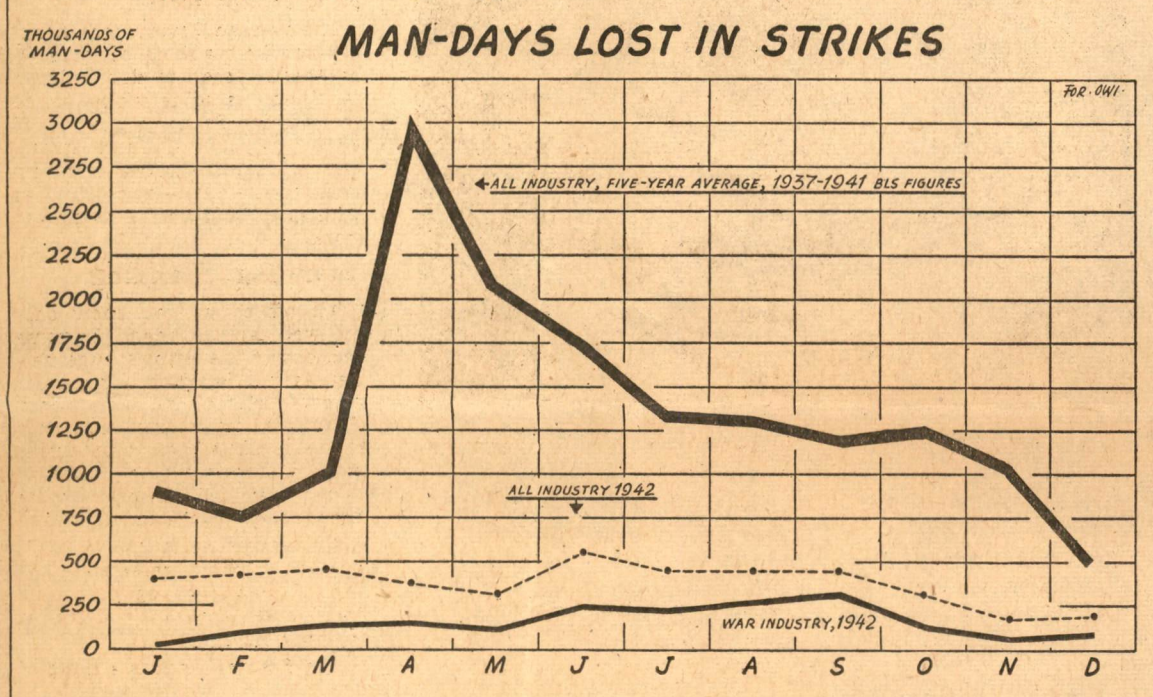
The Japanese air offensive, he said to reporters, is an attempt to regain control of the air from the Allies. Already some 200,000 troops have been concentrated in the island perimeter north of Australia, plus a strong air force.

Allied air power stopped the Japs before in the southward march, and now they are attempting by heavy raids on our New Guinea air bases to knock out the American-Australian air force. If successful in this, the enemy will then "resume the initiative," Blamey indicated.

Knox Reassuring

Asked about Blamey's statements, Secretary of the Navy Knox said in Washington that he didn't know whether Japan's recent air raids were offensive or defensive in purpose. He pointed out that "an attack on Australia must be accompanied by a tremendous sea force and there is





ALL INDUSTRY, 1942—These figures are provided by the United States Bureau of Labor Statistics. November and December figures are subject to later revision

WAR INDUSTRY, 1942—These figures are gathered by an interdepartmental committee on war strike statistics, consisting of representatives of the War, Navy and Labor Departments, the War Production Board, the Maritime Commission and the War Labor Board

Vice, Greed Rule Army Town

Continued from Page 1

terred in the performance of his duties than the Army officers.

But the next step in a campaign to control the spread of venereal disease among our troops calls for the apprehension of the scattered prostitutes and of that new war product, the "amateur" or "pick-up girl." For that, the united efforts of all the forces of the law, and health authorities, both state and local, are necessary, together with another element which is stronger than all of them put together.

That is public opinion.

You need not go far in this wide open town to realize with brutal clarity which of these elements is most conspicuously lacking in Leesville.

Conditions Return

The local authorities have allowed the town to be overrun with cheap liquor stores that vie in their unwholesome influence with the so-called restaurants and cafeterias. When things go too far and one of these places becomes notorious, the Army officials put it out of bounds.

But a city hot-spot cleans itself up from every point of view, presents itself for inspection, and has to be restored to the status of respectability.

In a week all the old conditions are back again. Every one of these establishments selling hard liquor pays $500, the maximum state license fee in Louisiana. It is divided between the State and the locality, thereby putting a certain amount of responsibility squarely upon the Governor's doorstep.

Matter of Honor

When the Army has done everything it can do, without declaring a whole city out of bounds, the honor of that city and of the State government is involved.

The excuse of inadequate funds for law enforcement cannot be put forward when real estate brings high rents, when liquor licenses alone amount to several hundred thousand dollars, and liquor sales to the soldiers add up to a small fortune, without counting the beer racket.

The Army has the other alternative of taking over the whole community. This disgrace to the State the military naturally seek to avoid, but in Leesville it is probably the only solution.

Major General Crittenberger assured me that in spite of the lack of cooperation from certain elements, the educational program and other protective measures have decreased the venereal disease rate in his forces during the six months he has been in command at Camp Polk.

Yet anyone seeing Leesville knows that this rate must be higher than it need be. It cannot be possible that Louisiana will allow these shameful conditions to continue if the authorities, State and local, will add up the man-hours of which their carelessness is depriving the armed forces of the Nation.

What Neighbor Did

The problem is not an easy one, but the proof that it can be solved is indicated by the fact that DeRidder, less than 20 miles away from Leesville, is a clean city and a dry city, although its opportunities for profiteering are equally great.

This population and its mayor foresaw what lay ahead and passed zoning laws that made it impossible for the dives to get started either within or around the city limits.

I might have had some sympathy for the Leesville city fathers because of the sheer magnitude of their problems, whether it be a question of prostitution, liquor, or filthy streets and restaurants. But all sympathy went out of the window when I saw with my own eyes how the property owners of this city gouge the poor soldiers' wives by renting hovels—literally the most disgraceful hovels—to these helpless women and the omnipresent baby, for fantastic sums.

Old barns deserted by construction gangs, chicken coops, improvised structures thrown together with a few boards, a piece of corrugated iron and whatnot, are all brought into use for this purpose.

Toilet Kept Locked

I went through many of these slums. In one place there were a number of sheds behind the main house, like a series of pig runs, each just big enough to hold a double bed. In this collection of barracks were 35 families with a horde of little children, each tenant paying from $30 to $50 a month. There was a single toilet and shower. The toilet was locked and every inhabitant had to run to the landlady for permission to use it.

"They waste too much water if the place is open," explained this individual, with the utmost unashamed nonchalance.

Of course, what happens is that most of the people, especially at night, do not ask for the key.

In the next place, a building that had been condemned before the boom, were 14 families in rooms no larger than the pig runs. These women were all young. There were 12 babies under a year—"all boys," as the mothers told me proudly. The water comes through the roof whenever it rains. Somebody had enough conscience left to build a wooden outside staircase to the second floor of this firetrap.

The bed quilts which the women showed me were execrable with the deposit of former inhabitants. For these hovels—one room about 10 feet by 12 feet—these soldiers' wives, who get a monthly allowance of $50, paid $30 or $35 a month. There was one electric bulb, no water except on the ground floor.

Three of the newly arrived babies were sick. The milk in dear old Leesville did not agree with them. The milk shortage is acute because there are very few dairy herds in this cutover timberland. The milk is imported from various distances; much of it is of dubious origin and the town has no pasteurizing plant.

The babies not only sicken; the funeral director told me he had buried "lots of them" in the local cemetery. As there are but 30 beds in the hospital and children come in to the world anywhere, anyhow, a high mortality rate is not surprising.

The next barn—165 feet long by 50 feet wide—had no ventilation except screens completely covered by a wooden flap. The roof was high. The partitions ran up only 10 or 12 feet. In the first division were four beds. Three of these were for three people each.

I asked the female ogre in charge whether these vicious looking beds were actually rented to three people. "Oh, yes, why not?"

One of the rooms, I was informed, is used as an informal place of assignation. In the corridor was a sign, "No drunks allowed." In one division a woman sprawled, half naked, on the bed. I did not enter the room. It was impossible not to see her through the openings between the boards of the door.

'So Glad' She Found It

In the room just opposite stood a charming, cultivated, carefully groomed, young girl of about 19, apparently the daughter of gentle people. I was so shocked to find her in this loathesome dive, that I said: "Child, what are you doing here?"

"Oh, I'm so glad I've found a place to lay my head," she replied. "I have been wandering around all day alone. I've just come to meet my husband and haven't been able to see him as yet. I wouldn't have found this if a kind clergyman hadn't helped me."

Kind clergyman, indeed! There were five divisions in this barn, each holding 10 people, except the two small ones. It is owned by a native who is highly respected. She charges each of the 50-odd inhabitants $32 a month for these accommodations, a monthly income, therefore, of more than $1600.

Reliefers Were Ousted

When the rents began to soar, the poor people who were recipients of public assistance, and paid but a few dollars for their hovels, were rudely tossed out to live in tents or anything else they could find, because these sorry dwellings could now command real money.

Food prices soared. The welfare organizations increased relief in an attempt to keep pace with the increased cost of living. It is also true that many people on relief found jobs, even the elderly ones, but those who could not work were in desperate straights.

There is some point in putting up a modest amount of housing in this community, if only to break the stranglehold of the Leesville real estate owners upon the soldiers' wives. But there could never be enough housing. If the FHA put up a thousand units they would be filled in ten days. The authorities are agreed that these mass migrations must be stopped.

The Army has done everything posible to prevent the wives from coming to the military centers, as they distract the men from the main job in hand—that of becoming good soldiers.

Major General Crittenberger made the excellent suggestion that a Nation-wide campaign by radio and press should be organized to impress upon the soldier's wife that she can help the war effort most by remaining at home. A Government order that only people with war work may travel is another alternative. For their own sakes, and those of their babies, these women should be prevented from putting themselves at the mercy of a community such as this.

About the Jail

I did not have time to look into the problem of juvenile delinquency in Leesville, but I wondered, as I saw what greed was doing to this community, whether the adults ever stopped to consider that these conditions must be destroying the innocence, if not the very minds and characters, of their children.

Youngsters know better than anyone what is going on in a small town. What must these children be thinking of their elders?

As I look back, I admit it is not quite honest to say I did not have time to talk to the children. I could have made the time. The truth is that I failed as a good reporter because it was too painful to face the fact that children and adolescents are living in this environment and breathing this atmosphere.

Next to the pathetic plight of the children of Leesville, the memory that will haunt me longest is its jail. At my little Chamber of Commerce lunch I was told that the jail was not in good condition, and that the Federal Government should do something about it.

The jail is, in fact, so vile that it beggars description.

There are bars outside the windows, none within. The prisoners have kicked in the glass. The shattered pieces lie on the asphalt floors of the large, main pens next to the front door. Nobody has ever taken the trouble to remove them nor the other accumulations of refuse.

For 'Juveniles'

The entrance to the right pen was marked "juveniles" in chalk, but the only inhabitant was an unregenerate prostitute. There was no chair for her to sit on, no toilet. She cowered on a narrow window ledge, a subhuman object. A few tattered human derelicts glowered at us through the bars of the other cells. They were degraded specimens, but not as degraded looking as the jail itself.

Captain White of the State police cannot gather up the army of prostitutes that range the city, because this would be the only place to put them for the three to five days while their Wassermans are taken. It is humanly impossible to lodge them in such quarters. $2500 would make the place decent—only five of those State liquor licenses.

I saw the Negro quarters, too. In the most neglected regions of Central America I never beheld anything to equal them. Nothing but dirt roads that become a quagmire when it rains. No lights in the streets. No sewers. Rents comparable to the extortion practiced on the soldiers' wives.

A little U. S. O. building on the main thoroughfare looked like a piece of heaven dropped, uncontaminated, into an Inferno.

GALLERY GLIMPSES

'Live Decoys' Plank Comes to Town With Hunter Sid Simpson

By Robert De Vore

Post Staff Writer

The body of Sid Simpson has taken temporary residence in Washington, but his mind drifts sometimes out of its preoccupation with war and political turmoil to where the Illinois and Mississippi Rivers form a way-station for mallard and canvasback flying out of the North.



In his office at the Capitol, where he represents the Twentieth Illinois District in the House, but more acutely in his apartment at the Shoreham Hotel, he yearns for the sight of his rolling black homeland and the duck-feeding places in the rivers' bottoms.

Nor is his recurrent nostalgia apt to burn out as spring moves into summer and summer into fall and the ducks come again to Calhoun County, where there are no better feeding grounds in these United States.

Secretary Ickes, Get Ready

Sid's been a duck hunter since he was big enough to tote a 12 guage. That explains why Secretary Ickes can expect a call from him one of these days and accounts at the same time for this plank in the campaign platform of this first-termer which helped send a Republican to Congress from the Twentieth Illinois for the second time in 100 years:

'Change migratory waterfowl act to permit using six live decoys."

Now Sid's as aware as the next member of Congress about the awful responsibilities of public office in these times, but he can't help thinking what sport there would be in Calhoun County—after the war, of course—if a hunter could put out live decoys.

Secretary Ickes' Interior Department embraces the Fish and Wildlife Service and the Congressman hopes he may get some official backing for this view of the benefits to accrue to ducks and hunters from the legal substitution of live waterfowl for painted images!

Killed But Wasted Now

"The ducks are smart and they know a wooden decoy from a live bird. They sail into a blind to about 75 yards and then they level off and sail away again. And what happens? Hunters with these long-range guns with these improved shells fire away and, often as not they hit something, but not hard enough to knock it down.

"Cripples, that's all they get. You can see birds fall a mile away in the river—dead ducks and too far away ever to be put on anyone's dinner table.

"That's what happens. The ducks are killed—but wasted. Lots of them.

"The thing to do is to legalize live decoys and enforce the present bag limit of 10 a day."

Simpson lives in Carrollton, Greene County, just two blocks away from the house in which he was born 49 years ago. But for the 10 months he spent with the A. E. F. in France in the last war—he was the third man to volunteer for military service in his town—and an average amount of travel, the Congressman has spent his life in Carrollton, named for Charles Carroll, a signer of the Declartion of Independence, and located in the heart of the richest corn land (25 million bushels in 1941) in the country.

Speaker Rainey From His District

The late Speaker Henry Rainey represented the Twentieth District and Simpson, for 16 years Republican chairman in Greene County, was one of the pallbearers at Rainey's funeral in 1934. Senator Scott Lucas (Democrat) represented the district in the House for two terms as Rainey's successor before going into the Senate.

Running for his first public office, Simpson defeated James M. Barnes, who was seeking his third term, last November 3. Barnes, a Democrat, is now one of President Roosevelt' administrative assistants with "passion for anonymity."

"My mother and father went to school with Henry Rainey and Jim Barnes and I have been good friends for years," he said. "Jim and I never mentioned each other in the campaign. And neither of us mentioned the word 'isolationism.'

"I don't want to be classed as an isolationist. I served in the last war and I know that this country can't shut herself off from the rest of the world, but I wouldn't want to go as far in the direction of interventionism as some people I know.

"As a matter of fact, I've never taken a stand on this subject one way or another and I don't think I should until the world of the future shapes up a little more clearly.

"For the present, I have resolved to vote for my country first and my district second. I think my people would want me to do that, because this is war."

Made Just One House Speech

Back in Carrollton, Simpson spent 30 years in business. He ran an automobile agency while his brothers took care of a furniture and undertaking business, and devoted his spare time to politics and to running the Greene County Fair, which his father and grandfather before him managed for a total of 49 years.

Simpson has made just one speech in the House. That was to call attention to an advertisement in a British newspaper in which the firm of Ransome, Sims and Jefferies, Ltd., of Ipswich, offered for sale:

"Finest agricultural machinery. For all countries, crops and conditions."

The advertisement, he said, puzzled him in view of the farm equipment shortage in this country.

Lately, Simpson has been reading in his home papers about large-scale livestock thefts from farms. Last week he was thinking about introducing legislation to extend penalties of the Federal cattle theft act to hog and other livestock thieves.

Sidney E. Simpson, who refuses to be called by any name but Sid "because Sidney's a girl's name," was thoughtfully getting his feet wet in Congress.