

LAND AND ITS RENT



FRANCIS A. WALKER

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LAND

AND

ITS RENT.

BY

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PREFACE.

THIS volume contains the substance of four lectures, delivered in Harvard University in May, 1883. The lecture-form, and also, so far as possible, the lecture-tone, have been dropped in preparing the work for the press, while some matters of detail have been added, which neither time nor the conditions of oral delivery allowed to be introduced on the former occasion.

The author is aware that he is regarded by his American brethren as somewhat heretical in the view he takes of the relations of wages to the interest of capital and to the profits of business management, which view may be summed up in two propositions, namely:—

1st. Under perfect competition, the laborer would become the residual claimant upon the product of industry,¹ the amount to be deducted on account of rent, interest, and business profits being subject to definite principles, and, consequently, all gains in productive power would, upon this condition, inure directly to the benefit of the laborer. 2d. With imperfect and unequal competition, the economic harmonies do not prevail, the laborer surely losing his interest if he does not himself seek his interest. All economic injuries inflicted in the distribution of wealth tend, moreover, to abide and to deepen, while industrial society itself, as a whole, suffers in the ultimate result, through the reaction of distribution upon production.

But while the author of the present treatise thus fails to satisfy the requirements of economic orthodoxy, in regard to the relation of wages to the interest of capital and to the profits of business management, he is, in his view

¹ For the elaboration of this proposition, the author would refer to pp. 265, 266, of his Political Economy.

of the origin of rent and its influence upon the distribution of wealth, a Ricardian of the Ricardians, holding that the great thinker who has given his name to the economic doctrine of rent left little for those who should follow him to do; and that any wide departure from the lines laid down by him can only result in confusion and error.

The author is well aware that the tone of his allusions to Frédéric Bastiat will grieve many of the American admirers of that most ingenious, eloquent, and sentimental essayist; but it seems full time that the plain truth regarding Bastiat's theory of value, whether as applied to land or to commercial products, should be spoken out on this side the water, as it was long ago, in England, by Professor Cairnes. In his power of raillery and sarcasm, in the gracious charm of his narrative, in the purity and earnestness of his philanthropic purpose, Bastiat cannot sufficiently be admired; but as a constructive economist he made a dead failure, while his views regarding the land are especially erroneous.

For the spirit in which he discusses the views of a writer who deliberately proposes that Government shall confiscate the entire value of landed property, without compensation to those who, under the express sanction and encouragement of Government itself, have inherited or bought their estates, the author has no apology to offer. Every honest man will resent such a proposition as an insult.

BOSTON, October, 1883.

CONTENTS.



CHAPTER	PAGE
I. THE ECONOMIC DOCTRINE OF RENT .	5
II. ATTACKS UPON THE DOCTRINE OF RENT	57
III. RECENT ATTACKS UPON LANDED PROP- ERTY	121
IV. THE BEST HOLDING OF THE LAND .	183
<hr/>	
INDEX	221

3
10
3

LAND AND ITS RENT.



CHAPTER I.

THE ECONOMIC DOCTRINE OF RENT.

THE immediate reason for the publication of this work is found in the course of economic discussion during the few months now passing. Altogether unexpectedly, and, so far as one can see, without any cause existing in the economic relations of society, the questions of the rightfulness and the expediency of private property in land, and of the influence of rent upon the distribution of wealth, have been precipitated upon us, almost as if they were new questions. Whatever may be true of France and Germany, it must be said that never in England has the discussion of the equities and the economics of landed property been so active and earnest as now; while in the United States, where practically the ques-

tion of the private ownership of the soil has not heretofore even been raised, we find popular attention bestowed in a remarkable degree upon a book, now perhaps in its hundredth edition, the fundamental proposition of which is that "the recognition of exclusive property in land is necessarily a denial of the right of property in the products of labor," and whose practical proposals embrace the virtual abolition of private property in land through the confiscation of rents by the State, — the author of this work appearing as a welcome contributor to influential journals and reviews, and receiving the greeting of crowded assemblies as the apostle of great sociological and economical reforms.

It will be said: "The publication of such a work is certainly a curious phenomenon of the times, and a very disagreeable phenomenon; but surely the work itself cannot call for any serious consideration. No intelligent person will read far in a book in which such gross incapacity for economical thinking is exhibited, in which a scheme so mad and anarchical is brought forward. Surely, society must long since have passed the point where it was necessary to discuss propositions like these, or to

refute a writer who gives such ample warning of the dangerous nature of his doctrines."

But I think we cannot deal quite in this spirit with Mr. Henry George's "Progress and Poverty." As the London Quarterly Review remarks: "False theories, when they bear directly upon action, do not claim our attention in proportion to the talent they are supported by, but in proportion to the extent to which action is likely to be influenced by them; and since action in modern politics so largely depends on the people, the wildest errors are grave, if they are only sufficiently popular. . . . How they strike the wise is a matter of small moment; the great question is how they will strike the ignorant. . . . For practical purposes no proposals are ridiculous unless they are ridiculous to the mass of those who may act upon them. In any question in which the people are powerful no fallacy is refuted if the people still believe in it."¹ Unfortunately there is too much evidence of a profound popular effect produced by this work upon the public mind of Great Britain, and, though more tardily, upon the public mind of the United States.

The work was, in fact, published in 1879;

¹ Quarterly Review, January, 1883.

but though it had a ready sale and attracted not a little attention, and even elicited some heedless commendation by reason of the eloquence and picturesqueness of its style, it created its first sensation when reprinted abroad. In Great Britain the success of this book has been truly remarkable.

“It is not the poor,” says the Review just cited, “it is not the seditious, only, who have been thus affected by Mr. George’s doctrines. They have received a welcome, which is even more singular, amongst certain sections of the really instructed classes. They have been gravely listened to by a conclave of English clergymen. Scotch ministers and non-conformist professors have done more than listen; they have received them with marked approval; they have even held meetings and given lectures to disseminate them. Finally, certain trained economic thinkers, or men who pass for such, in at least one of our universities, are reported to have said that they see no means of refuting them, and that they probably mark the beginning of a new political epoch.”

Such a reception could hardly be accorded an American book abroad, without awakening new interest and stimulating a wider demand

at home. It is said that "Progress and Poverty" has reached an enormous circulation. The author has certainly come to be one of the lions of the hour. There is no reason to suppose that his doctrines have yet deeply infected the public mind of this country; yet the ingenuity and eloquence of this writer must produce no inconsiderable effect upon any reader, however intelligent, and however fortified by economic study.

It is in view of this fresh discussion of the tenure of land and of rent in its relations to the distribution of wealth, that it has seemed best to take occasion to go over the field, step by step, through its whole extent. I shall therefore devote this the present chapter to an elementary statement of the economic law of rent. In the second chapter I shall discuss the attacks made by Messrs. Bastiat, Carey, and Leroy-Beaulieu upon that doctrine. In the third chapter I shall undertake to deal with attacks upon the individual ownership of land, as made, not by those who denounce all species of property, but by those who admit private property in the products of labor, of which they deem private property in land an invasion. In

this connection attention will be invited to the later essays and speeches of Mr. Mill and to Mr. Henry George's work. In the fourth and last chapter I shall present some considerations related to the question, What, conceding the individual ownership of land, is that use of the soil which is most conducive to social and industrial welfare ?

In pursuance of this scheme, let us now inquire into the origin of rent.

We will begin by assuming the existence of an isolated community occupying a territory of varying fertility. Let it, however, for simplicity of illustration, be conceded that, instead of an infinite diversity in this respect, each acre having its own rate of productiveness, the territory is divided into four tracts, each distinctly defined.

Thus, we might suppose that one tract would, with the application of a given amount of labor and capital, yield to the acre 24 bushels of wheat; the second, 22 bushels; the third, 20 bushels; the fourth, 18 bushels.

Such a supposition does not transcend the limits of a reasonable assumption for the purposes of argument. The differences of fertility existing among the cultivated lands of any con-

siderable district are not only as great as those indicated, but often very much greater. Thus, Mr. McCulloch, the author of the "Statistical Account of the British Empire," says: "A quarter of wheat may be raised in Kent, or Essex, or in the Carse of Gowrie, for a fourth or a fifth part, perhaps, of the expense necessary to raise it on the worst soils under cultivation." The range of productiveness among lands occupied for the purposes of pasturage is very much wider still. Thus Sir James Caird, in his admirable work, "The Landed Interest and the Supply of Food," says: "The maximum of fertility, in the natural state, is a rich pasture capable of fattening an ox and two sheep an acre. Such soils are exceptional, though in most counties they are to be met with. . . . The minimum of fertility may be exemplified by a bleak mountain pasture where ten acres will barely maintain a small sheep."

Now, in the case of the community under view, let us first take the stage where the population yet remains so small that it can be supplied with food by the cultivation of only a portion of the most fertile of the four tracts of land.

In this case, if the land in question be held by a number of competing owners, either no

rent at all will be paid, or else a rent so small that, for purposes of economic reasoning, we may treat it as no rent at all, the principle *de minimis non curatur* applying with not less force in economics than in law.

The above result will be reached by the simple and direct operation of the principle of self-interest among the owners of the land. Inasmuch as only a part of the land of that quality (the 24-bushel tract) is required for cultivation, each proprietor will, if only he can be assured against Waste, — of which element we shall speak hereafter,¹ — desire to have his own land occupied, even at the smallest rent, rather than derive no income whatever therefrom; and as, by the supposition, all the lots are not required for cultivation, the competition of owners will reduce the compensation for the use of land to that minimum which in economics we may disregard.

Let us next contemplate the community as increased in numbers until the entire tract of land of the first quality will no longer produce, under the traditional cultivation, — that is, with the farming methods employed, and with the amount of labor and capital heretofore applied

¹ See *post*, pp. 51-53.

to the soil, — enough wheat for the maintenance of the population.

In this state of things the question will arise, Shall the additional labor power, which is always presumed to exist when we speak of an increase of population, and upon which the additional members of the community must rely for their subsistence, — new hands to feed new mouths, — shall this additional labor power be applied to the soil heretofore under cultivation, or shall it be applied to a portion of the tract standing next in order of fertility and heretofore uncultivated, — that which we may call the 22-bushel tract?

The answer to this question will depend on the answer to the prior question: Has cultivation on the 24-bushel tract reached the point of diminishing returns, or not?

What do we mean by the point of “diminishing returns”? This should be fully and clearly explained before any further progress is attempted. The explanation is as follows. In the progressive cultivation of any considerable tract of land having any appreciable degree of fertility, a continually higher and higher degree of per capita production is attained, year by year, as the amount of labor applied to the

soil increases, until a certain limit is reached. Thus, in the cultivation of a square mile of arable land, two laborers will produce more than twice as much as one; four laborers will produce more than twice as much as two; eight laborers will produce more than twice as much as four. Perhaps the eight laborers last alluded to will produce twelve times as much as the first two, forty times as much as the first one.

Such increase in productive power is due, first, to the opportunity afforded for co-operation in labor, as, for instance, when two men do easily and rapidly something to which the strength of a single man would be utterly inadequate; and, secondly, to the division of labor and the organization of industry, which yield very great advantages as compared with an earlier industrial state.

Now, the condition of agricultural development, in the course of which, by virtue of the mechanical advantages adverted to, the per capita product becomes greater and greater through the addition of new laborers, may be called the condition of "increasing returns." Just as surely, however, as the earth revolves around the sun, if labor continue to be applied

in increasing amount to the cultivation of any piece of land, a point will be reached — sooner on this piece, later on that, but at some time for every piece, according to the character of the soil — after which more labor applied to the soil will, the art of agriculture and other conditions remaining constant, meet a less than proportional return.

Some return the new labor applied to the land will undoubtedly secure. We can hardly imagine a situation where more labor judiciously applied to any tract¹ would not increase the crop more or less. But, as has been said, the return declines proportionally. From that point forward, additional labor can only be employed in cultivation upon the condition of a smaller and still smaller per capita product.

The point we have indicated marks the stage of “diminishing returns” in agriculture. Where

¹ “It might be ploughed or harrowed twice instead of once, or three times instead of twice; it might be dug instead of being ploughed; after ploughing, it might be gone over with a hoe, instead of a harrow, and the soil more completely pulverized; it might be oftener and more thoroughly weeded; the implements used might be of a higher finish and more elaborate construction; a greater quantity or more expensive kinds of manure might be applied, or, when applied, they might be more carefully mixed and incorporated with the soil.” — *J. S. Mill*.

that point is, may not be easily ascertained for any single piece of land, probably never could be ascertained with absolute exactness by any series of experiments; yet we know that such a point is there, will be reached, will in time be passed, if the application of labor and capital continue. On one side the per capita product rises, rapidly or slowly, but surely and constantly, under the mechanical advantages of co-operation in productive effort, the division of employments, the organization of labor. On the other side, the per capita product falls off, slowly or rapidly, but just as surely and constantly, under the chemical disadvantages which attend the attempt to extort a greater and still greater crop from the soil. That it does rise on the one side, that it does fall away on the other, is so manifest that no man of sound mind can question the fact. That at some point the turning takes place, reason tells us, though we may not be able to identify that point with assurance.

Let us now return to the community whose experience with the land, under the condition of increasing population, we have been tracing. The whole extent of the 24-bushel tract having

been occupied, and having proved, under the traditional cultivation, inadequate to the needs of subsistence, the question, we see, has arisen, whether the additional labor shall be expended upon that tract, or be carried over to the tract next in order of fertility, — the 22-bushel tract. The decision of that question depends, as has been said, on the decision of the prior question, whether the point of “diminishing returns” has been reached. If not, the additional labor will be applied to the familiar fields. If it have been reached, the additional labor will (subject to a slight hesitation due to that abrupt descent from one grade to another, which we assumed for convenience of illustration, the actual order of nature being an insensible gradation) be transferred to the 22-bushel tract, and thus, in the phrase of the economist, “cultivation will descend to inferior soils.”

That cultivation does so descend is a fact of familiar observation on every hand. There are few farms within which land is not cultivated which is poorer than the best, and it is so cultivated because the farmer knows that it is more profitable for him to plough and plant a less fertile field than to attempt to force the yield of the more fertile up beyond a certain limit.

Cultivation, then, descending to the 22-bushel tract, Rent emerges. Under what impulse? Why, by this simple operation of the principle of self-interest: inasmuch as some of the would-be cultivators must go upon the 22-bushel tract, every person now in occupation of a lot on the 24-bushel tract may just as well — may he not? — pay something for the privilege of remaining where he is, as take up a lot of the new land for nothing? If not, why not?

How much shall he pay? Why, clearly, 2 bushels per acre, the difference between the yield of the two tracts, under the same application of labor and capital. The cultivator of the better land, raising 24 bushels per acre, and out of this paying 2 bushels for the privilege of cultivation, which we will call Rent, will have 22 bushels left, net, which is all he could, by the supposition, raise from the new land. More than this margin, 2 bushels, he will not pay, because, otherwise, he would do better to take up a lot of the new land.¹ All of this margin he will pay, because, otherwise, some would-be cultivator

¹ The effects of the indisposition of the cultivator to change his place of labor and residence will be subsequently allowed for. See *post*, pp. 42-51.

will offer to pay that rent, and thus cut him out of the occupancy.

And this rental of 2 bushels per acre will apply to all the land in the 24-bushel tract, and not to a part of it only. As yet, however, no rent whatever is paid for any part of the 22-bushel tract, not even for that part which is cultivated, since, inasmuch as only a portion of it is required, competition among proprietors within this tract will prevent rent rising above that minimum which we treat as *nil*.

If, now, we suppose that, in the progress of population, the numbers of the community increase to the point where subsistence up to the traditional standard of living cannot, by the traditional methods of cultivation, be provided from the 24- and the 22-bushel tracts together, recourse will be had to the third grade of soils, comprised within the 20-bushel tract. What will then happen in the matter of rents? Why, this: the lands of the 20-bushel tract will bear no rent, for the reason which we contemplated in connection with the 22-bushel tract, when that comprised the lowest grade of soils under cultivation; but rent will now emerge from the land just above it on the scale of fertility, and that rent will measure the

excess of productiveness, as in the former case. Any actual cultivator of the 22-bushel tract may just as well pay 2 bushels rent, where he is, as go upon the new land, for nothing; any would-be cultivator may just as well settle here, paying this rent, as take up a free tract of the poorer land.

And now, if we look back to the 24-bushel tract, we note a remarkable phenomenon. The soil here is no better than it was; nothing has been done to increase its productiveness; yet suddenly and peremptorily proprietors within this tract demand and receive 4 bushels per acre. Why is this? Again the result is due to the simple and direct operation of the principle of self-interest in dealing with the land. Any person, actual cultivator or would-be cultivator, may just as well — may he not? — pay 4 bushels here, as go upon the 22-bushel tract and pay 2 bushels rent, or “squat” upon the 20-bushel tract, paying nothing for the privilege.

And if the increase of the numbers of the community requires cultivation (which, as we have seen, is always and everywhere subject to the law of “diminishing returns”) again to descend, and the soil within the 18-bushel tract

is taken up, we shall find, according to the principle already abundantly illustrated, that this land itself will bear no rent, but that the 20-bushel tract will now bear a rent of 2 bushels per acre, while the rent of the 22-bushel tract will advance to 4 bushels and that of the 24-bushel tract to 6 bushels.

We state, then, the normal operation of the principle of self-interest in dealing with the land (that is, the Law of Rent), as follows:—

Rent arises from the fact of varying degrees of productiveness in the lands actually contributing to the supply of the same market, the least productive land paying no rent, or a rent so small that it may be treated as none. The rent of all the higher grades of land is measured upwards from this line, the rent of each piece absorbing all the excess of produce above that of the no-rent land.

Thus far we have, for simplicity of illustration, spoken of fertility and productiveness indistinguishably, as if differences in productiveness were due solely to differences in the chemical constituents of the land, the depth of soil, its friability, etc., or to differences in climate, all of which are included in our conception of comparative fertility.

But we have now to note that the net productiveness of a tract of land may be reduced, in comparison with another tract of equal fertility, by either or both of two considerable causes: —

1. The mechanical difficulties of cultivation, *e. g.* irregularity of surface. This consideration has been almost wholly neglected by writers on rent, and naturally enough in the past, when land was cultivated mainly with hand tools, — the hoe, the spade, the scythe, the sickle. But the rapid introduction of horse and even steam power into agricultural operations, since 1850, has made the character of the surface an important, though not the most important, element in the problem of rent. The land in a New England side-hill farm may be as fertile as that of an Illinois prairie farm, but the cost of cultivation may in the former case be enhanced thirty or fifty per cent through roughness of surface.

2. A much more important cause in the reduction of the net productiveness of land, for the purposes of rent, is found in distance from market. By distance, in this connection, we should understand, not absolute distance, as measured on a great circle of the earth, but resistance to transportation.

To illustrate the operation of this cause, let us return to our four tracts of arable land, supplying a certain market, and yielding, respectively, 24, 22, 20, and 18 bushels of wheat per acre, with the application of a certain amount of labor and capital. These have been assumed to be all equally near to the market in which their produce is to be sold.

Now, let us suppose that some enterprising cultivators undertake to open up a large tract of very fertile land situated at a considerable distance. The productiveness of this tract might even reach 30 bushels, as compared with the four tracts described; yet it might be found that, after the grain were harvested, the cattle and the men engaged in hauling the crop to market would eat up, on the round trip, not less than 12 bushels out of the produce of each acre,—in which case this tract would stand, for the purposes of rent, not on a level with the more fertile home tracts, but exactly in the position ($30 - 12 = 18$) of the 18-bushel tract; and until this last-named were all taken up, the more distant lands would either not be cultivated at all, or would be cultivated without paying rent.

But should some improvement in the means

of transportation reduce the amount of the deduction to be made from the gross produce, on that account, very important effects might be wrought, not only as influencing the occupation and cultivation of this tract, but also as controlling the rent of the home tracts. Let us, first, suppose one bushel saved from the maw of the cattle and men engaged in transporting the crop to market. The net productiveness of the tract ($30 - 11$) would then be 19. Immediately the 18-bushel home tract would be thrown out of cultivation, as the labor and capital previously employed thereon could be more advantageously transferred to the new territory. And now a readjustment of rents must take place. The 19-bushel land will bear no rent. The highest grade of soils will bear a rent ($24 - 19$) of only 5 bushels; the second grade, of only 3; the third grade, of only 1. If we assume the tracts to be of equal size, the aggregate amount of rents now received by the owners of land will be but 9 as against 12, a reduction of one fourth. Their land is just as good as it was before, yields just as much grain of unimpaired quality; but their rents have fallen, simply because the 18-bushel tract has been thrown out of cultivation, and the

19-bushel tract substituted as furnishing the poorest grade of soils contributing to the supply of the market.

Let us further suppose that some improvement in carts, or the substitution of draught-horses for oxen, shortens the time taken for the transport of the grain, so that only nine bushels have to be deducted from the produce of an acre; what will be the effect on the cultivation of the several tracts, and on the amounts of rent yielded by them respectively? The net produce of the distant tract (30—9) has now risen to 21 bushels. The 20-bushel tract must be abandoned. No one can cultivate it and get his outlay back, so long as there is a limitless extent of free land on which wheat can be raised with a smaller expenditure of labor and capital. The highest grade of land now yields a rent of but 3 bushels an acre (24—21); the second of but 1 bushel. The aggregate amount received by the owners of land, in rents, sinks from 9 to 4, as the consequence of the last step taken, namely, the throwing out of certain soils, the uplifting of *the lower limit of cultivation*.

Give the name America to the remote tract in this illustration, and you have a fair explana-

tion of the tremendous effects produced, during the past few years, upon English and Irish rents, by the increasing severity of competition from this side the Atlantic, following the reduction in the cost of transportation.

We now reach the second stage of our inquiry. If rent arises solely as we have described, and if the amount of rent is measured by the rule that has been laid down, what is the influence of rent upon the distribution of wealth? Who is richer and who is poorer by reason of it? In particular, how are the laborers, on the one side, and the consumers of agricultural produce, on the other, affected thereby?

To get the clearest possible conception of the relations of the parties in interest, we will assume the English threefold organization for the purposes of agricultural production, — the landlord owning the land and leasing it to tenant farmers, who, on their part, hire those who perform the labor of cultivation, devoting their own time to the buying of tools, supplies, and work animals, to selling the produce, to superintending the progress of each part, by turns, of the work of the farm, while exercising a

general administration of the whole and assuming all the responsibilities of production.

Under such an organization as is here described, the question of rent is wholly a question between landlord and tenant. It does not concern the laborer at all. It does not go further, and touch the interest of the consumer of agricultural produce.¹ The laborer, on his part, gets no less wages because rent is paid; the loaf of bread would cost the consumer just as much, were all rents remitted.

This is "a hard saying," and on its first statement appears incredible, but it is as surely demonstrable as any theorem in geometry. Let us see.

The normal price of any commodity is fixed by the cost of the production of that part of the supply which is produced under the most disadvantageous conditions. The cost of that portion, whatever that cost may be, will determine the price of all other portions, no matter how much more favorable the conditions under which these may be produced.

¹ It was one of the greatest of the mistakes of Adam Smith that he believed rent to enter into the price of agricultural produce. "Rent," he says, "enters into the composition of the price of commodities in a different way from wages and profits." The fact is, it does not enter at all.

Applying this principle to a single agricultural crop, *e. g.* wheat, we say that the normal price of wheat will be fixed by the cost of raising it upon the least productive soils which are actually cultivated for the supply of the market. This cost must be covered by the price, or else wheat will not continue to be grown on those soils, while yet the fact that it is grown there now proves that this wheat constitutes a necessary part of the supply of the market.

Whatever be the price of the wheat grown on the least productive soils, that price will—quality being assumed constant, or allowance being made for differences in quality—be paid for the wheat grown on more productive soils. This is clear, since, if dealers are to attempt to exact a higher price for one lot of wheat than for others, simply because it was raised at a greater cost, no one would buy from that lot.

But if the price of the whole crop of wheat is to be fixed by the cost of raising it on the least productive soils actually cultivated, then rent is not a part of the price of agricultural produce, since the least productive soils pay no rent; and therefore rent cannot be a part of the price of the wheat raised there-

from; and if not of this wheat, then of no wheat,¹ since, as we have seen, the price of the whole crop is fixed by the cost of that portion which is raised on the no-rent land.

Let us look at it from another point of view. Suppose a landlord to hold the opinion that rent somehow, after all, in spite of all your fine-spun theories, must swell the price of the baker's loaf, and, in consequence of this conviction, to remit, in an access of philanthropy, all his rents for the year. What will be the effect on the price of wheat? I answer, None; the tenants raising the wheat at the same cost, otherwise, as before, and selling it at a price determined by the cost of raising wheat on lands which pay no rent, would simply pocket the sums they would have paid in rent but for the landlord's bad political economy.

But, it may be asked, will not the farmers, thus enriched, pay higher wages to their laborers? No. Why should they? They have been paying wages at the usual rates, — rates determined by the demand for and the supply of labor. Nothing has happened to affect that demand or that supply. Moreover, why, even in equity, should

¹ "Corn is not high because a rent is paid; but a rent is paid because corn is high." — *Ricardo*.

they pay higher wages? They have been paying the same wages as the farmers who cultivate the no-rent lands. Why should laborers working on rich fields receive more than those whose lot it is to work on poor fields? Where would be the justice of that? The one set of laborers work as industriously and as efficiently as the other. In the matter of desert they are equal; what should make discrimination between them in the matter of wages?

But even though there were the strongest reason, in equity, why tenant farmers should hand over to their laborers the whole or a part of the rents remitted by the landlord, it will be seen that we have no assurance, human nature being what it is, that they would do so. They would pay wages at the old rates, sell their wheat at the old price, and put the difference into their own pockets. No economic force can be invoked which would carry the remitted rents, or any part of them, past the tenant farmer's door. The landlord would be poorer for his mistake, the farmer richer; but neither the agricultural laborer nor the consumer of agricultural produce would profit by it in the smallest degree.

We conclude then that, the price of agricul-

tural produce being fixed by the cost of raising it on the least productive soils actually contributing to the supply of the market, *there remains, on all more productive fields, an excess of value above the cost of production, a surplus*, which, so far as the normal operation of the principle of self-interest is concerned, must become the property of the owner of the soil. The owner can give it away, as he can give away anything else that is his, or it can be taken from him by violence, as anything else may be taken; but no economic force can enter to carry rent to any point where it will either raise the price of labor or lower the price of produce.

Such, in its simplest elements, is the normal operation of the principle of self-interest in dealing with the land. As formulated by Ricardo, this is known as the Economic, or Ricardian, doctrine of rent. Surely, no one who has followed me with care will hesitate to say that the doctrine, upon its assumptions, is incontestably true, and that whoever denies it puts himself on the level of the man who denies that things which are equal to the same thing are equal to each other.

I spoke of the doctrine as formulated by Ricardo. That illustrious economist was not, indeed, the first to announce the law of rent, which had been correctly and clearly stated by Andersen, a Scotch writer, in 1777. As by him declared, however, the doctrine failed to attract attention. Forty years later, it was, according to the usual statement, "simultaneously rediscovered," in the early part of this century, by Mr. Malthus, Sir Edward West, and Mr. Ricardo. The cogency with which the arguments of the last-named writer were put, the stringency with which the principle involved was applied in stating the theory of value and in tracing the effects of taxation upon the distribution of wealth, have served to affix his name permanently to the doctrine, alike in England, in America, and on the continent of Europe.

We now come to a distinction which is most important in the theory of our subject. The principles thus far laid down relate only to *the natural advantages* of the land, productively, being such as are derived from fertility, from accessibility for the purposes of cultivation, or from nearness to the market where the produce

is to be sold. From this point of view land is contemplated as unimproved. The return that shall be made to *productive advantages acquired by the land through the applications of capital*, in the nature of permanent improvements, whether above or beneath the surface, is governed by a law altogether different from that which we have thus far discovered.

The law of capital differs from the law of rent in this: there is not theoretically any no-interest capital. We have seen that the existence of a body of no-rent lands is essentially involved in the theory of rent. There is nothing corresponding to this in the law of capital. Practically it is doubtless true that some capital bears a high interest; other portions, a low interest; still other portions bring no returns to their owners, while, in cases not infrequent, the capital sum invested may even be itself lost, in whole or in part. But this is not at all involved in the nature of capital. Such a result would be due to the greater or less wisdom displayed by investors in dealing with the portions of capital placed in their hands. In regard to land, on the contrary, the securing of rent by the owner does not depend on the greater or less wisdom of the proprietor, but is

determined by the conditions of the land itself. There is a reason, in the nature of the case, why one piece of land should bring a high rent, another a low rent, a third no rent at all. But in regard to two portions of capital, as yet uninvested, there is no reason why one should bear a higher rate of interest than the other. And so, in theory, not only is there no no-interest capital, but all portions of capital bear an equal rate of interest, the divergences of actual from theoretical interest being due to mistakes of calculation, to misadventures beyond the power of the investor to foresee, to fraud, or other cause altogether outside the nature of the capital itself.

The applications of capital to land are determined by the same force which directs capital to other uses, namely, the expectation of a profit to the investor. If capital be applied to land, it is because the owner looks, wisely or weakly, to obtain, on the whole and in the long run, a return equal (the degree of security being taken fairly into account) to that which could be obtained through its application to any of the various purposes of manufacture, transportation, or commerce.

The main difference between capital invested in agriculture and that invested in other depart-

ments of productive effort is found in the immovability of such property. This is, however, a difference not of kind, but of degree only, since capital invested in many other ways becomes immovable, or movable only upon the condition of a heavy charge for transportation, or a great loss of value in adapting it to other uses.

We note, then, that what shall be paid for the use of land may consist of two parts, — rent proper, the remuneration for what Ricardo called the original and indestructible powers of the soil; and fictitious rent, which is, in truth, nothing but interest upon capital invested. It is only to the former that the economic doctrine of rent applies. When I speak of rent, without qualification, I beg to be understood to mean rent proper; though I shall sometimes express the adjective at critical points, as a fresh assurance against misconception.

It has been said that capital would not be invested in agricultural improvements but for the expectation of a return equal to that derived from investments in other directions. But agricultural investments, being in a very high degree immovable, are, of course, subject

to great or even total loss in case the operation prove to have been made ill-advisedly.

Now let us further note here, that, in such a case as that just indicated, the loss is not borne in any degree by the proprietor of the soil, as such, be he, in fact, also the owner of the capital invested in the soil, or not, but by the owner of the capital, as such. The loss arising from the failure of capital invested in agricultural improvements is not divided between the rent proper and the interest which together make up what is popularly called rent. Such loss falls wholly upon the interest part of this composite payment. Rent proper takes care of itself. Under the normal operation of the principle of self-interest, rent gets its own invariably, indefeasibly.

Let us illustrate. Suppose a field of which the economic rent, meaning thereby the productive advantages of that field over the poorest or most distant field under cultivation for the supply of the market, is 50 bushels of wheat a year. Now let an investment of capital take place, in the form of trenches, fences, buildings, or what not, of which the proper annual returns, according to the usual rate of interest, would be 50 bushels.

Were the produce of the field to be so increased thereby that, after repaying the cost of cultivation, a surplus of 120 bushels should remain, the economist does not contemplate this amount as divided equally between rent proper and interest, each receiving 60 bushels. On the contrary, the economist regards the rent of the land as still 50 bushels only, the remainder, 70 bushels, being interest on the investment. But if, in the opposite case, the produce remaining, after repaying the cost of cultivation, should be but 80 bushels, the economist would regard not 40, but only 30, bushels as compensation for the sum invested in improvements, the amount of rent remaining, in any philosophical view, unaffected by the partial failure of that investment.

The distinction to which attention is here invited is not a mere matter of finesse. It is of vital and vast importance in dealing with the question of the value of land, whether for rental or for sale, as we shall see¹ when we come to consider the attacks made upon the doctrine of rent by Mr. Carey and others.

It has been said that, upon its assumptions,

See *post*, pp. 76-85, 111, 112.

that doctrine must be admitted by every person who is capable of understanding the terms in which it is stated.

It has, however, frequently been alleged that those assumptions are so wide of the facts of human society, that the so-called economic law of rent is of no practical importance in the theory of the distribution of wealth.

Let us, then, carefully consider the several successive assumptions which underlie this doctrine.

1. The doctrine assumes the private ownership of land, with real and active competition among proprietors, as contrasted with monopoly secured by a combination of proprietors, or by a single proprietor; for instance, the State.

Thus, to return to the illustration which we pursued so much at length, we said that when the community was yet so small that all the members could be maintained by the cultivation of a portion only of the tract having the highest degree of productiveness, no rent whatsoever would be paid for any portion of that tract, even the portion actually cultivated, or, in any event, only a rent so small that, for purposes of economic reasoning, it could safely be disregarded.

But if we suppose that all the proprietors of this tract firmly unite to demand a rent, what will be the result? Competition being destroyed, a rent may conceivably be exacted. How large a rent? What will be its upward limit? I answer, Two bushels an acre for the whole amount actually cultivated. More than this cannot be secured by any combination among the proprietors within this tract, since, if a higher rent were demanded, it would become the interest of every cultivator to resort to lands of the next grade of productiveness, namely, those within the 22-bushel tract, which could be had without rent.

This rent of two bushels will not, it should be observed, be paid for all the land (say a acres) within the first-described tract, but only for so much of it as is actually required for cultivation (say x acres) to meet the existing demand for wheat. All the persons in the combination, those whose lands are cultivated and those whose lands are not, will have to divide among themselves the aggregate sum ($2x$ bushels) so obtained, no single proprietor securing so much as two bushels an acre for all of his individual estate. Each individual proprietor will then receive for each acre of his

land the following rent: $\frac{2x \text{ bushels}}{a}$. Should one owner try to overreach the others by renting his own land privately, in contravention of the agreement, the combination would at once be broken, competition would set in, and rents would fall to the minimum.

Such a combination is, of course, conceivable; yet it would be wholly impracticable if any considerable number of proprietors were concerned. That the combination should be extended downwards, to include not only the proprietors of the next grade of land, the 22-bushel tract, but also those of the 20-bushel tract, and even of the lowest grade, the 18-bushel tract, for which otherwise no rent would be paid, but which, in the attempt to escape competition, would have to be brought within the combination, their owners becoming entitled to a share of the profits, and that thus a monopoly should be established governing the price of wheat, would manifestly involve a thousand-fold the difficulties which would attend the formation of a combination to control the rent of lands all of the same grade. I am not aware that in the history of mankind such a combination has ever anywhere been made and maintained; and

there seems little reason for apprehending such a combination in the future.

But what individual owners could not do, Government may. There are instances of rents paid in new countries, as in Australia, while yet all even of the best lands were not taken up. This phenomenon, which several writers have mistakenly adduced as if it were in contradiction of Ricardo's law of rent, has been due to the fact that all available lands were held by the Government, which was thus able to fix a monopoly price.

Now, under monopoly, price is wholly cut away from cost of production. It becomes purely a question of demand. What price shall be paid, — for wheat, for example, — whether one dollar, or five, or fifty, will depend on how much consumers, who must get it, have with which to purchase it. Up to the limit of the absolute exhaustion of the resources of purchasers, price may be carried by the force of monopoly, and into that price, as Professor Cairnes has so well shown,¹ rent *does* enter.

¹ "In the ordinary case of agricultural rent, the relation of rent to price is not that of cause to effect, but of effect to cause; rent, that is to say, is the consequence, not the cause, of the high price of agricultural products. . . . On the other

Such would be the effect upon rent, and upon the price of produce, of universal land monopoly. The matter is not, however, of great practical interest, inasmuch as a monopoly of land, in any proper sense of the term, rarely exists over any considerable territory ; and were it to be established, even over large regions, its effects would be kept down within narrow limits unless the importation of food were forbidden.

2. The doctrine of rent, as we have stated it, assumes not only an active competition among land-owners, but also an active competition between land owners and cultivators as classes, and, still further, an active competition throughout the cultivating class itself, each cultivator seeking his own interests as against those of any and every other.

It is implied that the landlord, on his part, will unflinchingly demand all the rent which the excess of produce over that of the no-rent lands will allow the cultivators to pay ; and that he will exact this, if need be, at the cost hand, in the special cases of rent referred to, in the case, *e. g.*, of the unoccupied lands of a colony, — rent is, not the effect, but the cause of price.

“The price of corn rises here because the Government demands a rent. In the ordinary case the landlord demands a rent because the price of corn is high.”

of driving old tenants from the soil, not even giving favor to age, infirmity, or affliction.

On the part of the cultivator, it is implied that he will pursue his interest with unflinching intelligence and unflagging zeal, hesitating not to raise the rent upon his fellows by overbidding them; hesitating not to crowd himself into the place of any other cultivator, should a gain appear therein; hesitating not, for any sentimental reason, to abandon his own farm, his own home, his native country even, and seek his interest elsewhere, with absolute indifference to everything but an economic benefit.

The barest statement of these conditions shows that Ricardo's law does not furnish a formula by which the compensation to be paid for the cultivation of any given piece of land can be determined in advance. The law is only true hypothetically, and the conditions taken for the purpose nowhere exist, in their theoretical completeness. The United States and Ireland are probably the only two considerable countries in which rents closely approximating true competitive rents have been habitually paid. This fact does not deprive the economic law of rent of its significance and value. No projectile describes a perfect

parabola; yet the artillerist never fails to have reference to the law of the projectile, while pointing his piece.

I have said that the United States and Ireland are probably the only considerable countries¹ in which true competitive rents have been habitually paid. The similarity of action, in this respect, in these two countries, has been due to altogether different causes, and has, through affecting widely different material in the two cases, produced altogether different results. In the United States, the mobility of the population, their quick intelligence, their almost Ishmaelitic proclivity to change of place; the utter absence of popular notions regarding favors to be given in trade, or concessions to be made to classes supposed to be helpless and dependent; the cheapness of lands within the area of settlement, and the standing offer, by the Government, of boundless tracts of good land along the frontier, free of charge,

¹ Professor de Laveye speaks of the rents exacted by the small owners of land in certain districts of Belgium from those who are so unfortunate as to become their tenants, as true "rack rents," characterized by a severity of extortion rarely known elsewhere. But the area to which this state of things applies does not require a qualification of the already guarded statement in the text.

upon the sole condition of actual personal occupation and cultivation; and, lastly, the traditional character of American agriculture, which up to this point in our history has been of a very superficial character,¹ involving comparatively

¹ In an article in the "Princeton Review" of 1882, I ventured on the following vindication of that system of cultivation which has elicited so many expressions of disapproval from European tourists in America, and even from the self-constituted guardians of our agricultural interests at home. "The American people, finding themselves on a continent containing an almost limitless breadth of arable land, of fair average fertility, having little accumulated capital and many urgent occasions for every unit of labor power they could exert, have elected — and in doing so they are, I make bold to say, fully justified, on sound economical principles — to regard the land as practically of no value, and labor as of high value; have, in pursuance of this theory of the case, systematically cropped their fields on the principle of obtaining the largest crops with the least expenditure of labor, limiting their improvements to what was required for the immediate purpose specified, and caring little about returning to the soil any equivalent for the properties taken from it by the crops of each successive year. What has been returned has been only the manure generated incidentally to the support of the live stock needed to work the farm. In that which is for the time the great wheat and corn region of the United States, the fields are, as a rule, cropped continuously, without fertilization, year after year, decade after decade, until their fertility sensibly declines.

"Decline under this regimen it must, sooner or later, later or sooner, according to the crop and according to the degree

little expenditure for the benefit of the soil beyond the requirements of the annual crop, of original strength in the soil. Resort must then be had to new fields of virgin freshness, which, with us in the United States, has always meant 'The West.' When Professor Johnston published his 'Notes on North America,' in 1851, the granary of the continent had already moved from the flats of the lower St. Lawrence to the Mississippi Valley, the north and south line which divided the wheat product of the United States into two equal parts being approximately the line of the 82d meridian. In 1860, it was the 85th; in 1870, the 88th; in 1880, the 89th.

“Meanwhile, what becomes of the regions over which this shadow of partial exhaustion passes, like an eclipse, in its westward movement? The answer is to be read in the condition of New England to-day. A part of the agricultural population is maintained in raising upon limited soils the smaller crops, garden vegetables and orchard fruits, and producing butter, milk, poultry, and eggs for the supply of the cities and manufacturing towns which had their origin in the flourishing days of agriculture, which have grown with the age of the communities in which they were planted, and which, having been well founded when the decadence of agriculture begins, flourish the more on this account, inasmuch as a second part of the agricultural population, not choosing to follow the westward movement of the grain culture, are ready with their rising sons and daughters to enter the mill and factory. Still another part of the agricultural population gradually becomes occupied in the higher and more careful culture of the cereal crops on the better portion of the former breadth of arable land, the less eligible fields being allowed to spring up in brush and woods; deeper ploughing and better drainage are resorted to; fertilizers are

except as to expenditures of a constructive or mechanical nature, thus leaving the question of "unexhausted improvements," between tenant and landlord, a very simple one,—all these causes have combined in the United States to bring actual and theoretical rent close together.

No landlord here would hesitate to demand the utmost rent which he thought the tenant would pay; nor would any degree of popular odium attend a change of tenants, made solely on the ground that the new-comer offered more for the privilege of cultivation. It would be held that it was the landlord's right to get the full value of his land and to do whatever should be necessary to that end; while in a country where nine and a half millions of the native population live in other States than those in which they were born, any effort to

now employed to bring up and to keep up the pristine fertility of the soil. And thus begins the systematic agriculture of an old State. . . .

"It is in the way described that Americans have dealt with the soil opened to them by treaty or by purchase. And I have no hesitation in saying that posterity will decide, first, that it was both economically justifiable and politically fortunate that this should be done; and, secondly, that what has been done was accomplished with singular enterprise, prudence, patience, intelligence, and skill."

arouse indignation, or even pity, at the spectacle of an evicted family would be ludicrously futile. Here, then, we have competitive rents nearly in their fulness, the normal operation of the principle of self-interest being only restrained by that degree of ignorance and inertia which may be found among the most enlightened and enterprising peoples.

In England, however, the very country of Ricardo, competitive rents have never been generally exacted. Here we find sentiments of mutual obligation between landlord and tenant, sentiments having a political or a social origin, entering to modify profoundly the operation of purely economic forces. "The rent of agricultural land," says Professor Thorold Rogers, "is seldom the maximum annual value of the occupancy; in many cases, is considerably below such an amount." Not only are the landlord's own instincts of acquisition in general tempered by personal good-will between himself and his tenant, but an imperious public sentiment would protect the tenant against an unduly exacting landlord, to the extent of the social proscription of the offending party. No English gentleman could crowd an industrious tenant, who had been long upon the estate, out

of his holding, to admit a stranger, without having the whole parish or the whole county crying shame upon him.

By the force of sentiments like these, the normal operation of the principle of self-interest in dealing with the land is, in England, so far restrained that no inconsiderable part of what might, by Ricardo's law, be exacted in rent, remains unclaimed in the hands of the occupier, the tenant farmer. Upon the Continent of Europe, competitive rents are not even the rule, to which exception is made by virtue of such causes as have been indicated. In general, custom determines the amount of rent; and while custom has always a certain reference to the comparative productive advantages of land, it is the universal admission of all writers, whether liberal or conservative, upon this subject, that it has the effect, supported, as it is, by feelings of personal good-will and by a public sentiment which recognizes and is prepared to enforce the obligation of the noble and wealthy classes to be considerate and merciful in dealing with the peasantry, to cause a divergence, often a very wide divergence, from competitive rents, always in favor of the cultivator. So strong is custom, in controlling the

actions of men in dealing with the land, that over large portions of Continental Europe, the rents, consisting generally of a share of the produce, are not changed¹ from generation to generation, notwithstanding the growth of population, sending cultivation down to soils of lower and still lower fertility. It is true that the landlord gains through the enhanced value of his share of the produce; but it is also true that the cultivator realizes a large gain (of which by the Ricardian law he would have been deprived) through the enhanced value of so much of the produce as remains to himself.

It is not necessary at this time to enter, merely for illustration of our principle, upon so large and so difficult a question as that of rents in Ireland. Here in the past have been seen the full effects of competition, — competition, not, as in the United States, between classes substantially equal in intelligence and freedom of

¹ Indeed, it is, as Sir Henry Maine remarks, “all but certain that the idea of taking the highest obtainable rent for land is relatively of very modern origin. The rent of land corresponds to the price of goods; but doubtless was infinitely slower in corresponding to economical law, since the impression of a brotherhood in the ownership of land still survived, when goods had long since become the subject of individual property.” — *Village Communities*, p. 198.

movement; competition, not, as in England, restrained by kindly sentiments and conservative usages;¹ but a competition between a landlord class, few in numbers, rich in accumulated means, thoroughly united among themselves as the result of generations of suppressed warfare, and cherishing towards the peasantry, not the feelings natural to the lord of the soil, but the fears, the jealousies, the hatreds, that are born of race and religious antagonisms, and, on the other part, a tenant class, whose numbers were largely in excess of the capabilities of the land to support, and who were, in character, ignorant, superstitious, and improvident, their very virtues of generosity and hopefulness contributing to further disqualify them for the competition which they were compelled to enter upon for the occupation of the soil.

Two minor assumptions, involved in Ricardo's law, are: (1.) The indifference of the landlord to the possibility of waste being committed by the tenant, and (2.) The indifference of the

¹ "The three rents are: Rack-rent from a person of a strange tribe; a *fair rent*, from one of the tribe; and the stipulated rent, which is paid equally by the tribe and the strange tribe." — *Senchus Mor*, quoted by Maine, *Village Communities*, p. 187.

tenant towards the value of the improvements he may have incorporated with the soil. Of course, neither of these assumptions is even supposed to correspond to the facts. They are made merely for convenience of reasoning and simplicity of illustration.

Inasmuch as wanton malice, greed, or mere neglect, on the part of the tenant may impair, in a greater or smaller degree and more or less permanently, the fertility of land, it might readily happen that, contrary to the supposition made, the proprietor of land of the highest grade would prefer to have his land remain unoccupied rather than admit a distrusted tenant on a minimum rent. In this way the actual operation of the principle of self-interest might be made to differ in some degree from what we have described as the normal operation of that principle. Lands of this class might be held out of cultivation until the accumulating stress of the principle of "diminishing returns" upon the cultivators of the higher-grade lands led to the offer of a rent for these lands which, though low, could not yet properly be called a minimum rent (to be treated as *nil*), being substantial enough to constitute a sort of guarantee to the proprietor, or, to put it in another form,

being so far considerable as to make him think it worth while to take some risk regarding waste.

On the other hand, the tenant is never likely to be so free to move to other land as is assumed in the economic doctrine of rent, inasmuch as the existence of "unexhausted improvements" wrought by him in the soil is likely to hold him in his place, with a greater or less degree of tenacity, inducing him to remain where he is, even though obtaining somewhat less annually by present exertions than he might in another locality, rather than permanently sacrifice the benefit of his improvements by a removal.

I do not know that any other qualification of the Ricardian doctrine of rent, arising from the nature of the assumptions which underlie it, needs to be expressed in order to place us in a position to examine the views of recent writers regarding the actual influence of rent on the distribution of wealth.

It will be observed that the degree of this influence must depend, primarily, on the lower limit of cultivation, what economists commonly call *the margin of cultivation*. If the range of

net productiveness between the soils actually under cultivation at the same time, for the supply of the same market, be narrow, no matter how great the average productiveness of the whole body of lands, the amount paid in rent will be small. As that range increases, even though the average net productiveness should decline, and decline greatly, the amount paid in rents would increase.

Suppose six lots of land, of 1,000 acres each, supplying a given market, to produce, severally, 40, 39, 38, 37, 36, and 35 bushels per acre, the amount of rent realized therefrom, according to the formula of Ricardo, will be 15,000 bushels, out of a total production of 225,000 bushels, or $\frac{1}{15}$.

Now suppose that the same lots produce, severally, but 30, 28, 26, 24, 22, and 20 bushels. Here we should have an aggregate production of but 150,000 bushels, and yet the amount of rent would rise to 30,000 bushels, reaching $\frac{1}{5}$ of the produce. If, again, we were to assume that the lots produced, severally, 30, 27, 24, 21, 18, and 15 bushels, we should find the aggregate product sinking to 135,000 bushels; but of this not less than 45,000 bushels, or $\frac{1}{3}$ the crop, would go as rent.

“Rent is always,” said Mr. Ricardo, “the difference between the produce obtained by the employment of two equal quantities of capital and labor. . . .

“Whatever diminishes the inequality of produce obtained from successive portions of capital employed on the same or on new land, tends to lower rent; and whatever increases that inequality necessarily produces an opposite effect and tends to raise it.”

The range between the higher and the lower limit of cultivation we see, therefore, is of prime importance in the discussion of the influence of rent upon the distribution of wealth, as it determines the actual amount of the produce which, under the Ricardian formula, will go into the hands of the landlord simply for the privilege of applying labor and capital to the land.

Upon what we shall ascertain as to the existing facts and the manifest tendencies of economical forces in this matter of the margin of cultivation, so called, will depend our decision whether M. Leroy-Beaulieu is right in declaring that rent has ceased to be of any importance in the distribution of wealth; or Mr. George is right in declaring that rent is a deadly evil,

which is every day drawing nearer and nearer to the vital organs of the State; or, thirdly, whether both these gentlemen are not wrong, the one in unduly disparaging, the other in unduly magnifying, the importance of rent in the distribution of wealth, under modern economic conditions.

CHAPTER II.

ATTACKS UPON THE DOCTRINE OF RENT.

I SHALL not attempt even to name all those writers who have, at one time or another, from one quarter or another, assailed the economic doctrine of rent, as it was stated and illustrated in the last chapter. I shall ask the reader's attention to the arguments of but three writers, M. Bastiat, Mr. Henry C. Carey, of our own country, and M. Leroy-Beaulieu, the present editor of the "Economiste Français" and the successor of Michel Chevalier, as professor of political economy in the Collège de France.

BASTIAT.

It may be assumed that the reader is familiar with the essays and popular tracts of that ingenious and eloquent socio-economical writer, Frédéric Bastiat. His argument against the accepted doctrine of rent will be found in

chapters viii. and ix. of his "Harmonies of Political Economy."

Bastiat's argument against the doctrine of rent is supplemental to his attempted demonstration of the proposition that, not the gifts of nature, such as are found in soil and climate, not even the high mental or muscular endowments of individuals, but human efforts, are the creative cause of value.

Bastiat wrote especially in opposition to the communistic orators and pamphleteers of his day, that is, of the period of the Revolution of 1848. He wrote with a strong political intention, and discussed economical principles always with a side glance at the existing social situation. Could he have satisfactorily demonstrated the proposition just stated, it is evident he would have achieved an easy triumph over his antagonists. Wealth, the substance of which value is the attribute, would be found only in the hands of those who had created it; than which what could be more reasonable and righteous?

But against the view that human effort is the sole and sufficient creative cause of value, Bastiat found arrayed not only the compact opinion of all economists of reputation, but also

a great number and variety of familiar instances in which the possession of value is seen to be either irrespective of, or altogether out of proportion to, the human effort bestowed.

Blocked thus in his attempted progress in this direction, Bastiat broke through a passage for himself, and secured at least a seeming and temporary triumph by introducing into the discussion of value the equivocal word "service."¹

Now the word "service" may signify either personal exertions made in another's behalf, or acts, not necessarily onerous, by which another person is served or benefited. In other words, service may mean either the *taking of pains* by a person rendering the service, or the *saving of pains* to the person receiving the service.

This equivocal word admirably suited Bastiat's controversial exigencies. It was easy enough to prove that value depended upon service, in the sense of *saving pains* to the person purchasing, because, clearly, no one would purchase an article unless pains were saved to him thereby, — that is, unless he obtained the article with less pains to himself, with less of effort and

¹ On Bastiat's use of this word, Professor Cairnes has commented with great and not undeserved severity. See his Essay on Bastiat.

sacrifice, than would be necessary in producing it for himself. On the other hand, Bastiat, having thus established his proposition that value originates in service, and that the quantum of value is proportional to the quantum of service, turned about to his popular constituency only to use this juggling word, "service," in the sense of the *taking of pains* by the person selling. If a man, he would ask, only gets for his product that which is proportioned to the exertions he has made, what more could be asked? Who will challenge the equity of such an exchange?

It seems astonishing that a mere *équivoque*, like that which runs through Bastiat's whole theory of value, should have completely imposed on American economists, one of the most meritorious of whom has written: "I had scarcely read a dozen pages in that remarkable book when, closing it and giving myself to an hour's reflection, the field of political economy, in all its outlines and landmarks, lay before my mind, just as it does to-day. . . . From that hour political economy has been to me a new science." And this author elsewhere attributes especial influence over his mind to Bastiat's views on Value and Land, on each of

which the witty, subtile, eloquent Frenchman was about as far wrong as it is possible for an eloquent, subtile, and witty Frenchman to be.

At home, certainly, Bastiat never took rank as a constructive economist, though nowhere were the delicacy of the wit and the pungency of the satire with which he discussed many false and dangerous social and industrial theories so fully appreciated or so highly relished as in his native country.

But while, as a serious contribution to the theory of value, Bastiat's conception of economic "services" — which, as we have said, in some places he defines as the saving of pains to the person receiving, as distinguished from the taking of pains by the person rendering, so that the term in this use becomes almost equivalent to the ordinary meaning of the word "demand" — is utterly without significance, it is perhaps even more surprising that his writings on this theme should have had the slightest degree even of present popular influence in quieting disaffection regarding the rights of property. For let it be conceded that value is exactly according to the "service" rendered, that is, the pains saved to the person receiving the service, has not the *prolétaire* wit

enough, when that wit is quickened by the sense of wrong or the feeling of hardship, to ask, Ah! but how comes it that this man is in a position to render me so easily a service which I must repay at so great a cost to me?

It is indeed true that the man who sells me anything renders me, in one sense, a service. I should not buy that thing unless I wanted it; unless it were more useful to me than that I part with in exchange for it. That I buy of this person, and not of another, is a proof, or at least creates a strong presumption, that I buy at a lower price, or with a smaller expenditure of time and trouble in purchasing, or think I do so, than if I had bought of another. So far he has rendered me a service. Yet, if there is to be question respecting the equitableness of existing social arrangements, it is still possible, and reasonable as well, for me to go behind the situation, in which it is admitted there is a fair and free exchange of equivalent "services," and inquire how it happened that the two parties came severally into the positions in which that exchange finds them.

A receiver of stolen goods sells me something that I stand greatly in need of, at a very low

price. Strictly as between him and me, as trading persons, he doubtless renders me a service, the full equivalent of the money I pay to him; but as between society and him, and even between him and me as a member of society, there is an account still open that has to be adjusted.

A highwayman points a pistol at my head, but offers to spare me if I shall give him \$500, which I proceed to do with the greatest alacrity. In sparing my life he renders me the highest possible service, one for which I would gladly, were it needful, pay many times \$500. Indeed, on no equal payment during my life do I so much felicitate myself. Still the question will arise, How came the highwayman to be in a position to do me such a vital service, and, after all, what right has he to what was my \$500?

In like manner, while the owner of land who at a certain rent leases to me a few acres on which I may work to raise food for myself and family, undoubtedly does me a great service, as compared with not giving me leave to cultivate it upon any terms whatever, it will still be rational and pertinent for me to inquire, at least under my breath, what business he has with the land, more than I or any one else. Why

should I not have the whole produce of my ten-acre lot without deduction, although I freely confess that I would rather submit to the deduction than not have it at all; in other words, that a service, in Bastiat's sense, has been received by me.

It will appear that while Bastiat uses the fact of service rendered as, of itself, sufficiently establishing the equitableness of property, the capability of rendering a service, in the extended use which at times he gives to that term, may reside in a man by virtue of possessions most inequitably or even iniquitously obtained or retained. Yet Bastiat was so far satisfied with his demonstration of what seemed to him the perfect and indefeasible harmony of property and justice, that, addressing the owners of property, he exclaims: "You have not intercepted the gifts of God. You have received them gratuitously, it is true, at the hands of nature; but you have also gratuitously transferred them to your brethren without receiving anything. They have also acted in the same way towards you; and the only things which have been reciprocally compensated are physical and intellectual efforts, toils undergone, dangers braved, skill exercised,

privations submitted to, pains taken, services rendered and received ;” and he states, with especial emphasis and distinctness, the proposition that “Every man enjoys gratuitously all the utilities furnished or created by nature, on condition of taking the trouble to appropriate them, or of returning an equivalent service to those who render him the service of taking that trouble for him.”

“Taking the trouble to appropriate them,” is good. One can imagine the sardonic smile with which Mr. Jay Gould would receive and accept the congratulations of the eloquent optimist, upon the benefits he had conferred upon mankind by “taking the trouble to appropriate” the utilities furnished or created by nature to the extent of a cool hundred millions.

I have said that M. Bastiat’s argument against the economic doctrine of rent is supplemental to his attempted demonstration that all the gifts of nature, of every kind, are absolutely gratuitous. In dealing with the special case of landed property, he still relies upon the potency of the word “services” to establish the righteousness of the institution. “It is,” he says, “rigorously exact to say that the proprietor of

land is, after all, the proprietor only of a value which he has created, of services which he has rendered; and what property can be more legitimate? It is property created at no one's expense, and neither intercepts nor taxes the gifts of God."

The exceptional difficulty, however, of meeting manifest facts regarding the rent of land, and the universal consent of economists that there is, on all but the lowest grade of soils, an excess of produce, a clear surplus, above the cost of production, seemed to require of M. Bastiat that he should here make a distinct and special demonstration of his proposition concerning the relation of services to value. Consequently, we have, in the chapter on Landed Property, a laborious attempt to vindicate that species of property on the ground of natural right, in opposition to the view of nearly all publicists, founded on the current economic doctrine, that private property in land is a privilege conferring unearned advantages upon individuals, only to be justified by the public benefits resulting from the private cultivation and improvement of the soil.

M. Bastiat enters upon his task with zeal and courage. He denounces the statement of

Ricardo, McCulloch, and Senior, of Say, Garnier, and Blanqui, that rent is paid for the use of the original and indestructible powers of the soil, declaring that if rent have this origin, then, indeed, in the language of Proudhon, property is robbery, — a dangerous admission in the land of Frenchmen! M. Bastiat, however, entertains no doubt of his own competency to establish a wholly independent basis for rent, which shall make its payment consist with his glowing theory of the Mutuality of Services.

The main argument of this chapter of the *Economic Harmonies* we shall meet hereafter, in better form, when reviewing Mr. Carey's discussion of the same subject. It is directed to the demonstration of the proposition that the actual value of land does not exceed the accumulated labor that has been spent in giving it value; the inference being that, therefore, nothing but labor can have entered to give land any portion of its value. We shall see how delusive is this mode of demonstration. What is especially noticeable in Bastiat's reasoning is that, in enumerating the forms of human effort which have given value to the land, he does not confine himself to the labors of individual proprietors upon their respective estates,

but is continually adducing the efforts of the community, what M. Leroy-Beaulieu calls "social labor," that is, labor expended in building bridges and roads, labor expended in rearing towns for manufacture and trade which shall furnish a market for the produce of the farms, labor expended in promoting general interests and in preserving the public peace.

Now, so far as it is the labor of the community, social labor, which has given value to the land, the individual proprietor is in possession of wealth which he has not created. That wealth, being in so far due to the exertions of the community, should, on M. Bastiat's principle, be common to all. And thus the outcome of this labored defence of landed property on grounds of natural right is to exhibit the owner of land in the exclusive enjoyment of a value derived from the labor of others!

In a vain effort to avert this conclusion, M. Bastiat falls back upon an argument which may be cited to show the utter incompetence of this brilliant pamphleteer to deal with questions relating to land and its rent.

"There is here," he says, "no injustice, no exception in favor of landed property. No species of labor, from that of the banker to

that of the day laborer, fails to exhibit the same phenomenon. No one fails to see his remuneration improved by the improvement of the society in which his work is carried on. This action and reaction of the prosperity of each upon the prosperity of all, and *vice versa*, is the very law of value. . . . The lawyer, the physician, the professor, the artist, the poet, receive a higher remuneration for an equal amount of labor, in proportion as the town or country in which they belong increases in wealth and prosperity." Now this is specious: it looks solid; but let us touch it with a pin. M. Bastiat here represents the owner of the land as working on it, and deriving increased wealth with the increased prosperity and growing numbers of the community; as, for that matter, do the banker, the lawyer, and the physician. Where, he asks, is the injustice of this?

But suppose the owner of land does *not* cultivate it. Suppose he is himself a banker, lawyer, or physician, and lets his land to be cultivated by others. Do we not find him, then, receiving two shares, instead of one, out of the general increase of wealth,—one, as banker, lawyer, or physician, through his enhanced fees or profits; the other, as landlord,

through the enhancement of the price of agricultural produce? What right has he, on M. Bastiat's principles, as but one man, to more than one share?

But is it said, he receives the second share as the proprietor of the productive power of the labor of the past; had he invested his means — saved by himself, or derived from some frugal ancestor — in other forms of wealth besides land, he would still, under the conditions assumed, receive an equal benefit from the general prosperity? No, no! that will not do. M. Bastiat, if, in his own judgment, he has demonstrated anything, has proven conclusively that the power of the labor of the past to purchase present labor is continuously on the decline. With great emphasis and much iteration he lays down the general proposition that “one of the effects of progress is to diminish the value of all existing instruments.” Under this law, the reward or return to the landlord should, if it be true that land owes its value solely to capitalized labor, continually decline. That it does not decline, is due to the fact established by Ricardo, that, on all but the lowest grade of soils, there is a surplus above the cost of cultivation, which, through

the progress of society and the multiplication of the numbers of the community, tends to increase, and which, so far as economic forces alone are concerned, goes into the hands of the proprietor, as compensation for the use of the natural advantages of the land.

But it is in his "Brother Jonathan" illustration, so often quoted or referred to, that we are made most painfully to realize this gifted writer's incapacity for dealing with questions relating to land. In this somewhat protracted study, he supposes Brother Jonathan, "a laborious water-carrier of New York," to emigrate to Arkansas, where he buys land from the Government at a dollar an acre. This price, however, M. Bastiat tells us, as if anxious to shut himself off from any possible explanation of his subsequent misconceptions, represents only the value of the improvements which Government has already made, of the security it is prepared to afford to occupants, and of the mail facilities it has provided.

M. Bastiat proceeds to represent Brother Jonathan as taking his first crop to market and demanding for it something more than the recompense of his present and former labor, upon the express ground that "English and

French economists had assured him" that, in the character of a proprietor of land, he was entitled to derive a profit from the productive and indestructible powers of the soil. But here he fails, the merchant declining to pay more than the cost of producing the crop.

M. Bastiat next represents Brother Jonathan as negotiating with a would-be cultivator as to the rent of his farm. Again Brother Jonathan claims something for the use of his farm over and above the proper interest of the sum which would be necessary to bring another lot of Arkansas land into as good condition as his own, alleging that he is authorized to do so "according to the principles of Ricardo and Proudhon;" and again he meets with failure, the tenant offering him a rent which only corresponds to interest at current rates, upon the capital actually invested in the soil.

Still, a third time, M. Bastiat depicts Brother Jonathan, when trying not to lease but to sell his farm, encountering the disappointment of the expectations which had been inspired in him by the economists.

"It is needless to say," goes the story, "that no one would give him more for it than it cost himself. In vain he cited Ricardo, and repre-

sented the inherent value of the indestructible powers of the soil. The answer always was, 'There are other lands close by;' and these few words put an extinguisher on his exactions and his illusions."

Now, can one readily believe that a writer so thoroughly honest in purpose as M. Bastiat could so egregiously misrepresent and misstate the doctrine he had chosen to combat?

It is of the very essence of the Ricardian law of rent that there is a body of no-rent lands which, by reason of their low fertility or their distance from market, only return the cost of cultivation, leaving no surplus¹ whatever to go

¹ Adam Smith says: "The most desert moors in Norway and Scotland produce some sort of pasture for cattle, of which the milk and the increase are always more than sufficient, not only to maintain all the labor necessary for tending them and to pay the ordinary profit to the farmer or owner of the herd or flock, but to afford some small rent to the landlord."

Ricardo doubts this, believing that "in every country, from the rudest to the most refined, there is land of such a quality that it cannot yield a produce more than sufficiently valuable to replace the stock employed upon it, together with the profits ordinary and usual in that country."

Ricardo is probably right, though the matter is of no consequence, any way, inasmuch as the rent of Scottish or Norwegian "desert moors" is so small, per acre, as to constitute the economical minimum.

to the proprietor of the land as rent. You can only make an intelligible statement of Ricardo's doctrine by starting with the existence of no-rent lands, since the Ricardian formula measures rent upwards from the no-rent line.

Yet here M. Bastiat sends Brother Jonathan out to Arkansas, — a region which forty years ago stood in the relation to the markets of the world in which Montana and Idaho now stand, — a region where, by his own supposition, uncultivated and unappropriated lands lie on every side; and here, in this very position, on lands which are precisely the no-rent lands of the Ricardian formula, he makes Brother Jonathan claim a price for his produce above the cost of production, on the ground that the English and French economists have assured him that he is entitled to it on account of the original and indestructible properties of the soil. Again, he makes Brother Jonathan claim a rent above the interest of his investment, upon the authority of "Ricardo and Proudhon," and still again makes the Arkansas settler claim, for the same reason, a selling price in excess of the value of his improvements; and all this, while the simple, unmistakable fact is that, according to the doctrine which he is misrepresenting, the lands

in question bear neither rent nor price, aside from the condition of an actual investment of capital, and the produce raised thereon must be sold to repay only the cost of production. Such is M. Bastiat's contribution to the philosophy of land and its rent!

CAREY.

The economic doctrine of rent encountered a more formidable antagonist in Mr. Henry C. Carey, of Philadelphia, who in his work entitled "Political Economy," published in 1837, attacked Ricardo with arguments which he subsequently elaborated in his work entitled "The Past, Present, and Future," published in 1848. I shall quote indiscriminately from Mr. Carey's two works, the only difference between the author's views, as developed in the interval of the two publications, being, as stated by himself,¹ that in 1837 he was convinced that the theory of Ricardo was "not universally true," while, at the later date, he felt assured that it was "universally false."

Let us proceed to test the validity of arguments which lead to a conclusion so momentous.

¹ In the "Unity of Law."

Mr. Carey's first argument is founded on a "comparison of the cost and value of existing landed capital," to use his own phraseology; and will be found in the chapter of that title in his "Political Economy," and in his chapter, "Man and Land," in the work of 1848.

"There is not," he asserts, "throughout the United States, a county, township, town, or city, that would sell for cost; or one whose rents are equal to the interest upon the labor and capital expended."¹ And he elsewhere draws what he regards as the logical inference from this alleged fact: "If we show that the land heretofore appropriated is not only not worth as much labor as it has cost to produce it in its present condition, but that it could not be reproduced by the labor that its present value would purchase, it will be obvious to the reader that its whole value is due to that which has been applied to its improvement."²

Now, it appears to me that not only is this not "obvious," but that something very like an Irish bull is contained in this demonstration of a great "law" by which the harmony of all human interests is proposed to be established.

¹ Past, Present, and Future, p. 60.

² Political Economy, vol. i. p. 102.

The trouble with Mr. Carey's argument is its superabundance of proof. The effect is much the same as that which sometimes results from the superabundance of powder in charging a gun.

Had Mr. Carey been able to show that, in any case taken, a county, township, town, or city was worth exactly as much in labor as it had cost, the coincidence of amounts could at least have suggested, if it did not create a proper presumption to that effect, that the labor expended was the cause of the value existing; but when Mr. Carey, with a view to proving his very important proposition, asserts that any farm and any collection of farms has cost more, often far more, than it is worth, he simply affords another instance of that

“Vaulting ambition which o'erleaps itself,
And falls on the other side.”

Suppose the present value of a piece of land to be represented by 100 units, while the value of the labor it has cost to “produce” the farms found thereon, is represented by 125. Now, says Mr. Carey, inasmuch as the land is not worth more than 100, while the labor invested in it was worth 125, it is clear that nothing but the labor has entered to give value to the land!

But how so? What has become of the 25 which was in excess of the 100? Lost, says Mr. Carey, since, "as labor is improved in its quality by the aid of improved instruments, all previously accumulated capital tends to fall below its cost, in labor."¹

Ah! but if that 25 can be lost and has been lost, how can you show that another 25 has not been lost, and still another 25, through the operation of the same cause? How can you prove that the 100 of the present value of the land is due, in any part whatever, to the 125 of the value of the labor in the past?

John Smith's barn has been broken into, over night, by a burglar who sawed a hole through the door to effect his entrance. Mr. Henry Carey, in the interest of justice, appears next morning among the excited throng of neighbors, and produces a board taken from James Brown's woodshed, which, though not corresponding to the guilty hole in size or shape, is yet *large enough*, as he explains, to allow just such a piece to be cut out of it, thus conclusively proving James Brown to have been the robber of John Smith's barn!

Mr. Ricardo, upon a statement of reasons

¹ Political Economy, vol. i. p. 35.

which in their cogency and vigor exact an almost painful assent from every well-ordered mind, demonstrates that the value, at any time, of any piece of improved land is made up of two elements, — one representing, in capitalized form, the sum of its natural advantages, for productive purposes, over the least favored piece of land (whether less favored by reason of natural infertility, difficulty of cultivation, or distance) contributing to the supply of the same market at the same time; the other representing the present advantages, for productive purposes, acquired by the land in view, through applications of labor and capital in the past.

Mr. Carey, having established statistically, to his own satisfaction, that the value of the labor and capital so applied exceeds, even greatly exceeds, the present value of all cultivated lands, deems that he has demonstrated that the first element of Ricardo cannot enter at all into the value of such lands. How, indeed, can it, when there is no room for it, when the subject is already full and *more than full*?¹

¹ Let me reproduce Mr. Carey's words, already quoted: "There is not, throughout the United States, a county, township, town, or city that would sell for cost; or one whose rents are equal to the interest upon the labor and capital expended."

More than full: ah, there is the rub! Nothing can be more than full, and if there is a surplus in the value of the labor and capital applied to the land, above the present value of the land itself, it follows inevitably that some of that labor and capital have, so far as the present value of the land is concerned, been lost; but if so much has been lost, why not more? and if more, why may not Mr. Ricardo's first element enter, after all?

And this is the vaunted refutation of Ricardo's law of rent!

An argument that breaks down thus, under the slightest strain of hostile pressure, cannot be worth further notice on its own account; yet we may find matter of not a little economical interest in following out the question here raised, as to the relation between what Mr. Carey calls the cost of producing farms and the value of farms when "produced."

1st. To begin with, all the statements which are made regarding the amount so invested in any country or district are based on comparatively little information. The statistical data are few and meagre, even for making estimates. Accomplished statisticians, long accustomed to

deal with computations relating to agriculture, like Mr. Frederick Purdy, Mr. Robert Giffen, Professor Thorold Rogers, or Sir James Caird, would scarcely presume to claim even approximate accuracy for any estimates they might make regarding the amount of labor involved in bringing even a limited agricultural region into its present state of productiveness.

2d. Again, wholly in addition to the difficulty encountered in estimating the amount of labor involved in bringing a district to its present state of productiveness, would be the difficulty of computing the money value of that labor. While some great works of improvement are effected by bodies of hired laborers working through the year or through the agricultural season, most farm improvements are effected in the off season, when the wages of hired labor are very low, — perhaps only one half what they would be at another period of the year; and probably the greater part are effected by the labor of the owner or occupier of the land and his family, in fragments of the day which would not otherwise be utilized, or in portions of the year when little or nothing of the current work of the farm can be done. In a word, much, very much, of the agri-

cultural improvements of a country like the United States, at least, represents no cost at all, in the sense that if the labor power exerted had not been expended in this way, it would not have been put to any economic use.

3d. It goes almost without saying that the element of interest can properly be introduced into such computations only in respect to a very small proportion of the agricultural investments of capital.

In general, where capital is applied to agriculture, it is in the expectation of an immediate improvement of the productive power of the land, the annual increase of the produce being relied upon to furnish at least the annual interest upon the investment, so that, speaking broadly, in any comparison between the cost and the value of landed property, only the first cost of the improvements effected should be set against the ultimate value added thereby.

There are cases, of course, where capital is applied to the land in the view alone of a distant increase of value. Here, within moderate limits of time, the inclusion of interest in the computation is not unreasonable. But even here, and even within comparatively brief

periods, the application of the principle of geometric progression in the form of compound interest is of very doubtful propriety. Geometrical increase is rarely attained and never long maintained in things human. Contemplating an actual instance of geometrical increase within the field of industry, the most unreasonable expectation which can be formed concerning it, is that it will continue. That it should continue long, is not so much unlikely as impossible.

Sir Archibald Alison, in his discussion of the British Sinking Fund, states that "a penny laid out at compound interest at the birth of our Saviour would in the year 1775 have amounted to a solid mass of gold eighteen hundred times the whole weight of the globe."

So, doubtless, it might be shown that the value of Adam's first day's work in the Garden, properly compounded during six thousand years, would amount to more than the present value of all the lands of the world, and consequently that all the work that has been done since, in bringing the soil under cultivation, has merely been thrown away!

The incredibility of geometric increase through any considerable period of time can-

not be too strongly impressed upon the student of economics. The produce of a single acre of wheat, sown over and over, for fourteen years, would cover all the solid land on this planet. The spawn of certain fish would suffice in even fewer years, if reproduction went on in geometrical progression, to fill to the brim the basin of every pond, lake, river, sea, and ocean.

Hence we see the utter inconsequence of computations relating to human affairs into which compound interest is allowed to enter, except in strict subordination to common-sense. Probably there is no way in which a man can so quickly and so conclusively show himself unfit to be listened to, as by appealing to geometrical progression for the proof of an economical or social theory.

4th. But the consideration of greatest importance in computing the cost of "producing" farms is that, in general, agricultural improvements are compensated, and are expected to be compensated, in great measure, upon the principle of those annuities in which a certain number of annual payments both yield due interest on the purchase money and extinguish the capital itself, as when a man for \$1,000 (on

which the normal interest would be \$50 or \$60) purchases the right to receive \$120 a year for a certain term, with no claim on the principal thereafter.

Now, is this so, or is it not? Let us satisfy our minds on this point; for if the proposition just now stated is correct, it disposes effectually of the argument against the economic doctrine of rent derived from the fact of expenditures in "producing" farms.

That this proposition is correct is, I think, proved conclusively by the fact that there are few classes of improvements known to agriculture which a tenant for 33 years will not make at his own expense, notwithstanding the certainty that he will cease to enjoy the benefit of them at the expiry of his lease. Even a very much shorter period of enjoyment, as 21 years, or, as so commonly in Scotland, 19 years, may give the tenant time enough to get back the value of the most expensive improvements, if judiciously made.

Do not the several considerations adduced, and especially the last, take away all the force of this labored argument against the doctrine of rent?

Indeed, I must say that it appears to me

that the proper effect of the facts relating to the extent of land improvements in the past, instead of impairing the validity of the general body of orthodox economic doctrines, is really, when properly understood, to confirm them. Political economists have been wont to allege that two elements enter into the rental or the selling price of land,—one, rent proper, being compensation for the original and indestructible properties of the soil; the other, interest, being compensation for capital invested. Of these two, the economists have been wont to allege that the first, rent proper, tends to increase with the general advance of wealth and prosperity; the other, interest on landed improvements, like all forms of interest, tends to diminish under the same conditions.

Now, of the two elements thus entering into nominal rents, one, *we know*, is there, and we have something like a measure of its amount. If, of two fields equally near the market and equally accessible to cultivation, one will yield 30 bushels of wheat per acre to the same application of labor and capital which from the other will produce but 20, then there is a normal rent of 10 bushels an acre for the more fertile as compared with the less fertile field;

and any American would consider the proprietor as little better than a fool if, in leasing the former field, he did not get something near that amount of rent for it. In the same way, if, of two equally fertile fields, each producing 30 bushels to the acre, one is situated close by the market, while the other lies at a distance so great that the cost of transportation consumes one third the produce, then, again, there will be a normal rent of 10 bushels per acre for the nearer as compared with the more distant field; and any American would have his own opinion of a landlord who, in leasing such a field, should not get pretty nearly that price for the advantages of its location. In some degree, greater or less according to the character and institutions of the people concerned, law, or custom, or personal good feeling may enter to cause some portion of the normal rent of land to be remitted by landlord to tenant;¹ but none the less truly is it a fact, constant, certain, inexpugnable, that real rent, strictly economic rent, does enter into the actual rent or selling price of land in every community where self-interest is even the general principle which governs human actions.

¹ See pp. 48-51.

Now, as it is a fact beyond question or cavil, that rents, composed of these two elements, in one or another proportion, have increased greatly and almost steadily in nearly all civilized communities throughout the past seventy-five years, at the least, the more the cavillers at Ricardo's doctrine adduce to show the magnitude of the amounts of labor and capital which have been in the past expended upon land, the more, as it strikes me, do they afford corroboration of the view of the economists that it is the tendency of interest to fall with the general advance of wealth and prosperity.

But Mr. Carey was not satisfied with one refutation of Ricardo's law. He attempted and, to the satisfaction of his disciples, achieved, a second demonstration of its falsity. That this subsidiary argument against the doctrine of rent should have been for a moment admitted; that, indeed, it was not exploded at once amid general ridicule, — affords a striking proof of the weakness and vagueness with which economic questions, especially those affecting the land, have been discussed. It is a great pity, from the point of view of one who enjoys controversy, that Mr. Ricardo had not lived long

enough to deal with this audacious assailant of his law of rent. A very pretty case of dissection was lost through Mr. Ricardo's untimely death. I give Mr. Carey's argument in his own language.

"It will," he says,¹ "be perceived that the whole system is based upon the assertion of the existence of a single fact, namely, that, in the commencement of cultivation, when population is small and land consequently abundant, the soils capable of yielding the largest return to any given quantity of labor alone are cultivated.

"That fact exists, or it does not. If it has no existence, the system falls to the ground. *That it does not exist, that it never has existed in any country whatsoever, and that it is contrary to the nature of things that it should have existed, or can exist, we propose now to show.*

"We shall commence," he says, "our examination with the United States. Their first settlement is recent; and, the work being still in progress, we can readily trace the settler and mark his course of operation. If we find him invariably occupying the high and thin lands requiring little clearing and no drainage, those which can yield but a small return to labor,

¹ Past, Present, and Future, p. 23.

and as invariably travelling down the hills and clearing and draining the lower and richer lands, as population and wealth increase, then will the theory we have offered be confirmed by practice, — American practice, at least.

“If, however, we can thence follow him into Mexico and through South America, into Britain, and through France, Germany, Italy, Greece, and Egypt, into Asia and Australia, and show that such has been his invariable course of action, then may it be believed that when population is small and land consequently abundant, the work of cultivation is, and always must be, commenced upon the poorer soils; that, with the growth of population and wealth, other soils, yielding a larger return to labor, are always brought into activity, with a constantly increasing return to the labor expended upon them.”

I will not say, with Roscher, that Mr. Carey’s lengthy exposition is “rank with inexact science and unhistorical history.” It does not matter a particle, so far as the validity of Ricardo’s doctrine is concerned, whether Mr. Carey has correctly apprehended or grossly misapprehended the facts of human history, in the respect under consideration.

Let it be conceded that the order of settlement in all new countries is that which Mr. Carey has indicated,—the new-comers taking up light, dry, sandy soils, which will yield a quick return to the labor of the colonists, aided by their scanty capitals; and that it is only when wealth has been in some measure accumulated, after the first severe struggle to maintain existence, that deeper and richer, but cold and wet soils are opened, the forests cleared, the swamps, rich with the vegetable mould of centuries, drained. What, pray, does all this prove, so far as the doctrine under consideration is concerned? It is absolutely indifferent to the matter at issue.

It is true that Ricardo assumed, for the purpose of illustrating his doctrine, that the soils first cultivated, within any considerable country, were those most productive. It also appears from the context, that Mr. Ricardo really supposed that this was the historical order of occupation. Yet the economic law of rent has reference alone to the lands under cultivation *at the same time*; and would have precisely as much validity if everything which Mr. Carey has contended for, regarding the actual order of settlement and cultivation, were conceded,

as if the hypothesis of Ricardo had been historically accurate.

Thus, let us revert for a moment to the illustration offered, in the preceding chapter, of the origin of rent. We there assumed the existence of four tracts of different degrees of fertility, with population so increasing as to send cultivation down from the 24-bushel tract to the 22-bushel tract, thence down to the 20-bushel tract, and so on; showing how rent emerged at the first descent of cultivation, and how rents were readjusted at every rise or fall of the margin, or, as I prefer to call it, the lower limit, of cultivation. But the operation of the principle of self-interest in dealing with the land would be precisely the same, if, instead of a community, small at first, growing slowly in numbers and thus coming to occupy the four tracts successively, we were to suppose that a tribe numerous enough to require the cultivation of all four tracts at once, were to move upon the land. It would still be true that any member of the tribe could as well afford to pay 6 bushels rent for the 24-bushel tract as occupy a lot of the 18-bushel land for nothing, or cultivate a portion of the 22-bushel tract at a rent of 4 bushels. All the incidents we have described

would occur upon one hypothesis exactly as upon the other.

But you will ask: Is it really possible that Mr. Carey could have made so great a blunder? Is there not some mistake about this? Are you fairly representing him?

I answer: I have represented Mr. Carey with perfect fairness; have repeated his own words, and commented upon them in the very meaning which a hundred repetitions show that Mr. Carey intended they should bear.

The fact is, while Mr. Carey claimed to have, by this argument, refuted Ricardo's law of rent, and while that claim has been echoed from every side by his admirers, what Mr. Carey is here attacking is not Ricardo's law of rent, at all, but a deduction, true or false, from Ricardo's law of rent taken in conjunction with Malthus's law of population.

Mr. Malthus attempted to prove, positively, that mankind will increase, even to their own hurt. Mr. Ricardo showed, purely hypothetically, what must happen if by increase of population cultivation be driven down to inferior soils.

Hereupon the economists, generally, who accept the doctrines both of Ricardo and of Mal-

thus, have asserted that there is, in all communities, a practically irresistible tendency to an increase of population which will surely drive cultivation down to lower and still lower soils, with the result of a smaller and still smaller per capita product, yielding a scantier and still scantier subsistence to the members of the community. But this is not Ricardo's law of rent, which would hold true of a community slowly diminishing in numbers from generation to generation (contrary to Malthus's law of population), and, by consequence, withdrawing, little by little, from the worst lands under cultivation, and thus increasing the per capita product.

I have said that the complete establishment of Carey's historical order would not affect the validity of Ricardo's law of rent; and that, therefore, one might, for argument's sake, concede the accuracy of the narrative concerning the early settlement of Europe, Asia, and America, which occupies so large a portion of Mr. Carey's treatises, without surrendering even an outwork of the Ricardian doctrine.

But while the historical order of settlement is thus of no consequence as affecting the eco-

nomie law of rent, it must be admitted that very important economic consequences would follow the establishment of Mr. Carey's proposition that "the work of cultivation is and always must be commenced upon the poorer soils; that, with the growth of population and wealth, other soils yielding a larger return to labor are *always* brought into activity;" or, as he elsewhere expresses it, that the settler *invariably* travels down the hills, clearing and draining the lower and richer lands, as population and wealth increase.

Now, as we are about to hold Mr. Carey accountable for this sweeping proposition, let there be no question that these expressions fairly represent the general drift of his argument. Of this, no one familiar with his voluminous writings will entertain a doubt. Mr. Carey asserts not only the unreality, but the impossibility, of the assumed fact that the increase of population sends cultivation down to inferior soils, in terms no less strong than these: It does not exist; it never has existed in any country whatsoever; it is contrary to the nature of things that it should have existed or can exist.

What are the economic consequences which,

as we have said, would follow the establishment of Mr. Carey's proposition? These: that, instead of the increase of population lowering the margin of cultivation, and thus enhancing the aggregate body of rents,¹ it would be shown to have the effect, by stimulating the cultivation of better lands, to throw out the poorer (the first cultivated soils), and thus to raise the lower limit of cultivation, and thus at once to diminish the share of the produce going as rent to the landlord, and to increase the average produce, per capita, of the community. Rents will still be determined by the Ricardian formula; but the importance of rent as a factor in the distribution of wealth will be diminished.

In view of the importance of these consequences, let us proceed to examine Mr. Carey's sweeping assertions regarding the actual order of settlement and occupation, for the purposes of agriculture. Let us see whether this history be indeed historical or not.

In the first place, we note that Mr. Carey's detailed accounts relate, in the main, either to the settlement and cultivation of countries in ages when military necessities were a con-

¹ See pp. 53-55.

trolling force, or else to the very earliest stages of settlement and cultivation of the land, under circumstances which make the needs of immediate subsistence peculiarly urgent, as in the new States of the American Union, eighty, sixty, forty years ago.

It would take more time than we have at command, even were the game worth the candle, to go through the history of the settlement of Britain, Italy, Greece, Germany, and other ancient countries, and attempt to analyze the influences which determined the selection of lands for habitation and cultivation. When we contrast the sites of nearly all ancient and mediæval cities, built upon the towering rock, with the utterly indefensible sites of our modern cities, we can well understand that not economical but political and military exigencies may have given a strong preference to high and rugged ground, even for agriculture, in the days of almost universal warfare. The crops, indeed, raised on such ground would neither be so ample, nor obtained with so little effort and sacrifice, as those which might have been raised in the fertile valleys below, but they would have been in a less degree subject to be swept away by the forays of armed bands.

Fortunately, we do not need to enter into an analysis involving so much time and labor, and perplexed by so many uncertainties regarding the facts with which we should have to deal. If the forces which in those days determined population to high and poor soils were exclusively or even predominantly economic forces, we shall not fail to find them operating to control the occupation of new countries in these piping times of general peace. Let us then consider the course of settlement in the United States. Mr. Carey himself expresses his preference for investigation in this field. "Their first settlement," he says, "is recent, and, the work being still in progress, we can readily trace the settler, and mark his course of operation."¹

And, to further narrow the field, let us confine our view to the State of Ohio. This State is as favorable as any to Mr. Carey's theory. "The early settlers," he says, "of Ohio, Indiana, and Illinois uniformly selected the higher grounds, leaving the richer lands for their successors."²

¹ Past, Present, and Future, p. 24.

² Past, Present, and Future, p. 32. Indeed, Ohio affords a much better opportunity for exhibiting the operation of economic forces than either of the other States named, inasmuch as it is more generally wooded, has a greater diversity

Now let us take this case up and push it. If Mr. Carey has justly generalized the facts of the settlement of this great free State, he is entitled to much praise.

The settlement of Ohio may be said to have been in progress all the time between 1802, when its inhabitants were fewer than 50,000, and 1832, when its population had reached 1,000,000; in progress in this sense, that not until the latter date had settlers found their way into every corner and county of the new State beyond the Alleghanies.

Now let it be conceded that throughout this period Mr. Carey's statement regarding the course of occupation holds good, substantially. I say, substantially, because to justify the assertion that the settlers "uniformly" selected the higher grounds would require a vastly greater amount of particular and local knowledge regarding the territory of Ohio than any one man ever possessed.

How much, then, would there be in this fact, admitted for the sake of argument, which should be in contravention of the economic doctrine of

of surface, and a larger proportion of rocky ground, than either Indiana or Illinois, which are purely prairie States, of great uniformity of surface and of soil.

rent? These early settlers of Ohio were, in the first instance, necessarily controlled in their "location" by considerations relating to the transportation of their products and to communication with the settlements they had left behind. Now, advantages of situation, as we have before seen, enter just as fully into the net productiveness of any tract of land, according to Ricardo's doctrine, as advantages arising from superior fertility. Even in illustrating the origin of rent, in our first chapter, we assumed the existence of a very productive tract, situated at so great a distance that it would not be occupied until cultivation had been driven to descend through several successive stages within the territory immediately surrounding the market.

But, secondly, the early settlers of Ohio were largely compelled by the immediate exigencies of pioneer life to do something different from that which would have been the most economical had they possessed an ample store of necessaries and of the utensils and materials of industry. New-comers must needs do, not what they would, but what they can; they must raise a quick crop, by little labor; and it is natural enough that they should generally seek

the side-hill, which is self-drained, and the open country, which does not require clearing, and the thin, dry soil, which gives a speedy, though not a large return.

They still seek that land which will be most productive under the circumstances in which they find themselves placed ; for, as Professor Johnston has well said, that which would be rich land for a rich man may be poor land for a poor man.

But the question I wish now to raise is, whether, when the first exigencies of pioneer life were passed, when some store had been accumulated, when population had become sufficiently dense to allow a reasonable degree of co-operation in labor, when time had been afforded to lay out roads and bridges and to perfect the means of transportation, when the capabilities and resources of the land had become thoroughly known,—whether then it remained true that cultivators in Ohio neglected the best soils for those of an inferior quality ?

If not, the fabric so laboriously reared for assaulting the stronghold of the economists tumbles to the ground, of its own weight. How much does it matter that the people of

Ohio, while they were first spreading loosely over the State, took up lands as Mr. Carey says they did, unless it can be proved, or at least a strong presumption can be established, that they continued to take up poorer soils, in preference to the best? Mr. Carey asserts that the hypothetical order of settlement is "universally false;" that is, it is false as applied not to one but to all stages of the history of any community. As this matter is important, let us formulate it somewhat rigidly.

Let us suppose the possibly cultivable lands of Ohio to form seven distinct grades, 1 to 7, No. 1 being the poorest, No. 7 the richest. Let us divide the economic life of Ohio, beginning in 1802 and ending—when? into seven generations, with continually increasing population.

Now, unless Mr. Carey is grossly mistaken, generation No. 1, the first settlers, will take up lands No. 1, the poorest of all; generation No. 2 will take up lands No. 2, the next to the poorest; generation No. 3 will take up lands No. 3, and so on.

This, or something very like it, must take place, or Mr. Carey's "law" breaks down; for should generation No. 3, say, have the pre-

sumption to take up lands No. 6, and generation No. 4 be thereby encouraged to take up lands No. 7, why then generation No. 5 will perforce be compelled to take up lands No. 5, that is, lands poorer than those which had been brought in by the two generations preceding, while generation No. 6 will be driven to take up lands No. 4, far down on the scale of fertility; and generation No. 7, the flower of civilization, will actually have to "decline upon" lands No. 3, which, according to Mr. Carey, generation No. 3 should, in conscience, have taken up. In other words, we should have cultivation driven down to inferior soils, a state of things respecting which Mr. Carey declares that it not only never has existed in any country whatsoever, but that it is contrary to the nature of things that it should have existed or can exist.

In view of such possible results, what an appalling responsibility rests upon the people of any generation in the matter of not taking up any better land than they ought! In the first place, think what a degree of virtue it requires, that they should deliberately deny themselves the enjoyment of the really best land around them, in order that the coming

generations, with increasing numbers, should have the privilege of first occupying these, as Mr. Carey says they *must* do! Even more remarkable than this, think of the degree of intelligence that is required to point out to the men of any generation just the share of the lands of the State which Mr. Carey's theory will permit them to occupy, they being necessarily ignorant as to what the future population of the State is to be, or through how many generations or centuries the increase of population upon the territory is to be continued!

But let us return to Ohio. We have seen what is required to make Mr. Carey's "historical law" true. How far do the probabilities of the case favor the rigid application of that law throughout the settlement of this State?

We may believe that there were, in Ohio, in 1832, when the population was 1,000,000, about 4,000,000 acres of improved land in farms. By 1850, when the population had risen to 2,000,000, these 4,000,000 acres had become 10,000,000. Did the addition thus made to the enclosed and improved lands of the State include a fair proportion of the best lands within its limits, or were the new lands, also,

thin, dry, sandy soils, only not quite so poor as those brought in between 1802 and 1832, — soils giving little root to grasses or to grain, but raising a small crop easily and quickly? Unless the latter was the case, Mr. Carey's great historical law becomes little better than arrant nonsense.

There is a popular belief throughout the Eastern States of this Union, that, in the eighteen years covered by this period, — 1832-50, — there was an immense amount of "clearing" done in Ohio; and the virtues of the "pioneer's axe" have been celebrated in song and story. Is this all a mistake? Or, if the people of Ohio really did cut down the primeval timber over thousands of square miles, did they, as they ought, take pains to cut down only timber which grew over comparatively poor soils, so as not to interfere with the rights vested in unborn generations by Mr. Carey's "law"?

Imagine Abraham Garfield, after reading Mr. Carey's "Political Economy," going into the woods, with his stalwart sons, axe on shoulder. He stoops down, gathers a sample of the soil, and after a patient examination rises with a sigh, and exclaims: "No, boys, it won't do for

us to cut down this bit of timber. The land underneath is too good for the like of us. The population of the county will not, you know, attain its maximum until 2184, and if we should, now that it is only the year of grace 1847, open this ground for cultivation, those who come after us might be obliged to resort to soils which would not be of as good a quality, and this Mr. Carey assures us can never be. So let us move on. We will strike into that lot across the ridge, where we know the soil is just thin and dry and mean enough for you and me."

Between 1850 and 1880, again, the population of Ohio has increased to 3,000,000, and the number of acres of improved lands has risen to 18,000,000. Are the 8,000,000 acres improved for the first time during this period, all, or substantially all, of a quality next above those previously brought in, but still below the best? Has this added territory embraced lands only a little less thin, a little less shallow, a little less dry, than those occupied in 1850? Has this vast annexation still left the really good lands of the State uncultivated, only to be improved when the population shall reach 5,000,000 or 10,000,000?

I do not care to contest Mr. Carey's theory that the first generation of settlers in any American State have spread themselves loosely over the soil, picking out the spots which offered the greatest facilities for the transportation of produce and for communication with the older settlements, perhaps giving a certain preference to naturally cleared, self-drained land. But that the second generation, in any American State, north of Mason and Dixon's line at least, have shrunk from the real problem of their economic life, have failed to grapple with the obstacles which withstood their acquisition of the richest resources of nature, have neglected to subdue the soil, the best soil they could find, with axe and spade, strenuously, manfully, with incessant toil, with unflinching courage, I, for one, do not believe; and Mr. Carey has not adduced a scintilla of evidence to prove a proposition so contrary to all we have ever learned of the character and life of the Western people. It would require a detailed local knowledge of at least 50,000 farms, including the time and manner in which every field therein came to be enclosed and cultivated, to establish such a proposition regarding the State of Ohio alone. In the absence of any such sta-

tistical demonstration, common fame and common sense give the flattest contradiction to this monstrous hypothesis.

With this we may leave Mr. Carey's argument against the Ricardian doctrine of rent. The person who denies the truth of the Ricardian law in effect declares that men habitually rent highly fertile and comparatively infertile fields, rich corn lands and mountain pastures, at the same price; that men habitually rent lands near a market at the same price with lands the most distant from the market. If he does not mean to assert this, he does not in the smallest degree traverse the path of Ricardo's majestic argument. If he does mean to assert this, he puts himself on the level of the person who should assert that men habitually sell 2 bushels or 10 bushels of wheat at one and the same price.

In a word, Ricardo's doctrine can no more be impugned than the sun in heaven, and those who mouth at it simply show that they do not know what it was Ricardo taught.

LEROY-BEAULIEU.

The latest attack on the economic doctrine of rent, that of M. Leroy-Beaulieu,¹ need not detain us long.

I say, attack upon the economic doctrine of rent; and yet M. Leroy-Beaulieu does not in terms attack that doctrine. Indeed, this distinguished economist and statistician is not capable of denying the theoretical truth of the doctrine of Ricardo. He admits that the fact of differences in natural advantages, whether of fertility or of situation, among the fields contributing to the supply of the market, *must* leave a surplus above the cost of production in the hands of the cultivators of all but the lowest grade of soils.

M. Leroy-Beaulieu's attack upon the doctrine of rent takes the form, not of questioning its theoretical validity, but of disparaging its present and prospective importance in the distribution of wealth. Did M. Leroy-Beaulieu confine himself to a careful statistical measurement of that part of the rents actually paid by tenants to landlords which is due to the natural advantages of the soil, whether of climate or

¹ La Répartition des Richesses. Paris, 1882.

location; and were the effect of his investigation merely to reduce somewhat, or even to reduce very considerably, the importance generally assigned to rent proper as a factor in the distribution of wealth, — I should not presume to speak of him as making an attack upon the Ricardian doctrine. But inasmuch as M. Leroy-Beaulieu, while admitting the theoretical validity of that doctrine, carries his disparagement of its practical importance to such an extreme as to lead him to declare that rent — real economic rent — has ceased to have any significance in the modern distribution of wealth, having already sunk to an economical minimum, and is on the point of disappearing altogether, I conceive that we cannot regard his discussion of the subject as anything less, or anything other, than an attack upon the economic doctrine of rent.

“Subjected,” says this writer, “to an attentive examination, the doctrine of Ricardo appears to us to have, to-day, almost no practical importance.”¹ Elsewhere he says that, of the produce of the soil, it is only a *parcelle infime*² which goes to the proprietor. The English school of economists, he declares, have exagger-

¹ La Répartition des Richesses, p. 103.

² Ibid. p. 113.

ated *singulièrement* the pretended privilege of the rural proprietor; "to speak the truth, it is not even an exaggeration, but a veritable travesty of facts."¹

For the support of his views regarding the narrowness of the influence exerted by rent upon the distribution of wealth, this writer relies chiefly upon the argument derived from what Mr. Carey calls the cost of producing farms. The French economist is not only much more moderate in his assertions than the American economist, whom he follows on this line, but he brings to the discussion a far higher degree of statistical ability, and draws upon a much wider range of statistical data. He does not, indeed, reach any such sweeping conclusion as that there is no township or parish the present value of whose lands would repay the labor which has been expended upon them; yet, after a wide-reaching discussion of all the facts at his command, he issues with this result, that the enhancement of rents in England, France, and Belgium during the last seventy-five years — or, say, since the peace of 1815 — has not amounted to a sum greatly in excess of a fair interest return upon the expenditures

¹ La Répartition des Richesses, pp. 115, 116.

directed towards the improvement of the soil within the same period.

Now, the force of this argument has already been sufficiently discussed while we were dealing with Mr. Carey's attack on Ricardo. I have sought to show that expenditures upon land are, in very large part, made in the expectation that they will be compensated by the increased yield of a comparatively short term of years. It might have been difficult to prove this, were the cultivator of the soil always the proprietor; but when we find by far the greater part of the lands of England, and no inconsiderable part of those of France and Belgium, in the hands of tenants, and when we see that those tenants, holding under leases for 11, 19, 21, or possibly 33 years, as a maximum, freely make, in their own interest, nearly every class of improvements known to agriculture,¹ we have what seems to me a sufficient refutation of the argument by which it is sought to disparage the importance of rent, — real economic rent, — the compensation that is paid for the natural

¹ Even in cities, costly residences, stores, and warehouses are often built upon leased land, to go entire to the proprietor of the soil at the expiry of the lease, the tenant looking to secure his own interest by the profits of occupation during the brief interval.

advantages of the soil, through magnifying the volume of expenditures made for its improvement.

But M. Leroy-Beaulieu is not content with the indirect method of establishing the insignificance of rent, — the method, that is, which seeks to show that, of the two elements entering into the compensation for the use of land, rent must be little because interest is so great. He undertakes to establish the same conclusion, directly and affirmatively, by showing that modern facilities of transportation have reduced the tax or toll levied upon the aggregate produce of the land in favor of the proprietor class, to the extent of practically extinguishing rent, — rent proper.

His line of argument is this: Modern facilities of transportation have substituted, for the distinction between cultivated lands as more or less fertile, the distinction between cultivated lands as more or less remote from market. No community is now confined, in obtaining its subsistence, to the lands surrounding it, as was formerly the case in a high degree. The Romans and the Athenians, indeed, brought grain from the Black Sea, Egypt, and Africa; but they would have starved had they depended

for any essential part of their supply upon lands as distant as Australia or America. Any Englishman may now eat the wheat of Minnesota or Dakota; any German may, if Bismarck will let him, eat the hams of Cincinnati or Chicago. Steam navigation has enabled the whole world to resort to the world's best soils, and eat of the produce thereof at the cost of raising it *plus* only the cost of transport, and this cost of transport is steadily diminishing under the force of invention and discovery.

M. Leroy-Beaulieu's discussion of this subject is very interesting, and, except as he deals with questions of degree, is sound and just. The principle he adduces is incontestable. In our statement and illustration of the origin of rent, we purposely placed one of the tracts dealt with at a great distance, and inquired as to the effects of successive reductions in the cost of transportation, not only upon the cultivation of that tract itself, but upon the cultivation of the home tracts, and upon the rentals they would severally bear.

But when M. Leroy-Beaulieu declares that the cost of transportation has already been reduced so low that rent has become nearly if not quite a genuine economic minimum, he

utterly transcends the limits of toleration and deservedly forfeits the confidence of his reader.

Fortunately we need no elaborate or extended argument to prove him hopelessly in the wrong. Turn we to England. Here we find a steady increase in the price of animal food throughout the last thirty or forty years, notwithstanding free trade and improved navigation; that price "rising," as Sir James Caird states, "in a few years from fivepence to sevenpence, ninepence, and even a shilling, a pound."¹

Under any circumstances, Sir James remarks, the English producer has the advantage of at least a penny, in the pound of live meat, arising from the cost and risk of transportation, over his transatlantic competitor, an advantage equal to £4 on an average ox.² "Of this natural advantage nothing can deprive him; and with this he may rest content."

"Fresh meat from America," he continues, "from the costly methods necessary to preserve it, will, on the produce of an acre, cost

¹ The Landed Interest and the Price of Land, pp. 2, 3.

² Mr. Alfred Pell states the average freight of live cattle from America at £7 per head. "I have heard," he writes, "that the price has since been reduced to £5. It was as high as £12 in the first instance, and they have carried cattle, I believe, as low as 50 shillings."

equal to 40 shillings, for transport to this country." Now, 40 shillings an acre is equivalent to the average rent of land in England, — a rent with which, Sir James remarks, the British land-owner may well rest content. In regard to the cereal and other vegetable crops, the same high authority testifies that the cost of transporting from California, the Black Sea, or India, the chief sources of supply, a quantity of wheat equal to the produce of an acre, "is seldom less, and often more than 40 shillings."¹ "Hay and straw," he adds, "are so bulky that they can only bear the cost of carriage from near Continental ports." Certainly this does not look like a statistical minimum. Forty shillings (\$12) an acre is a very pretty rent, neither to be despised by the landlord nor to be neglected by the economist in discussing the distribution of wealth.

And if we inquire how the selling price of land has been affected by modern facilities for transport and intercommunication, we have this remarkable statement from the same writer, certainly the most capable agricultural observer

¹ See, also, the address of Sir James Caird, as President of the Statistical Society, 1881, in the Journal of the Society.

in Great Britain, where since 1851 his authority has been undisputed, namely, that the capital wealth of the owners of landed property has been increased, in Great Britain and Ireland, by £331,000,000 in 20 years, "at a cost to them which probably has not exceeded £60,000,000."

Here we have, according to this eminent economist, a net increase of the selling price of the lands of Great Britain and Ireland, after deduction of the cost of improvements, of not less than £270,000,000, or \$1,350,000,000.

It is true that during the five years since Sir James Caird wrote these words, the increasing severity of American competition¹ has very considerably reduced the rental value of the lands of the United Kingdom; but there is no reason to suppose that this effect has proceeded far enough to neutralize the gain of the twenty years preceding, notwithstanding all those improvements in the means and agencies of transport and intercommunication upon which M. Leroy-Beaulieu dwells with so much emphasis and eloquence.

I do not know that I could give a better idea, in a single line, of the strained way in which M. Leroy-Beaulieu pursues his object of

¹ See *ante*, pp. 23-26.

demonstrating that economic rent has ceased to be a factor in the distribution of wealth, than by saying that he seriously refers to the lamentable experiences of Mr. Martin Chuzzlewit, of the late firm of Chuzzlewit and Tapley, Architects and Land Surveyors, as an instance in point to prove the native valuelessness of land and the greatness of the pains and perils which attend its occupation and cultivation! Many a hundred thousand of American agriculturists, who, ten, fifteen, or twenty years ago, "went West," taking up government land under the Homestead Act, who, every year since, have lived with their families on the land, consuming at least twice as much of animal and vegetable food as falls to the lot of the English, French, or German peasant, and whose lands are now worth, through the mere growth of the country, \$10, \$30, or \$50 an acre, could reassure the philanthropic heart of M. Leroy-Beaulieu.

In like manner, this really admirable economist and statistician, turning his eyes upon Europe, disparages the natural advantages of the proprietor of the soil in that region by reference to the pests and plagues which beset the vine, the growing wheat, the fruiting tree.

After dwelling with profound commiseration upon the ravages of the infamous phylloxera, the malignant rotrytis infestans, and the altogether pernicious doriphera, he exclaims, with what some might mistake for bathos : “ Were Ricardo to return to earth, would he, in the presence of these evils which afflict the agriculture of the elder communities, still insist that the proprietor of land is a privileged being, the favorite of civilization, who sees his own profits continually increase without his efforts, and who gathers the larger share of the fruits of social progress.”¹

If I might venture to reply for Mr. Ricardo, in his absence, I would say : Were that very clear-sighted and hard-headed person to revisit the glimpses of the moon, and take a survey of modern industrial society, it is probable that, in view of the fact that fair wheat lands are worth \$300 in England, \$50 in Illinois, and \$5 in Dakota, he would still be disposed to hold that the possession of land near the centres of civilization and the marts of trade, if not wholly without drawbacks, is, on the whole, phylloxera, doriphera, and rotrytis infestans to the contrary notwithstanding, a decidedly

¹ La Répartition des Richesses, p. 102.

good thing. With M. Leroy-Beaulieu's vaticinations respecting the advances to be hereafter made in the arts and agencies of transportation, we are not called to concern ourselves. All this may come to pass, and, with Keeley Motor stock at par, rents may sink to zero.

CHAPTER III.

RECENT ATTACKS UPON LANDED PROPERTY.

As stated in the opening chapter, I shall not, in this connection, take note of works which attack property in general, but shall confine myself to those writers who admit property in the products of labor, of which they deem the individual appropriation of land to be an invasion.

MILL.

The later essays and speeches of Mr. Stuart Mill, dealing with the land, are well known to students of economics.

In 1870 Mr. Mill became President of the Land Tenure Reform Association.

As its title indicates, and as its published programme announced, the purpose of the Association was to secure a reform, and not the abolition, of landed property; but inasmuch

as the reform which the Association deemed imperative cut off so much of the incidents of ownership as fairly to raise the question whether enough would be left to make ownership itself thereafter desirable, and, indeed, whether the result would not be to bring the greater part of the land into the hands of the State as owner, through the relinquishment of the land by its former owners, upon the terms contained in the programme of the Association, this movement is fairly to be ranked among the Attacks upon Landed Property made in our day.

Although, as a measure of so-called reform, Mr. Mill took up this question so late in life, all the principles, whether of economics or of political equity, to which he appealed at this period, are distinctly laid down in his work of 1848.

“The essential principle of property being to assure to all persons what they have produced by their labor and accumulated by their abstinence, this principle cannot apply to what is not the produce of labor, the raw material of the earth. If the land derived its productive power wholly from nature and not at all from industry, or if there were any means of

discriminating what is derived from each source, it not only would not be necessary, but it would be the height of injustice, to let the gift of nature be engrossed by a few. . . .

“But, though land is not the produce of industry, most of its valuable qualities are so. Labor is not only requisite for using, but almost equally so for fashioning, the instrument. In many cases, even when cleared, its productiveness is wholly the effect of labor and art. . . .

“These are the reasons which form the justification, in an economical point of view, of property in land. It is seen that they are only valid in so far as the proprietor of land is its improver. . . .

“When the sacredness of property is talked of, it should always be remembered that this sacredness does not belong in the same degree to landed property. No man made the land. It is the original inheritance of the whole species. Public reasons exist for its being appropriated. But if those reasons lost their force, the thing would be unjust. . . .

“Landed property is felt, even by those most tenacious of its rights, to be a different thing from other property; and where the bulk of the

community have been disinherited of their share of it, and it has become the exclusive attribute of a small minority, men have generally tried to reconcile it, at least in theory, to their sense of justice, by endeavoring to attach duties to it, and erecting it into a sort of magistracy, either moral or legal. But if the State is at liberty to treat the possessors of land as public functionaries, it is only going one step further to say that it is at liberty to discard them. The claim of the land-owners to the land is altogether subordinate to the general policy of the State. The principle of property gives them no right to the land, but only a right to compensation for whatever portion of their interest in land it may be the policy of the State to deprive them of. *To that their claim is indefeasible.*"

In 1870, as stated, Mr. Mill had so far advanced in his views regarding the private ownership of land, that he became President of the Land Tenure Reform Association, one of whose proposed objects was: "To claim for the benefit of the State the Interception by Taxation of the Future Unearned Increase of the Rent of Land (so far as the same can be ascertained), or a great part of that increase,

which is continually taking place, without any effort or outlay by the proprietors, merely through the growth of population and wealth; reserving to owners the option of relinquishing their property to the State at the market value which it may have acquired at the time when this principle may be adopted by the Legislature."

This project was advocated by Mr. Mill in arguments of which the following paragraphs contain the essence:—

"There are some things, which, if allowed to be articles of commerce at all, cannot be prevented from being monopolized articles. On all such the State has an acknowledged right to limit the profits. . . . Now, land is one of these natural monopolies. The demand for it in every prosperous country is constantly rising, while the land itself is susceptible of but little increase. All such articles, when indispensable to human existence, tend irresistibly to rise in price, with the progress of wealth and population. The rise of the value of land and of the incomes of land-owners during the present century has been enormous. Part of it, undoubtedly, has been due to agricultural improvements and the expenditure of capital on the

soil. Much of it, however, is merely the result of the increased demand for agricultural products and for building land, and would have taken place even though no money had been laid out in increasing the productive powers of the soil. Such outlay, moreover, as there has been, was made, in a great proportion of cases, not by the landlord, but by the tenant,¹ who may or may not have been indemnified by a temporary enjoyment of the profits; but, sooner or later, the increased return produced by the tenant's capital, has become an unearned addition to the income of the landlord.

“The Society are of opinion that, in allowing the land to become private property, the State ought to have reserved to itself this accession of income; and that lapse of time does not extinguish this right, whatever claim to compensation it may establish in favor of the land-owners. . . .

“The Society do not propose to disturb the land-owners in their past acquisitions; but they assert the right of the State to all such accessions in the future.

“Whatever value the land may have acquired at the time when the principle they

¹ See *ante*, pp. 84, 85.

contend for shall obtain the assent of Parliament, they do not propose to interfere with. If, rather than submit to be specially taxed on the future increase of his rent, the land-owner prefer to relinquish his land to the State, the Society are willing that the State should pay for it at its selling value.

“In this manner, that increase of wealth which now flows into the coffers of private persons from the mere progress of society, and not from their own merits or sacrifices, will be gradually, and in an increasing proportion, diverted from them to the nation as a whole, from whose collective exertions and sacrifices it really proceeds.” For the carrying out of this scheme, Mr. Mill says: “A valuation of all the land in the country would be made in the first instance, and a registration established of subsequent improvements made by the landlord.”

Looking at this statement of principles in the light of our previous discussions, what do we find here asserted?

1st. There is the fullest recognition of Ricardo's law of rent. It is asserted, in direct contradiction of Messrs. Carey and Bastiat, that the rental or selling price of land, in general,

consists of two elements, — one being the owner's compensation for the capital invested in improvements, whether above or below the surface; the other being a remuneration exacted for the use of a natural agent of production, the inherent properties of the soil.

2d. It is asserted that the actual amount of wealth, if not the share of the aggregate product of land, labor, and capital, thus going, as economic rent, to the landlord, is not only of enormous importance in the existing state of society, but tends strongly to increase with increase of wealth and population.

This view of the present and prospective consequence of rent, in the distribution of wealth, which differs *toto cœlo* from that of M. Leroy-Beaulieu, leads Mr. Mill to inquire into the nature of the claim of the land-owner, with the result which we have read.

That individual ownership of land is of comparatively recent institution, the soil having formerly been deemed the common possession of cultivating communities, held together by a real or constructive tie of kinship; that, even when the private ownership of land was instituted, rights of property were coupled with political and military duties and fiscal obliga-

tions, which constituted no inconsiderable compensation to the community for the loss of its interest in the land; and, finally, that these political and military duties and fiscal obligations have been thrown off by the land-owning class, through the exertion of their superior power and influence in the formation of public policies and in the enactment of laws, without any adequate commutation thereof, — these things appear to me too well established to admit of question. From the point of view of political equity, I know of no answer which can successfully be made to Mr. Mill's argument. In my judgment it stands, on that side, inexpugnable.

It is from the point of view, however, of political expediency — using that term in its largest sense, to include consideration of the economic effects of the proposed change — that the programme of the Land Tenure Reform Association must be approved or condemned. Mr. Mill himself, in his work of 1848, professed, as in the paragraphs which have been quoted, amenability to this rule; nor do I understand him as seeking, in his later publications on the land question, to escape therefrom. On the contrary, while the primal motive of

the proposed reform is to secure a more equitable apportionment of the products of land, capital, and labor, he argues not only that the change will, in the first instance, bring no shock to production, but that, instead of diminishing in any direction the impulse towards the creation of values, it will, in its ultimate result, secure a more harmonious distribution, a wiser consumption, and by consequence, in the next economic generation, an increased production of wealth.

What, then, should be said of Mr. Mill's proposition, as a scheme of practical reform?

In the first place, we note that, in saving the rights of existing property-holders, Mr. Mill, in common honesty, relinquishes the claim of the community upon all that increase in the rental or selling price of land which shall have accompanied the increase of population and the development of industry, up to the time when the scheme shall be definitely adopted by legal authority. Of all the probable mischief attributable to what Mr. Mill regards as an ill-advised surrender of land to individuals, a large part possibly, not improbably the larger part, has already been irreparably done. It is, then,

only to future increase in the value of land that this scheme would apply. Such a limitation of its scope would not only greatly reduce the benefits to be derived by the State, benefits for the sake of which great perils are to be risked, but would wholly deprive the scheme of all significance whatever, for good at least, in many communities where rent has already reached its maximum and tends rather to decline than to increase, under the severity of competition from newer or more fortunate lands.

But, secondly, governments could not under this scheme realize by any means the whole even of the future increase of rents. This is admitted by Mr. Mill, in his defence of the programme of the Land Tenure Reform Association. "A large margin," he says, "should be allowed for possible miscalculation." Yet such an allowance would by just so much diminish the inducement for the State to assert its rights to the lands now held by individuals. And that this margin must, as Mr. Mill says, be large, that it must be very large indeed, I think we shall see, if we take into consideration the difficulties which attend the valuation of improvements effected in the soil. I

endeavored in the last chapter to convey an impression of the difficulties attending this valuation.¹ Here we have Mr. Carey declaring that there is not a county, a township, a town, or a city in the United States of his day, which was worth what it had cost to produce it. Here we have a statistician of eminence, like M. Leroy-Beaulieu, prepared to prove that the present rental of land in England, France, or Belgium constitutes no more than a fair interest on the investment made by the owners.

I trust I showed to the reader's satisfaction that a mistaken principle underlies all computations of "the cost of producing farms;" and that many, if not most, agricultural improvements are made in the expectation of an increase of the produce, the enjoyment of which for a term of years, greater or less, answers both for interest on the investment and for the principal of the investment itself; but how improvements should be classified for this purpose, what should be the term of years for any one class of investments, how the first cost should be computed, how the State should check and prove the owner's accounts of work

¹ See *ante*, pp. 80-82.

done, how secure that the work charged should be real, effective work, such as would be given to the planting and harvesting of the annual crop, of which the State would take no account, — it must appear, on the first suggestion, that these questions would involve infinite perplexity,¹ with one of two results certain to ensue: either, with just and fair-minded assessors, the State would, in the readjustment of values for the purposes of Mr. Mill's scheme, lose every time and at every point, since the assessors could not know the facts upon which to base a confident decision, while the owner would be in a position to represent the circumstances in such a way as always to leave a balance in his own favor; or else, with assessors not anxiously desirous to do right, perhaps even disposed to assert the interests of the State to extremity, owners would, in great numbers, avail themselves of their right to relinquish their lands to the State, at its first registered valuation, with consequences which we shall consider hereafter.

3d. But we have not yet enumerated all

¹ On the difficulty of distinguishing and classifying agricultural improvements, see Mr. Newmarch's paper, in the Journal of the Statistical Society, for 1871, p. 488.

the difficulties which would attend the execution of this system of "Nationalizing the Land."

Were every change of value in land, throughout the most extensive community, certain to be in the direction of a rise, some estates rising perhaps rapidly, others slowly, and others not at all, but none losing any part of their present value with the lapse of time, all the perplexities we have indicated would be encountered by the State in asserting for itself the benefits of the "unearned increment of land."

But a further and a still greater difficulty would stand in the way of this scheme, namely, the fact of declining values in landed property.

That the amount going to the owner of the soil in rent has, taking all progressive countries together, risen greatly through the past generation, the past century, the past three centuries, or five, seems too clear to require proof. That it is still rising, I believe, in spite of M. Leroy-Beaulieu's attempted disproof. That it is likely, most likely, to rise through a considerable future, though no one can conjecture how fast or how far, I entertain no doubt. But this general rise of rents has always been in

the past, and is morally certain to be in the future, accompanied by the phenomenon of values falling over considerable areas. This is seen on every hand, even throughout flourishing communities.

Now it is evident, beyond challenge or question by any honest man, that in a readjustment of the relations of land, made primarily to meet the demands of political equity, the State, if it will claim the benefit of all gain resulting from general causes affecting the numbers and productive power of the community, and thus due neither to the merits nor to the sacrifices of owners, is bound to make good all losses resulting from a decline of demand due to causes which are of a general nature, and are thus attributable to no fault or neglect on the part of owners. If he who remains, in name, the proprietor of land is not to be allowed to reap any gain not brought about by his own exertions, he has a good claim to be saved harmless from loss which no effort of his could have averted. Heads, I win; tails, you lose, is no fair game; it is not a game at which the State can in safety or decency play with its own citizens.

4th. And now we have to note still another source of loss to the State in its effort to re-

sume the virtual ownership of land, namely, that, in appraising the losses to owners occurring in the case of depreciating property, the State would be bound to allow "a large margin for miscalculation," corresponding to that adopted in the valuation of property rising in value. This would constitute another deduction from the theoretical advantages of this project.

Whether, after the State had indemnified all owners of depreciating property, after it had conceded all the deductions which might be necessary to prevent large bodies of land from coming upon its hands, at the official valuation, there would be enough left, as a source of revenue, to make it worth while to undertake a measure so revolutionary and perilous in its nature, may well be doubted.

That, in the event the public interest in the matter of landed property were to be asserted in such a way as to bring large numbers of estates into the hands of public officials, the treasury paying the owners therefor the original registered valuation, the State could so manage such properties, either by occupation, by rental, or by sale, as to get its money back, even without interest, even after much delay and great

fiscal embarrassment, what man, who knows anything of the history of State property, believes?

Professor Emile de Laveleye has indeed, in this connection, referred to the experience of the early Village Communities of Europe as proof that successful cultivation without abuse of the soil is possible under collective ownership. But consider the vast differences in the conditions! The agriculture of those days was wonderfully simple and rude. The communities were small, highly localized, thoroughly integrated bodies. Each man cultivated his temporary allotment under the eyes of his real or constructive kinsmen, subject to their daily and hourly criticism and control. Anything like abuse of the soil or neglect of the punctilious prescriptions relating to the enjoyment of the common property was a direct invasion of the rights of every other member of the community, who was in a position to know it and to resent it. Could the five hundred thousand residents of Manchester, the five million residents of London, exert any corresponding control of their individual interests in the farms of Kent, Hampshire, Lincoln, and the Lothians? When, as by Mr. Mill's scheme, you make the

unit of possession, not a village or a parish, but a nation; when the actual cultivators become but a fraction of the community, the remaining members knowing little and caring less about the cultivation of the soil; when, instead of a population spread evenly over the land, you gather half the subjects of the realm into cities and towns; when, moreover, the crops cultivated become numerous, and the methods of cultivation infinitely various and complicated, — then the conditions which made the occupation of the soil in common even tolerable disappear. Indeed, Sir Henry Maine has shown reason for believing that, even with the simple agriculture of those early days, even under the very limited demands then made upon the soil, the organization of society into village communities was ineffective for productive purposes; and that it was from its lack of adaptation to the wants of an increasing population, that it was replaced by autocratically governed manorial groups of cultivators.

The objection to common ownership of land, which arises from the liability to abuse and waste, disappears, of course, when building-lands and town sites are brought under consideration; and so greatly is the problem simplified

that Dr. Adolph Wagner, the illustrious Professor of Political Economy in the University of Berlin, has proposed that the municipalities should purchase all town property,¹ in order to realize therefrom the progressive increase of values.

I shall, however, assume that the disadvantages of the State or of a municipality turning itself into a great real-estate company will be sufficiently obvious not to require any extended discussion. Think what the civil service of a city like Boston, a State like Massachusetts, a nation like the United States, would become, if, instead of an annual pay-roll of a half million, or two millions, or thirty millions, the control and manipulation of income to the amount of tens or hundreds of millions, of wealth to the amount of hundreds or thousands of millions, were to become the object of political intrigue, the spoil of political victory!

¹ It is perhaps worth noting, that Professor Wagner's scheme, if practicable, would fail to satisfy all the equities of the case, since the growth of towns and cities is largely due to the "exertions and sacrifices" of the rural communities by which they are surrounded, and which would have a strong claim to be admitted to a participation in the "un-earned increment of land" situated in the towns and cities to which they thus contribute.

The beginning of our national career found us in possession of a vast public domain, on which our earlier financiers looked as an important fiscal resource. A wiser policy, however, prevailed; and although that original domain has been multiplied fourfold as the result of war or purchase, it has been almost as rapidly reduced by alienations, all wise and patriotic statesmen agreeing, with almost perfect unanimity, that no fiscal advantage that might accrue from holding the public lands as a source of revenue could be weighed against the interests to be secured by those lands becoming the individual property of actual cultivators.

That a nation which deliberately adopted the policy of selling at a minimum price, and even of giving away to actual settlers, the lands which were already unqualifiedly public property, and which has never hesitated for a moment in the pursuit of this policy, men of all classes and all parties agreeing thereto with substantial unanimity, should undertake a scheme that at least borders upon confiscation, for the purpose of bringing under the control of the treasury lands which had become a private possession before the nation had an existence,

is so unlikely that we need not waste time in arraying arguments against the proposition.

GEORGE.

We come now to the work of Mr. Henry George, entitled "Progress and Poverty," to which allusion was made in our opening chapter.

Mr. George's attack upon Landed Property is twofold, — from the side of natural rights, and from the side of the economic interests of society.

Let those who feel competent to the task answer Mr. George's eloquent plea in behalf of the natural and inalienable right of all individual members of the human race indiscriminately to enter and enjoy at will each and every lot and parcel of land upon the globe, and every building which may have been or may hereafter be erected thereupon.¹ I profess no qualifications for the work, never having lived in a state of nature myself, but having

¹ "There is on earth no power which can rightfully make a grant of exclusive ownership in land. . . . Let the parchments be ever so many, or possession ever so long, natural justice can recognize no right in one man to the possession and enjoyment of land, that is not equally the right of all his fellows." — *Progress and Poverty*.

resided all my life in communities more or less civilized. In my humble judgment, only considerations of political expediency or of political equity are pertinent to discussions relating to the arrangements of human society. I shall therefore, venture to apply to Mr. George's assertions and proposals regarding the occupation of the land purely economic tests, just as if all this fine talk about the rights of man¹ had been left out of his book. And this subjection of the question of the ownership of land to economic principles is, after all, not something to which Mr. George can consistently make objection: for he claims to write as an economist; he professes to be able to give a strictly economic reason for the faith that is in him; he founds his system upon the economic doctrine of rent, as he understands it; and he is severe upon writers who have preceded him, on

¹ "Though his titles have been acquiesced in by generation after generation, to the landed estates of the Duke of Westminster the poorest child that is born in London today has just as much right as has his eldest son. Though the sovereign people of the State of New York consent to the landed possessions of the Astors, the puniest infant that comes wailing into the world, in the squalidest room of the most miserable tenement house, becomes at that moment seized of an equal right with the millionnaires." — *Progress and Poverty*.

account of their slips and lapses in the application of economic principles. First and foremost, Mr. George is, if he knows himself, an economist.

Let us, then, proceed to consider "Progress and Poverty," on this side.

In the first place, it will not be needful¹ to enter into the arguments by which Mr. George seeks to establish the proposition that "wages are produced by the labor for which they are paid." Were this proposition false, we could

¹ Neither needful nor desirable. Nearly all of Mr. George's assailants have wasted their strength and breath in attacking the proposition expressed in the text, or in discussing the arguments Mr. George puts forward in refutation of the Malthusian doctrine of population. Witness the labored articles in the January number of the Edinburgh and of the Quarterly Review. The fact is, neither Mr. George's view regarding the origin of wages nor his anti-Malthusianism is, in the slightest degree, of the essence of his doctrine. By placing these in his front, and procuring his enemies to assault them, Mr. George has evaded a direct attack upon his vital point, namely, his position regarding the importance of rent as a factor in the distribution of wealth. To reach this it is not necessary to cross the quagmire into which Mr. George has drawn his heedless assailants, who have been completely "blown" before they reached the position upon which alone his system stands. Any one who will avoid this error may raid Mr. George's camp to his heart's content.

concede him all the benefit to be derived from its use, and still disprove the main positions of his book; but the proposition that "wages are produced by the labor for which they are paid," contains much truth, although the author's attempts to disparage the importance of the contributions to current production made by capital accumulated in the past involve a fearful straining of economic facts and economic conditions.¹ So far, however, as this proposition contains any truth, it is not, in the least degree, original with Mr. George. Professor Stanley Jevons in 1871 announced the doctrine that "the wages of a working man are ultimately coincident with what he produces, after the deduction of rent, taxes, and the interest of

¹ As, for example, when in treating the function of capital in production, he says, "Accumulated wealth seems to play just about such a part in relation to the social organism as accumulated nutriment does to the physical organism," and adds, in illustration, "Some accumulated wealth is necessary, and to a certain extent it may be drawn upon in exigencies; but the wealth produced by past generations can no more account for the consumption of the present, than the dinners he ate last year can supply a man with present strength." This work abounds in statements of an equal degree of extravagance, and doubtless herein lies the secret of the attraction it exerts upon ill-balanced minds.

capital," while in my own work of 1876 it was said that "wages are, in any philosophical view of the subject, paid out of the product of present industry, and hence production furnishes the true measure of wages." ¹

Nor is it necessary to take time, as many of Mr. George's critics have done, for a discussion of Mr. George's attempted refutation of Malthus's doctrine of population. Here, again, we might concede to this writer all he claims, true or false, without giving him ground on which to establish the subsequent truly monstrous propositions of his book. There is absolutely nothing original in Mr. George's attack on Malthusianism,—the doctrine, namely, that population strongly tends to increase to its own hurt; and we should use time that might be more profitably employed, were we to recite the threadbare arguments of the opponents of that doctrine for no other reason than that Mr. George has chosen to make them a preface to his doctrine of rent.

What is original in Mr. George's work is the enormous importance assigned to rent as an

¹ The same doctrine was contained in an article by the present writer in the *North American Review* of January, 1875, and in an Address at Amherst College in 1874.

element in the distribution of wealth. Here Mr. George's admirers may rightfully claim for him all the credit of first discovery. No other writer, so far as I am aware, ever attributed to rent anything approaching the same degree of importance.

We have seen Mr. Mill, weighed down by a sense of the injustice of allowing the large annual increment of the land to pass, unearned, to the landlord, propose that the State should assert the right of the community, as a whole, to this body of wealth; but Mr. Mill never dreamed of advancing the theory that rent necessarily, in the progress of society, *absorbs the entire gain in productive power, and even more than that gain*, leaving the laboring classes actually worse off by reason of every successive improvement in the arts or in the social order.¹

¹ Mr. Mill does, indeed, assert that the working classes have failed to reap the greater part of the gain which should have accrued to them from the improvements and inventions of the past century; but he attributes this mainly to their own improvidence, ignorance, or heedlessness, or to the undue increase of population, or to social and legal wrongs, outside the tenure of land. Mr. George asserts that the private ownership of land deprives the laboring class of all share whatsoever in the fruits of social progress, altogether irrespective of increase of numbers, or of any failure to meet

On the other hand, we have heard M. Leroy-Beaulieu, an economist and statistician of eminence, declare that rent — real, economic rent, as distinguished from the returns made to capital invested in the soil — has actually ceased to be a factor in the distribution of wealth, has already sunk to an economic minimum, and will soon disappear altogether.

If I may resort to a somewhat unpleasant physiological illustration, M. Leroy-Beaulieu declares that rent is no more than the merest mole upon the industrial body; Mr. Mill regards it as an open sore, a real, appreciable, and considerable drain upon the vitality of the state, which should be checked by stringent surgery and cautery. Mr. George looks upon rent as a cancerous evil, which, growing by what it feeds upon, draws into itself all the vital forces of the community, extending its deadly influence further and further every day, every day drawing nearer and nearer to the seat of life, with only one possible result, and that in no distant future.

Reduce rent, as an element in the distribution of the requirements of a true competition. He declares that this inheres, naturally, necessarily, and inevitably, in the economic conditions of the private ownership of the soil.

tion of wealth, to the importance assigned it by M. Leroy-Beaulieu, and Mr. George's practical proposals would become simply ridiculous ; and probably Mr. George himself would see them to be so.

Reduce rent, as an element in the distribution of wealth, to the importance assigned it by Mr. Mill, and Mr. George's work would be emptied of all novel significance. It would remain merely a passionate tract in advocacy of the proposals for nationalizing the land which were put forth by Mr. Mill and the Land Reform Tenure Association in 1870.

Here, then, right here, in the highly magnified importance assigned to rent as a factor in the distribution of wealth, we find all there is of Mr. George's work which has either originality or novelty. This is literally all the new matter there is in the book, in the view of any economic investigator. But this is Mr. George's own, in every sense of the term. If Mr. George is right here, he has discovered a principle of supreme importance, the neglect of which should put every professional economist to the blush.

Let us, then, confine ourselves to this view of the subject.

In stating and discussing the views of Mr.

George, I shall seek to exercise the utmost fairness. I shall, as far as possible, give him the benefit of his own forms of expression, even at the expense of much space. I shall sometimes quote two, three, or even more statements of the same principle, in order that it may appear that I am not taking a controversial advantage of any inadvertence or extravagance in expression. This is the more desirable, since some of Mr. George's assertions are so astonishing that a few repetitions really assist one in rising to the height of the occasion. I shall, however, take the liberty to introduce italics into my quotations from Mr. George, at my own discretion.

In the first place, I remark, negatively, that Mr. George does not attack property in general. He does not rail at capital, or impeach its claim to recompense. On the contrary, he vigorously asserts the "natural right" of the producer to the fruits of his exertions and sacrifices, whether he be laborer or capitalist; and it is partly because, as he esteems it, private property in land constitutes an invasion of property in the product of labor, that he would bring about the state ownership, or common ownership, of land.

In the second place, and also negatively, Mr. George is not an opponent of the Ricardian doctrine. The law of rent is, he says, "correctly apprehended by the current political economy."

Indeed, so far is he from being an opponent of the Ricardian doctrine, that it is in the unheard-of and unthought-of extension which he gives to the scope of the principle of rent, that the essence of his teaching consists.

Let us now proceed to state Mr. George's position affirmatively. As we have agreed, for the purposes of the present discussion,¹ to concede the sufficiency of his refutation of the doctrine of Malthus, we will, for simplicity, follow Mr. George only through his analysis of the effects of rent acting upon stationary populations.

This cannot fail to receive his assent, since he declares that "land, being held as private property, would produce in a stationary population all the effects attributed by the Malthusian doctrine to pressure of population."

What, then, is Mr. George's position? Just

¹ Only for the sake of the discussion. The writer is a thorough believer in the validity of the doctrine of Malthus as restated by Mr. Mill.

this: "*Irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent.*" The proof of this proposition is as follows, in his own words:—

"Demand is not a fixed quantity that increases only as population increases. In each individual it rises with *his* power of getting the things demanded. . . .

"The amount of wealth produced is nowhere commensurate with the desire for wealth; and desire mounts with every additional opportunity for gratification.

"This being the case, the effect of labor-saving improvements will be to increase the production of wealth. Now, for the production of wealth, two things are required, labor and land. Therefore the effect of labor-saving improvements will be to extend the demand for land, and wherever the limit of the quality of land in use is reached, to bring into cultivation lands of less natural productiveness, or to extend cultivation on the same lands to a point of lower natural productiveness. And thus, while the primary effect of labor-saving improvements is to increase the power of labor, the secondary effect is to extend cultivation, and, where this

lowers the margin of cultivation, to increase rent. . . .

“Thus, where land is entirely appropriated, as in England, or where it is either appropriated or is capable of appropriation as rapidly as it is needed for use, as in the United States, the ultimate effect of labor-saving machinery or improvements is to increase rent, without increasing wages or interest.

“It is important that this be fully understood, for it shows that effects attributed by current theories to increase of population are really due to the progress of invention, and explains the otherwise perplexing fact that labor-saving machinery everywhere fails to benefit laborers.”

And he concludes, after repeating and further illustrating this view of the effect of productive improvements and inventions, with the following italicized proposition: “Wealth, in all its forms, being the product of labor applied to land, or the products of land, any increase in the power of labor, the demand for wealth being unsatisfied, will be utilized in procuring more wealth, and thus increase the demand for land.” And so, to use his own phrase, labor cannot reap the benefits which advancing civi-

lization brings, because they are "intercepted,"¹ that is, intercepted by rent.

¹ Mr. George draws what he apparently deems a very appalling picture of the conceivable, if not possible, consequences of this subjection of labor and capital to the land. "As," he says, "we can assign no limits to the progress of invention, neither can we assign any limits to the increase of rent, short of the whole produce. For, if labor-saving inventions went on until perfection was attained, and the necessity of labor in the production of wealth was entirely done away with, then everything that the earth could yield could be obtained without labor, and the margin of cultivation would be extended to zero. Wages would be nothing, and interest would be nothing, while rent would take everything. For, the owners of the land being enabled without labor to obtain all the wealth that could be procured from nature, there would be no use for either labor or capital, and no possible way in which either could compel any share of the wealth produced." All this is said seriously, as if it were of some consequence. Yet one cannot help asking: Well, what of it? Why should there be any wages, if there were no labor? What are wages? Mr. George himself defines both labor and wages as follows: "The term 'labor' includes all human exertion in the production of wealth; and wages, being that part of the produce which goes to labor, includes all reward for such exertion."

Very good, as it is very familiar. But if a state of things were reached such as Mr. George contemplates, in which there were no labor, no exertion of human powers or faculties in the production of wealth, why, in the name of equity, should there be any wages, the reward for such exertion?

And if there were no capital, why should there be any interest, the recompense of capital? What is capital? Accord-

That it may not be supposed that I am in any way misrepresenting Mr. George, or omitting any qualification of his propositions, I quote another extended paragraph, in his own words.

“Land being necessary to labor, and being reduced to private ownership, every increase in the productive power of labor but increases rent, — the price that labor must pay for the opportunity to utilize its powers; and thus all the advantages gained by the march of progress go to the owners of land and wages do not increase. Wages cannot increase; for, the greater the earnings of labor, the greater the price that labor must pay out of its earnings for the opportunity to make any earnings at all. The mere laborer has thus no more interest in the general advance of productive power than the Cuban slave has in advance in the price of sugar. And just as an advance in the price of sugar may make the condition of the slave worse, by inducing the master to drive him

ing to Mr. George it is “only a part of wealth, — that part, namely, which is devoted to the aid of production.” But if no wealth were to be devoted to production, as on Mr. George’s supposition, then there would be no capital. If no capital, why any interest ?

harder, so may the condition of the free laborer be positively, as well as relatively, changed for the worse by the increase in the productive power of his labor. For, begotten of the continuous advance of rents, arises a speculative tendency which discounts the effect of future improvements by a still further advance of rent."

The last sentence introduces Mr. George's second count in his arraignment of rent, as the great social criminal.

Please carefully to note the point. The immediate and direct effect of any addition, from whatever source, to the productive power of labor, is to increase rents by just the same amount, so that nothing is left to go either into enhanced wages or enhanced profits, the landlord taking the entire increase, whatever that may be.

But now another force enters, actually to deplete the already starving laborer. This is the speculative advance in land, owing to the expectation of further increments of value at the expense of the community.

"We have," says Mr. George, "hitherto assumed, as is generally assumed in elucidations of the theory of rent, that the *actual margin of*

cultivation always coincides with what may be termed the *necessary margin* of cultivation, — that is to say, we have assumed that cultivation extends to less productive points only as it becomes necessary from the fact that natural opportunities are at the more productive points fully utilized. This, probably, is the case in stationary or very slowly progressing communities; but in rapidly progressing communities, where the swift and steady increase of rent gives confidence to calculations of further increase, it is not the case. In such communities, the confident expectation of increased prices produces, to a greater or less extent, the effects of a combination among land-holders, and tends to the withholding of land from use, in expectation of higher prices, thus forcing the margin of cultivation farther than required by the necessities of production.”

But this is not the end of the mischief attending the private ownership of land. We have now the third and final count in this arraignment. The speculative holding of land, just described, becomes, in turn, the cause of incessant industrial disturbance, and of those great periodic convulsions of production and trade which involve the laboring classes, poor,

inert, and unapt to travel or to change of occupation, in the deepest distress. How can this be? Mr. George is equal to the occasion.

“Production,” he says, in explanation of an assumed industrial crisis, “has somewhere been checked, and this reduction in the supply of some things has shown itself in cessation of demand for others, the check propagating itself through the whole framework of industry and exchange. *Now, the industrial pyramid manifestly rests on the land.*”

“The primary and fundamental occupations, which create a demand for all others, are evidently those which extract wealth from nature, and hence, if we trace from one exchange point to another, and from one occupation to another, this check to production, which shows itself in decreased purchasing power, we must ultimately find it in some obstacle which checks labor in expending itself on land.

“And that obstacle, it is clear, is the speculative advance in rent, or the value of land, which produces the same effects as (in fact, it is) a lock-out of labor and capital by land-owners. This check to production, beginning at the basis of interlaced industry, propagates itself from exchange point to exchange point,

cessation of supply becoming failure of demand, until, so to speak, the whole machine is thrown out of gear, and the spectacle is everywhere presented of labor going to waste while laborers suffer from want."

This concludes Mr. George's arraignment of private property in land. If these successive counts can be sustained, he is fully borne out in his conclusion that "the necessary result of material progress — land being private property — is, *no matter what the increase in population*, to force laborers to wages which give but a bare living;" or, as he elsewhere expresses it, that "material progress does not merely fail to relieve poverty, it actually produces it;" or, again, that, "whatever be the increase of productive power, rent steadily tends to swallow up the gain and *more than the gain*;" or, again, that "the ownership of the land on which and from which a man must live, is virtually the ownership of the man himself, and in acknowledging the right of some individuals to the exclusive use and enjoyment of the earth, we condemn other individuals to slavery, as fully and as completely as though we had formally made them chattels."

To a man who believed but a small fraction

of this, the conclusion which Mr. George announces at the close of the following paragraph would appear irresistible:—

“As long as this institution exists, no increase in productive power can permanently benefit the masses, but, on the contrary, must tend to still further depress their condition. . . . Poverty deepens as wealth increases, and wages are forced down while productive power grows, because *land*, which is the source of all wealth and the field of all labor, is monopolized. To extirpate poverty, to make wages what justice commands they should be, the full earnings of the laborer, we must therefore substitute for the individual ownership of land a common ownership.”

I believe I have presented, in the foregoing extracts, every essential feature of Mr. George's economic system, without suppression or perversion. His practical recommendations for the carrying out of his proposal for the nationalization of the land cannot be politically very important, since matters of this sort are generally left to statesmen, not to economists; and even should the abolition of private property be decreed at the approaching session of Congress, there is too much reason to fear that

Mr. George would not be called in to adjust the details of the scheme. Those recommendations are, however, if not politically important, psychologically interesting, and serve to give an idea as to the kind of person this apostle of a regenerated humanity may be, and as to the sort of society in which he has been bred.

“I do not,” he says, “propose either to purchase or to confiscate private property in land. . . . Let the individuals who now hold it, still retain, if they want to, possession of what they are pleased to call *their* land. Let them continue to call it *their* land. Let them buy and sell and bequeath and devise it. We may safely leave them the shell, if we take the kernel. It is not necessary to confiscate land; it is only necessary to confiscate rent.”

“What I propose,” he exclaims, in a fine glow of enthusiasm, “as the simple yet sovereign remedy, which will raise wages, increase the earnings of capital, extirpate pauperism, abolish poverty, give remunerative employment to whoever wishes it, afford free scope to human powers, lessen crime, elevate morals and taste and intelligence, purify government, and carry civilization to yet nobler heights, is — to appropriate rent by taxation.”

Of course, the present owners of the land — many, perhaps most, of whom have, under the express sanction and encouragement of the State, bought it, perhaps even from the State itself, paying the price into the treasury — will be compensated when their property or the entire value thereof shall thus be “confiscated” for public uses. Mr. George rejects the suggestion with indignation. He even pities Mr. Mill for having had the weakness to admit¹ the landowner’s claim to compensation: “Great as he was, and pure as he was, warm heart and noble mind, he never yet saw the true harmony of economic laws.”

But there are the improvements, urges Mr. George’s reader, which have become blended with and inseparable from the soil. “Very well,” he cheerfully replies; “then the title to the improvements becomes blended with the title to the land, the individual right is lost in the common right. . . . Nature does not proceed from man, but man from nature; and it is into the bosom of nature that he and all his works must return again.” What a thing it is to be a philosopher, and see “the true harmony of economic laws”!

¹ See *ante*, p. 24.

Since such consequences, not only destructive of the established order of industrial society, but subversive also, it would seem, of ordinary honesty, are to be drawn from Mr. George's discovery of the enormous and previously unsuspected importance of rent as a factor in the distribution of wealth, let us somewhat carefully analyze the arguments by which his propositions under this head are established.

Let us take up, in their inverse order, Mr. George's three capital propositions.¹ And, first, how much is there in the view that commercial disturbance and industrial depression are due chiefly to the speculative holding of land?

That land, in its own degree, shares with other species of property in the speculative impulses of exchange, is a matter of course. Everybody knows it; no one ever thought of denying it. Mr. George makes no point against private property in land, however, unless he can show that it is, of all species of property,

¹ I do not insist upon the consideration, though both relevant and important, in this connection, that whereas Mr. George's argument assumes that the rents paid by the members of society are the full economic rents under the Ricardian formula, those rents are, in fact, in most communities, greatly reduced by the operation of the forces indicated on pp. 42-51.

peculiarly the subject of speculative impulses. Now, this is so far from being either self-evident or established by adequate induction, that the contrary is the general opinion of economic writers. Of all species of property, land, especially agricultural land, starts latest and stops earliest in any upward movement of prices, as induced, for instance, by a paper-money inflation, which perhaps affords the best opportunity for the study of purely speculative impulses.

Of course, there are circumstances under which those impulses may especially attack land, and a wild "rig" may be run in the market for this commodity, as, at other times, in the market for government stocks, or mines, or railways, or Dutch tulips, or what not.

A very striking instance of the possibilities of speculation in this direction is afforded by the history of land in California. The opening of the Pacific railways in 1868 aroused the most extravagant expectations of a rise in the value of land. Mr. George says, and perhaps truly, that lots in the outskirts of San Francisco "rose hundreds and thousands per cent," and a period of wild speculation ensued. Mr. George appears to have been profoundly affected by his

observation of this episode. What was purely local and accidental, he has magnified into a universal cause of speculation.

“What,” he remarks, “thus went on in California, went on in every progressive section of the Union;” and this land speculation he makes the primary and principal cause of the panic of 1873.

It is difficult to say what Mr. George, with his peculiar ideas, may regard as the progressive and what as the retrogressive or stationary sections of the Union; but throughout the regions which, between 1868 and 1873, comprised more than two thirds of the accumulated wealth of the country, and did more than three fourths of its trading and more than five sixths of its manufacturing, agricultural land was not the subject of a speculative enhancement of values. On the contrary, the value of farms was, on the whole, depressed relatively to other objects of exchange, throughout the period when the catastrophe of 1873 was preparing.

We now come to Mr. George's second count.

The allegation that the enhancement of the value of land, above what should be regarded as the capitalized value of its present productive or income-yielding power, withdraws large bodies

of land from cultivation, thus driving labor and capital to poorer and more distant soils, in order to secure the needed subsistence of the community can only be characterized, so far as all the agricultural¹ uses of land are concerned, as a baseless assumption, for which not a particle of proper statistical proof can be adduced, and which is directly contrary to the reason of the case.

Because, forsooth, a man is holding a tract of land in the hope of a rise in its value years hence, does that constitute any reason why he should refuse to rent it, this year or next, and get from it what he can, were it no more than enough to pay his taxes and a part of the interest on the money borrowed to "carry" the property?

Every financier knows how difficult it is to secure a loan on the mortgage of unimproved property, at anything approaching the value at which the owner holds it. What is this but testimony to the unwillingness of most men, circumstanced as they find themselves, to put their wealth into forms which imply that there is to be, for a number of years, all outgo

¹ It will be observed that in the extracts quoted it is *cultivation* which is spoken of.

and no income, however great the final profit anticipated? How unreasonable, then, to assume that men owning good productive land will refuse to allow it to be cultivated now, simply because they cannot get for it a rent which corresponds to what they look forward ultimately to realize as its capital price!

Undoubtedly the speculative treatment of building lots does cause a certain amount of city real estate to be held out of use. Nobody needed Mr. George to tell him this; but that the amount of land so reserved is such as seriously to retard the development of population, trade, or manufactures, except in a craze like that which seized the people of San Francisco in 1868, seems highly improbable.

Let us now proceed to deal with Mr. George's main proposition, the proposition to which the others are subsidiary. If this be established, it really does not matter much whether the others be true or not, for the condition of humanity under the grinding pressure of this main force will be about as bad as it could be; while, if this be disproved, Mr. George's whole system must break down ridiculously, leaving it to matter little whether the minor evils attributed to the private ownership of land be found to

have any real existence or not. This it is which constitutes the original feature of Mr. George's book, that upon which the value of his mission as a public teacher depends, that by which he must stand or fall, — the proposition, namely, that, “irrespective of the increase of population, the effect of improvements in methods of production and exchange is to increase rent;” this effect being carried so far that “all the advantages gained by the march of progress go to the owners of land, and wages do not increase,” the laboring man having “no more interest in the general advance of productive power than the Cuban slave has in advance in the price of sugar,” capital also, in its turn, suffering, and to an equal extent, since, as Mr. George states, the effect of labor-saving machinery or improvements is to increase rent without increasing either wages *or interest*.

Now this is not only false, but ridiculously false, blunder being piled on blunder, to reach a conclusion so monstrous.

In the first place, the proposition is contradicted by plain facts of common observation and by unimpeachable testimony of industrial statistics. The laborer has gained in wages through the labor-saving inventions and im-

provements of modern times. Speaking of England, Sir James Caird says: "The laborer's earning power in procuring the staff of life cost him five days' work to pay for a bushel of wheat in 1770, four days' in 1840, and two and a half days' in 1870." So much for bread. "Thirty years ago," says Sir James, "probably not one third of the people of this country consumed animal food more than once a week. Now, nearly all of them eat it in meat or cheese or butter, once a day." The same high authority adds: "The laborer is better lodged than he ever was before." We need no one to tell us that the laborer's power to purchase manufactured articles has increased, since 1770, much more rapidly than his power to purchase agricultural produce, whether animal or vegetable.

To the assertion of Mr. George that even the capitalist gains nothing by inventions and improvements in the agencies of trade or manufactures, because the landlord usurps and absorbs all possible increase of productive power, what better answer can we give than that of Professor Emile de Laveleye, himself a qualified advocate of the state ownership of land?

“Who occupy the pretty houses and villas which are springing up in every direction in all prosperous towns? Certainly, more than two thirds of these occupants are fresh capitalists. The value of capital engaged in industrial enterprise exceeds that of land itself, and *its power of accumulation is far greater than that of ground rents.* The immense fortunes amassed so rapidly in the United States, like those of Mr. Gould and Mr. Vanderbilt, were the results of railway speculation, and not of the greater value of land.

“We see, then, that the increase of profits and of interest takes a much larger proportion of the total value of labor, and is a more general and powerful cause of inequality, than the increase of rent.”¹

So much for industrial statistics and facts of common observation. Let us now turn to the reason of the case. And, first, let us recite Mr. George’s own argument. “The effect,” he says, “of labor-saving improvements will be to increase the production of wealth. Now, for the production of wealth, two things are required,—labor and land. *Therefore* the effect of labor-saving improvements will be to extend the demand for land.”

¹ Contemporary Review, November, 1882.

A pretty piece of reasoning this! A monograph by Mr. George upon the significance of the word "therefore" is really a desideratum of systematic logic. Two things are needed for the production of wealth, land and labor; *therefore* an increase of production will increase the demand for land, forsooth! But *why not also for labor*, since both are concerned in production? Was there ever a more senseless blunder? But Mr. George is further in error, even, than would so far appear. He has got the thing exactly wrong. It is not only true that an increased production of wealth *may* involve an enhanced demand for labor as well as for land, but it is also incontestably true that the increased production of wealth rarely if ever causes an increased demand for land without a corresponding demand for labor, while, on the contrary, an increased production of wealth may cause an enormous increase in the demand for labor without enhancing the demand for the products of the soil in any degree whatsoever.

Here is a pound of raw cotton, the production of which makes a certain demand, or drain, upon the land. To that cotton may be applied the labor of one operative for half an hour, worth,

say, 5 cents. Successive demands for the production of wealth may lead to the application of, first, a full hour's labor, then of two hours', then of three, four, or five; finer and finer fabrics being successively produced, until at last the pound of cotton has been wrought into the most exquisite articles. Mr. George says that the whole effect of any increase in the production of wealth is to enhance the demand for land. Here is a large increase of production, twofold, threefold, tenfold, perhaps, with no additional demand, or drain, upon the soil.

But I go further, and assert, without fear of contradiction, that not only is no increase in the demand for land necessarily involved in an increased production of wealth, but that the enhancement of the demand for land, in the progress of society, habitually falls short of the enhancement of the demand for labor, the increase of production taking two great forms, — one which involves no increase whatever in the materials derived from the soil; the other in which the increased demand for land falls short, generally far short, often almost infinitely short, of the increased demand for labor.

Let us look around. I have cited one in-

stance, that of the use made in the mill of a pound of cotton, manufactured successively into fabrics worth, perhaps, 20 cents a pound, then 30, then 50, then \$1.00. This is not an extreme case.

Here is the rude furniture of a laborer's cottage, worth perhaps \$30. The same amount of wood may be made into furniture worth \$200 for the home of the clerk, or into furniture worth \$2,000 for the home of the banker. The steel that would be needed to make a cheap scythe worth 80 cents may be rendered into watch-springs, or surgical or philosophical instruments worth \$100 or \$200. The actual material derived from the soil which would go into a picture by a master, worth thousands, makes a smaller draught upon the productive essences of the soil than a chromo of the Prodigal's Return, sold from a cart for \$2, frame included. These are, of course, extreme cases, taken purposely, with a view to show briefly and graphically the range of values that may be produced in dealing with the same quantity of material drawn from the soil. That range, however, is always great as applied to almost any class of expenditures. A gentleman of means goes to Delmonico's, and pays \$2, \$3, or \$5 for a dinner which makes no

heavier drain upon the productive essences of the soil than a dinner of corned beef and cabbage for which a laborer pays 25 cents. A part of the difference between the prices of the two dinners, to be sure, represents the cost of an expensive business "stand" on Fifth Avenue; but by far the greater part represents service of one kind or another, at one stage or another, in making the dishes exquisite in appearance and flavor, in serving them neatly and elegantly with all the appliances of taste and fashion. Our gentleman, before dining, had perhaps been measured for a pair of boots, for which he was to pay \$12 or \$15, yet containing no more leather, and so making no more draught upon the productive essences of the soil, in the way of nourishing the animal from which the leather was cut, than the laborer's \$3 pair of "stogies;" he had also ordered a suit of clothes for \$60 or \$75, at his tailor's, no thicker, no warmer, containing no more fibre, than the laborer's \$15 tweeds. In all these cases (and they fairly represent the facts of personal consumption in modern society) the main cause for the excess of value in products of higher price is not the use of a larger quantity of material, involving a greater demand or drain upon the

productive essences of the soil, but the application of *more labor* to the same quantity of material.

In contradiction, then, of Mr. George's proposition that the entire effect of an increase of production is expended in raising rents, neither wages nor the interest of capital deriving any gain whatsoever therefrom, rent indeed absorbing the entire gain, "and more than the gain," we have seen, —

1. That an increase of production *may* enhance the demand for labor equally with the demand for land.

2. That, in fact, in those forms of production which especially characterize modern society, the rate of enhancement of the demand for labor tends to far exceed the rate of enhancement of the demand for land.

3. That an increased demand for the production of wealth may, and in a vast body of instances does, enhance the demand for labor without enhancing the demand for land in any, the slightest degree, the whole effect being expended in the elaboration of the same amount of material.

4. We have now only to show, in the fourth place, that, instead of all improvements and in-

ventions increasing the demand for land, as Mr. George declares, some very extensive classes of improvements and inventions actually operate powerfully, directly, and exclusively in reducing the demand for land, — we have, I say, only to show this, to convict this would-be apostle of a new political economy and a regenerated humanity, of the grossest incompetence for economic reasoning. This it will be easy to do.

By far the larger proportion of all improvements and inventions fall naturally under one or another of three great classes, — first, those which affect manufacturing industry; second, those which affect transportation; third, those which affect the cultivation of the soil.

Of these three classes it has always been admitted by economists that the first tends to enhance the demand for land, and thus to raise rents, although not necessarily, or indeed usually, without also enhancing the demand for labor and capital, and thus raising wages and interest. The two remaining classes of improvements and inventions tend directly, and indeed operate exclusively,¹ to reduce the demand for land, leaving, thus, the whole advan-

¹ “Irrespective of the increase of population,” to use Mr. George’s own voluntary qualification.

tage of such improvements and inventions to be acquired by either labor or capital, or, in one proportion or another, by both labor and capital, in enhanced wages or interest.

And, first, of improvements in transportation. I need not waste time in calling to mind the mighty strides which invention has made, during the past fifty years, in this direction, substituting for the sailing vessel of 400 tons, which carried its petty cargo of wheat in forty or sixty days from New York to Liverpool, the steamship of 5,000 tons, which makes the passage in nine days or twelve; substituting for the tedious wagon carriage which in forty or fifty miles, perhaps in twenty or thirty only, ate up the whole value of the freight,¹ carriage by steam cars, drawn on steel rails, which, allowing for transport from Dakota to New York, leaves enough of the value of the freight to pay for the ocean passage and for the support of the producer upon those distant plains. Add the telegraph and the fast mail, for trans-

¹ The enormous and speedily destructive cost of wagon carriage may be seen in the fact, recited by Professor Roscher, that, according to the instructions of the Royal Saxon Commission, the cost of hauling manure is assumed to be 10 per cent higher for a distance of 250 rods, and 20 per cent higher for a distance of 500 rods.

mitting orders and transacting sales, and one will hardly question the assertion that the greatest of all the classes of improvements and inventions effected within the last half-century, has been that which relates to transportation.

Is it the effect of improvements of this class to enhance rents? Absolutely and exclusively the reverse. Whatever quickens and cheapens transport, acts directly in the reduction of rents,¹ and cannot act in any other way, since it throws out of cultivation the poorer lands previously in use for the supply of the market, enabling the better soils at a distance to take their place, thus raising the lower limit, or, as it is called, the "margin" of cultivation, and thus reducing rents.

But, secondly, take the case of agricultural improvements and inventions. Here the effect upon rents is not so simple or direct; but it is not the less certain in the result. The case cannot be better stated than in the language of Mr. Mill, which I will quote at length.

After premising that improved processes of agriculture are of two kinds,—one consisting of those which do not increase the produce, but diminish the labor and expense by which that

¹ See *ante*, pp. 23-26.

produce is obtained, such as the improved construction of tools or the introduction of new instruments which spare manual labor, like the winnowing and threshing machines; the other class consisting of those improvements which enable the land to yield a greater absolute produce without an equivalent increase of labor, such as the disuse of fallows by means of the rotation of crops,—the introduction of new vegetable species, either of a nature to “rest the land,” in alternation, by calling upon the soil for different properties, or of a nature which enables them to afford a greater amount of subsistence for men or animals in proportion to the draught made upon the land,—the introduction of new and more powerful fertilizing agents or a better application of familiar manures,—inventions, too, like subsoil ploughing or tile-draining, etc.,—Mr. Mill says, “BY THE FORMER OF THE TWO KINDS OF IMPROVEMENT, RENT WOULD BE DIMINISHED; BY THE SECOND, IT WOULD BE DIMINISHED STILL MORE.”

The following is Mr. Mill’s demonstration of these propositions: “Suppose that the demand for food requires the cultivation of three qualities of land, yielding, on an equal surface, and at an equal expense, 100, 80, and 60 bushels of

wheat. The price of wheat will, on the average, be just sufficient to enable the third quality to be cultivated with the ordinary profit. The first quality, therefore, will yield 40 and the second 20 bushels of extra profit, constituting the rent of the landlord.

“And, first, let an improvement be made, which, without enabling more corn to be grown, enables the same corn to be grown with one fourth less labor. The price of wheat will fall one fourth, and 80 bushels will be sold for the price for which 60 were sold before. But the produce of the land which produces 60 bushels is still required, and, the expenses being as much reduced as the price, the land can still be cultivated with the ordinary profit. The first and second qualities will, therefore, continue to yield a surplus of 40 and 20 bushels, and corn-rent will remain the same as before. But, corn having fallen in price one fourth, the same corn-rent is equivalent to a fourth less of money, and of all other commodities.

“If the improvement is of the other kind, rent will fall in a still greater ratio. Suppose that the amount of produce which the market requires, can be grown not only with a fourth less of labor, but on a fourth less of land.

If all the land already in cultivation continued to be cultivated, it would yield a produce much larger than necessary. Land equivalent to a fourth of the produce must now be abandoned; and as the third quality yielded exactly one fourth (being 60 out of 240), that quality will go out of cultivation. The 240 bushels can now be grown on land of the first and second qualities only; being, on the first, 100 bushels plus one third, or $133\frac{1}{3}$ bushels; on the second, 80 bushels plus one third, or $106\frac{2}{3}$ bushels; together, 240. The second quality of land, instead of the third, is now the lowest, and regulates the price. Instead of 60, it is sufficient if $106\frac{2}{3}$ bushels repay the capital with the ordinary profit. The price of wheat will consequently fall, not in the ratio of 60 to 80, as in the other case, but in the ratio of 60 to $106\frac{2}{3}$. Even this gives an insufficient idea of the degree in which rent will be affected. The whole produce of the second quality of land will now be required to repay the expenses of production. That land, being the worst in cultivation, will pay no rent. And the first quality will only yield the difference between $133\frac{1}{3}$ bushels and $106\frac{2}{3}$, being $26\frac{2}{3}$ bushels instead of 40. The landlords collectively will have lost

$33\frac{1}{3}$ out of 60 bushels in corn-rent alone, while the value and price of what is left will have been diminished in the ratio of 60 to $106\frac{2}{3}$.”

Surely there can be no need to pursue the subject. I think we may conclude that we have nothing to learn from Mr. George about either land or rent, but that we may safely go back to our old teachers, Ricardo, Senior, and Mill.

The true economic law of rent was correctly apprehended, fully stated, and clearly illustrated by the great economist who has given his name thereto. The attempts of Messrs. Bastiat¹ and Carey² to overthrow that doctrine have completely failed to shake a single pillar in the majestic structure of Ricardo's argument.

The application of that principle, with however much of laxity or severity,³ to the various grades of soil contributing to the supply of any market, will always make rent a most important element in the distribution of wealth. The labored efforts of M. Leroy-Beaulieu⁴ to disparage rent, by proving that the landlord's share is destined soon to disappear as an element in the distribution of wealth, can com-

¹ See *ante*, pp. 57-75.

² See pp. 75-108.

³ See pp. 42-51.

⁴ See pp. 109-120.

mand little conviction in the face of the fact stated by Sir James Caird, that the cost of importation from the American wheat-fields, in spite of all the vast inventions and discoveries of the past fifty years in the arts of transport, still affords a natural protection to English corn-lands equal, on the average, to 40 shillings an acre.

On the other hand, the extravagant assertions and passionate declamations of Mr. George avail just as little to establish his view of the overwhelming importance of rent, as a factor in the distribution of the joint produce of land, labor, and capital, among the several classes taking part in its production.

The relations of the land to labor and to capital, in the distribution of wealth, are very nearly what we have heretofore been accustomed to consider them to be, — what our old masters taught us they were. Thus far, at least, there has been little to learn from the prophets of a new economic dispensation.

CHAPTER IV.

THE BEST HOLDING OF THE LAND.

IN the present chapter I propose to offer some suggestions regarding that tenure of the land which is best suited to advance the interests of society as a whole.

The first question which arises is this: Shall land be regarded solely as an instrument of production, or shall other aspects of the land be considered by the economist in writing of the tenure of the soil, and by the statesman in dealing with the land as it comes within the scope of legislation? The answer to this question is all-important. Economists generally, though not without many and important exceptions, have been disposed to hold that land should be regarded merely as an instrument of production. Let the soil, they have said, be cultivated in that way, under that system, which will secure the largest aggregate produce for a given amount of labor and capital,

or will secure the required quantity of produce with the least application of labor and capital ; and let us trust to the natural operation of economic forces to bring about the proper division of the produce among individuals and classes. If one system will, as contrasted with any and all other systems, yield a larger amount of vegetable and animal food, of fibre for clothing, and of fuel for warmth, the presumption must be that, by adopting that system, each individual and each class of producers will be the better off, since there is a larger amount in the aggregate to be divided, while the natural operation of the principle of self-interest will effect a distribution at least approximating, in reasonableness and natural justice, that which would be effected under any other, the most favorable, system of production. In a word, no matter what the *position* of the individual member of the industrial society is, *as producer*, he will, *as consumer*, find his true interest in the largest production of wealth.

The reader will recall the similar debate which has long been held over the same question in its application to mechanical industry, especially as developed into what we call a

manufacturing system. Here the English and American economists, almost without exception, — and perhaps we may say also the economists of the Continent, though not without numerous and important exceptions, — have held that the general interest was to be found in the largest production of wealth. Let labor be divided and still subdivided; let occupations become diversified, and industries specialized and localized, as fully as may be involved in the largest possible application of machinery and elemental power, and in the realization of the highest amount of productive efficiency from the mass of productive agents; have no care concerning the position which the mass of laborers shall occupy in the industrial order, whether they shall be hired or self-employed, whether they shall or shall not be individually accomplished in any art which could enable them to earn a livelihood by exertions outside that industrial order; indeed, let it be frankly assumed that they will, in the vast majority of cases, know but a fraction of a trade, being kept at work, for the sake of the highest efficiency, in performing, year after year, but a single operation, involving perhaps but a single motion; have no thought regarding the influ-

ence of such an organization of industry upon the physical, intellectual, or moral condition of the laborer; let him take his place wherever the interests of the largest production assign him, without any reference to the question whether his duties and his surroundings there will tend to the symmetrical development of his powers and faculties, or otherwise.

In a word, accept cheerfully all the incidents of that organization of industrial society which has been described. Doubtless much evil will ensue; but four considerations should suffice to reconcile the social philosopher to this condition, — first, that much of the evil would occur under any organization of industrial society; secondly, that, thanks to the economic harmonies, industrial evils are self-limited and tend to disappear; thirdly, that the gain in productive power, accomplished by the means recited, furnishes a fund with which the individual industrial agent may purchase the means of physical, intellectual, and moral culture which would have been unattainable with a smaller production of wealth, which means of culture, including leisure for social enjoyment and for study, should compensate, and far more than compensate, for the tendency to an incomplete

or one-sided development of the individual; fourthly, that there is a certain virtue in that discipline¹ which is the condition of highly organized industry, enforcing punctuality and precision; that there is a certain virtue in subjection to the authority of an official superior, on the one side, and to the public sentiment of a class or a corps, on the other, which acts most powerfully upon even the most inconstant mind; that there is a certain virtue in direct competition with one's fellows, and in the comparison and criticism of the methods and results of work, which stimulates and quickens even the dullest and least apprehensive.

However much one may take exception, at points, to the arguments by which the modern industrial order of extended and constantly extending competition is defended, the economists generally have, as was said, accepted the principle that, so far as mechanical labor is concerned, society should be organized to accom-

¹ In this connection I should do injustice to the reader, did I not refer to the very striking comparison between the Domestic and the Factory systems of industry, in their respective effects upon the laboring populations engaged, which is conducted by Colonel C. D. Wright in his report on the Factory System, embodied in the Manufacturing Volume of the Tenth Census.

plish the largest production of wealth, without any care respecting the industrial position of individuals, leaving each to seek his own interests as a consumer of wealth, — to recover, that is, through the greater quantities and lower prices of the comforts, decencies, and luxuries of life, whatever he may have lost through the sacrifice of his independence and self-sufficiency as a producer.

Two great classes, however, dissent from this conclusion. The socialists declare that the concentration of manufacturing industry, the minute subdivision, and, by consequence, the extreme specialization of labor, under commercial freedom and unlimited competition; the principle of association, which, if it do not benefit the great capitalists alone, benefits them in a far higher proportion than persons of small means; and, lastly, speculation, whose power to engross the wealth of the community increases with the extent and complexity of the industrial system, — that these causes yoke poverty and progress together; force wages down as production rises; exaggerate the natural distinctions of society, ever making the rich richer and the poor poorer, and fixing an impassable barrier between classes and orders of men.

The protectionists, also, take exception to the proposition that it is the largest production of wealth which, on the whole, best subserves the public interest. The doctrine of protection has no other logical significance than that production should be crossed along certain lines — the lines of nationality — for the purpose of checking the otherwise irresistible tendency to the division of labor, the diversification of occupations, the specialization and localization of mechanical industry.

The protectionist entertains, in common with the socialist, a profound distrust of *competition*, as an agent for returning to the individual member of society, in his capacity as consumer, whatever benefits he may lose through the sacrifice of his advantages as a producer, believing that, on the contrary, competition tends to exert a very unequal pressure upon the several classes of the community, and that unequal competition is a highly pernicious and possibly destructive force.

The protectionist rejects, also, the doctrine of the economic harmonies, holding, instead, the theory that economic injuries, once suffered, tend to remain and to deepen, rather than to be removed by the natural operation of the principle of self-interest.

To prevent, therefore, the undue extension of the principle of competition, the protectionist proposes, as has been stated, to erect barriers along the boundary lines of nationality.¹

For myself, I accept the principle of competition, in its application to all branches of mechanical labor, without any hesitation and without any reserve except as to that class of restrictions which come fairly within the two titles of Factory Acts and Sanitary Regulations, respecting which I cannot but esteem the

¹ Conceding, for the sake of argument, that the advantages of the world-wide extension of the principle of division of labor are more than outweighed by the resulting evils, it will be noted that the theory of protection is palpably weak in the respect that never has anything approaching a serious reason been offered for making industrial units out of existing political units; allowing production and trade to follow the impulses of competition not only without restraint, but actually under encouragement, to the extreme boundaries of empire, however widely these may be spread, though it were from ocean to ocean or pole to pole, yet forbidding them to cross those boundaries, even in the case of the narrowest State. No shadow of a reason has ever yet been given by any protectionist for this equivalency, or, rather, conterminateness, of political and industrial entities, while the antecedent improbability of a sufficient reason being found therefor must, in view of the almost infinite range of conditions under which nations exist, in the respects of area, soil, extension in latitude and in longitude, climate and civilization, be conceded to be little, if anything, less than hopeless.

attitude of the English and even the American economists in the past, and to some extent in the present, as most unfortunate, not only as having been mistaken in point of theory, but as having been the cause of a great part of the jealousy and hostility which the working classes have cherished towards political economy.

But while I accept freedom of production, with all its consequences, throughout the length and breadth of mechanical industry, with the exception indicated, I cannot but feel that there is a great deal of truth in the descriptions which the socialists and the protectionists give of the deleterious effects of extended competition ; and that the economists — or free-traders, if one chooses to regard the terms as interchangeable — have committed a controversial error, to put it on the lowest ground, in disparaging these evils and even denying their existence.

The economic harmonies do not prevail except among populations rarely gifted with intelligence and enterprise. Economic injuries do not tend to diminish and to disappear, but to abide and to deepen, under the natural operation of the principle of self-interest. The rule

“To him that hath shall be given,” expresses a law of wide extent and stringent application throughout the sphere of industry. Competition may become a crushing and destructive force, when it is so far unequal that one class, alert and aggressive, wielding large capitals, and acting in concert or with a common understanding, exerts a continuous, unremitting pressure upon another class, whose members cannot adequately respond to the demand made upon them, in a prompt assertion of their own interests, through change of place or occupation.

This is so clear in principle, and it is so manifest that the working classes have suffered enormous injuries, enduring injuries, through the operation of unequal competition, in that unceasing struggle for economical vantage-ground which is involved in the highly intense organization of modern industry, as it has been described, that the economists have committed a palpable controversial error in disparaging the importance of these considerations, and even denying them any validity whatever. Had they taken upon themselves the task of investigating the effects of imperfect competition, in frank recognition of the too palpable facts of modern industrial society; had they

undertaken to trace the curve, so to speak, which the principle of self-interest describes, under varying conditions, upon the ground of the general good, showing under what circumstances the public and the private interest are coincident, under what circumstances the operation of the principle of self-interest, unrestrained, may become, in a higher or lower degree, prejudicial; and had they been willing to inquire, or even to tolerate the inquiries of others, concerning the means, if any, by which the pressure of an unequal competition may be relieved, — they might have retained the confidence of the working classes, whom they have alienated almost beyond the possibility of reconciliation by their uncompromising reiteration of the dogma of *Laissez faire*.

Our American economists have been the greatest sinners in this respect. Even after Cairnes, the ablest English economist who survived Mill, had frankly confessed that since "human beings know and follow their interests, according to their lights and dispositions, but not necessarily, nor in practice always, in that sense in which the interest of the individual is coincident with that of others or of the whole, . . . there is no security that the economic

phenomena of society, as at present constituted, will arrange themselves spontaneously in the way which is most for the common good ;” and even after Jevons, the ablest English economist who survived Cairnes, had declared, in reference to this very subject, that it is futile to attempt to uphold any theory of eternal fixed principles or abstract rights regarding what is simply a question of probability and degree, — our American economists have continued monotonously to repeat the doctrine of the economic harmonies, as if it contained the sum of all truth, and have dealt with every one who presumed to seek to define that part of the field of the general good which fails to be covered by the operation of the principle of self-interest, almost as an economic outlaw.

I do not know that a better instance could be given of the unfortunate effects of the controversial error (looking at it still from the lowest point of view) which the economists have committed in dealing with this question, than by referring again, for a moment, to Mr. George’s work.¹

The keynote of that work is found in its

¹ See *ante*, p. 141.

title, "Progress and Poverty." The author, with extraordinary rhetorical skill, grasps all the facts which establish a seeming connection between these two phenomena. To his own satisfaction he finds that "where the conditions to which material progress everywhere tends are most fully realized, — that is to say, where population is densest, wealth greatest, and the machinery of production and exchange most highly developed, — we find the deepest poverty, the sharpest struggle for existence, and the most enforced idleness. . . . The tramp comes with the locomotive, and almshouses and prisons are as surely the marks of material progress as are costly dwellings, rich warehouses, and magnificent churches. Upon streets lighted with gas and patrolled by uniformed policemen, beggars wait for the passer-by; and in the shadow of college and library and museum, are gathering the more hideous Huns and fiercer Vandals of whom Macaulay prophesied."

The cause of this close conjunction of Poverty with Progress is the object of Mr. George's research. Obvious, close at hand, is the influence of the modern organization of industry, — the concentration of capitals, the specialization

of occupations, the localization of manufactures, the intense and unremitting competition of world-wide exchanges.

But the professional economists assure Mr. George that it is not this cause which produces the effect he seeks to explain; that, through economic harmonies, never to be sufficiently admired, the individual industrial agent is protected from all possibility of harm amid the operation of these tremendous forces, and that the laborer will surely recover, as consumer, whatever he may lose as producer.

Shut off, then, by the economists themselves, from finding here the cause of "the association of Poverty with Progress," Mr. George turns to rent as the source of the economic evils he describes; and it is difficult to see how he can be answered by those who stand committed to the dogma of the economic harmonies. He has arrived at his demonstration through a logical process of exclusion; and it is the economists themselves who have thrown out, for his behoof if not on his behalf, the only cause, other than rent, which could reasonably be adduced in explanation of the phenomenon.

To return from this long excursion, the prime question regarding the land, which addresses it-

self alike to economist and to statesman, is this : Shall land be regarded simply as an instrument of production, as we have agreed to consider the organized system of mechanical industry ? Shall we say that it does not matter how much those who actually work upon the soil may lose, of individuality or independence, in their economical position, since they will be sure, as consumers, to make themselves good for any disadvantage which they may immediately suffer, as producers ? Shall we consent to trust to competition alone to effect the distribution of the produce of agricultural labor, as we have, with whatever of misgiving or reserve, accepted it as the agent for the distribution of the products of mechanical labor ?¹ Or must we take some further bond for securing the interests of the producer who works upon the land ? Or, again, are there considerations addressing themselves to the economist or the statesman, which claim priority to the questions relating either to

¹ This view is expressed by Sir James Caird, in speaking of English agriculture : “ *Our agriculture is no longer influenced by considerations of the means of finding employment for surplus labor, but is now being developed on the principle of obtaining the largest produce at the least cost, — the same principle by which the power-loom has supplanted the hand-loom.* ”

the production or the distribution of wealth,— considerations, for example, relating to the consumption of wealth or to the relation of subsistence to population, or considerations relating to good citizenship and the security of the State?

That great numbers of intelligent economists, who willingly accept all the consequences of competition acting upon the most extended system of production in mechanical industry, either hesitate or altogether refuse to regard land as a mere instrument of production, is well known to all students of economics. Nor do these men occupy an illogical position.

In the first place, looking to what are called the rights of property, it is admitted by all sound writers on public policy, that property in land differs markedly and materially from property in capital or in the products of labor. If both species of property are “sacred,” to use a familiar phrase, landed property, by almost universal consent, stands lower, much lower, in the hierarchy than property in capital. It would be easy to quote from writers of every school in support of this assertion, but doubtless the statement of Professor Roscher will be accepted as a just summary of the views of the body of publicists:—

“The appropriation of ‘original and indestructible natural forces’ has its basis not so much in justice as in the general good; and the state has always considered itself entitled to attach to the ‘monopoly of land’ which it accorded to the first possessor all kinds of limitations and conditions, in the interest of the common good, and sometimes to consider private property in land in the light of a semi-public function.”¹

If, therefore, the proprietor of land owns it in a somewhat different and a somewhat lower sense than that in which the proprietor of chattels owns them, one class of valid objections to interference by authority with the use of property in chattels may not apply with equal force, or indeed may perhaps not apply at all, to property in land.

This distinction is vigorously asserted by Professor Cairnes, in his essay entitled “Political Economy and Land.”

“Sustained,” he says, “by some of the greatest names, — I will say, by every name of the first rank in Political Economy, from Turgot and Adam Smith to Mill, — I hold that the land of a country presents conditions which separate it economically from the great mass of the other

¹ See Mr. Mill’s remark, *ante*, p. 124.

objects of wealth, — conditions which, if they do not absolutely and under all circumstances impose upon the state the obligation of controlling private enterprise in dealing with land, at least explain why this control is, in certain stages of social progress, indispensable, and why, in fact, it has been constantly put in force whenever public opinion or custom¹ has not been strong enough to do without it.

“And not merely does economic science, as expounded by its ablest teachers, dispose of *à priori* objections to a policy of intervention with regard to land, it even furnishes principles fitted to inform and guide such a policy in a positive sense. Far from being the irreconcilable foe, it is the natural ally, of those who engage in this course, at once justifying the principle of their undertaking, and lending itself as a minister to the elaboration of the constructive design.”

But, again, a wide difference in the degree of advantage which may be expected to result from the application of the subdivision of labor and the aggregation of capitals in agriculture, as compared with manufactures, enters

¹ On the power of public opinion or custom over rent, see *ante*, pp. 47-51.

to justify a very different view of the two cases.

It would be wholly reasonable to admit that the enormous gain in productive power which results from the modern organization of mechanical labor must be accepted as outweighing all the evils incidental to that system, while denying emphatically that the productive power of land in large estates under a single management shows any such excess over the productive power of land when cut up into small farms cultivated by their respective owners, as to compensate for the disadvantages that might be held to result from a less equable distribution of wealth, through the discouragement of frugality, through a more wanton increase of population, or through the merely political loss resulting to the State from the destruction of an independent and self-reliant yeomanry.

That the excess of advantages, productively considered, upon the side of large estates, as compared with what are usually called peasant properties, cannot be very great, is shown by the fact that the existence of such an excess in any degree has been disputed by writers so intelligent and candid as Messrs. Mill, Thornton, and Hippolyte Passy.

Yet, for one, I am willing to accept the conclusion of Sir James Caird, as stated in the following paragraphs:—

“A system is best tested by its fruits. Compared with all other countries, our threefold plan of landlord, farmer, and laborer, appears to yield larger returns, with fewer laborers and from an equal extent of land.

“Our average produce of wheat is 28 bushels an acre, against 16 in France, 16 in Germany, and 13 in Russia and the United States.¹ We show a similar advantage in live-stock, both in quantity and quality. We have far more horses, cattle, and sheep in proportion to acreage than any other country, and in all these kinds there is a general superiority. Our most famous breeders of live-stock are the tenant farmers. The best examples of farming are found in the same class. The improved breeds of cattle, the Leicester and Southdown sheep, and the ex-

¹ The reader will, of course, understand that these figures do not represent the comparative fertility of the lands of the several countries named, or the comparative profits of agriculture. The English product is obtained, as Sir James Caird states in the sentences following, through the application of more labor, the employment of more cattle (furnishing both power and manure), and the use of more machinery, the cost of all which has to come out of the value of the product.

tended use of machinery, manures, and artificial foods are chiefly due to them.

“And the neatness of the cultivation, the straight furrow and the beautiful lines of drilled corn, the well-built ricks and docile horses, exhibit at once the strength and the skill of the laborers.

“If that mode of husbandry which lessens the exchangeable value of bread and meat by an increase of production and supply, is the best for the community, from whom a smaller proportion of their labor is required for the purchase of their food, then our system of subdivision of labor by landlord, farmer, and laborer, the three interests engaged in its production, will stand a favorable comparison with that of any other country.”¹

The reason why the division of labor and the concentration of capital accomplish so much less, relatively, in agriculture than in manufactures, is twofold.

On the one hand, the nature of agricultural operations, the extent of the field over which they are carried on, the varying necessities of the seasons in their order, and the limited applicability of machinery and elemental power,

¹ The Landed Interest and the Supply of Food, pp. 68-70.

preclude the possibility of achieving a gain in this department of activity which shall be at all comparable to that which is attained where hundreds and thousands of workmen are gathered upon a few acres of ground, where machinery the most delicate and the most powerful may be applied successively to every minute operation, and where the force of steam or gravity may be invoked to multiply many fold the efficiency of the unaided man.

On the other hand, there is a virtue in the mere ownership of land by the actual laborer, which goes far, very far, to outweigh the advantages which great capitals bring to the cultivation of the soil. The "magic of property" in transmuting the bleak rock into the blooming garden, the barren sand of the seashore into the richest mould, has been told by a hundred travellers and economists since Arthur Young's day. In his tireless activity, "from the rising of the lark to the lodging of the lamb;" in his unceasing vigilance against every form of waste; in his sympathetic care of the drooping vine, the broken bough, the tender young of the flock and the herd; in his intimate knowledge of the character and capabilities of every field, and of every corner of every

field, within his narrow domain ; in his passionate devotion to the land which is all his own, which was his father's before him, which will be his son's after him, the peasant, the small proprietor, holds the secret of an economic virtue which even the power of machinery can scarcely overcome.

Americans are perhaps likely to overrate the degree in which operations on a vast scale, under a single management, may be advantageously carried on. The stories of the great farms of Illinois and California, and, even more prodigious, of the Dalrymple farms along the line of the Northern Pacific Railroad, are likely to create the impression on the mind of the reader that there is almost no limit to the success of great, even of gigantic, agriculture.

Such cases, are, however, highly exceptional, even in the cultivation of the staple cereal crops and of cotton ; while, as we reach the numberless minor crops, which in their aggregate constitute a large part of the agriculture of the world, the advantages of aggregated capitals diminish rapidly or disappear altogether.

On this point M. Leroy-Beaulieu remarks : —

“The more agriculture develops, the more the exceptional advantage of great operations diminishes. When we have only to do with simple processes, like gathering the wild fruits of the earth, burning or cutting trees and brush to clear the soil, opening the land with improved ploughs, harvesting with machines which in a high degree economize hand-labor; or when, indeed, it is merely necessary to fence in large tracts, leaving the flocks to roam there untended, care alone being taken that they do not stray and that the animals are duly sheared or slaughtered, — under these circumstances large capitals have doubtless a signal advantage. The principle of combination, by avoiding the dissipation of human energy, gives much greater results than a multitude of separate and independent efforts.

“But these conditions are met only in an early stage. They soon disappear. There are scarcely more than two agricultural products which succeed very well in large operations, — the cereals and the raising of cattle.¹ It is

¹ M. Leroy-Beaulieu might perhaps have added cotton; yet the results of Mr. Edward Atkinson's investigations strongly tend to prove that, with free labor, small cotton plantations have an actual advantage.

said, these are the principal products ; but even with these the small and medium can very easily hold their own against the great culture, when once the period of clearing and peopling the ground has passed, while, on the contrary, the great culture, at least the giant culture, can hardly hold its own against the small, as respects all the accessory products of agriculture, the importance of which is continually on the increase. The finer products, without exception, — vegetables, fruits, wine, poultry, butter, cheese, — are better suited to small or medium than to large operations. The importance of the eye of the master upon all the details of production becomes much greater as the cultivating of the soil becomes more intensive and more varied.”

Thirdly, in addition to the question of gross production, we have considerations relating to the distribution of the produce, which may properly enter to affect the mind of the economist or the statesman when dealing with the tenure of the soil.

That the industrial position of the individual agent, — as, for instance, whether producing in his own right and name, by permission of no one, a merchantable product, regarding which

he has only to take the risks of a fortunate or unfortunate exchange, or, in the opposite case, as a candidate for employment at the hands of another, through whose consent only can he obtain the opportunity to take a part in production, and with whom, consequently, he has to make terms in advance of production and as a condition precedent to production,—that the industrial position of the individual agent may powerfully affect the distribution of the produce among those who take part in production ; that the injuries suffered in that distribution by the economically weak should result, more or less extensively, in permanent industrial disability, through loss of health and strength, through loss of constitutional energy or corruption of the blood, through loss of self-respect and social ambition, such disability being as real and as lasting as the disabilities incurred in a railway accident, the laborer, in consequence thereof, sinking to a lower industrial grade, beyond the reach of any reparative or restorative forces of a purely economical origin ; and, lastly, that in the reaction of distribution upon production, the whole community and all classes should suffer, both economically and socially ; — how any one can deny these things, I cannot con-

ceive, although it has mysteriously pleased the economists almost wholly to omit consideration of causes of this nature.

That the system of small holdings reduces to a minimum the difficulties and the economic dangers attending the distribution of wealth, is implied in the very statement of the case. The great majority of those who work upon the land being self-employed, and the produce being their own, without deduction, the question what they shall receive as the fruit of their labor becomes a question of their own industry and prudence, subject alone to the kindness or unkindness of nature in giving the sunshine and the rain in their due season and measure, or the reverse.

The reduction of the mass of those who work upon the land to the condition of hired laborers brings upon each the necessity of finding a master with whom he must make terms precedent to production; of entering into a competition at once with his fellows as to priority of employment, and with the members of the employing class as to rates of wages and forms of payment, for which competition he may be more or less disqualified by poverty, ignorance, and mental inertia, by distrust of himself or by

jealousy of others. The condition of the agricultural laborers of England during the past hundred years shows that the evils portrayed are not merely imaginary.

Fourthly, even more important than the considerations relating to the production and the distribution of wealth, bearing upon the tenure of land, which have been indicated, are certain considerations connected with the Consumption of Wealth.

Under which system of holdings are the forces which determine the uses to be made of wealth likely to be most favorable to the strength and prosperity of the community?

That the ownership of land, in the main, by the cultivating class, promotes frugality and a wiser application of the existing body of wealth, is too manifest to require discussion. The true savings-bank, says Sismondi, is the soil. There is never a time when the owner of land is not painfully conscious of improvements which he desires to make upon his farm, of additions which he desires to make to his stock. For every shilling of money, as for every hour of time, he knows an immediate use. He has not to carry his earnings past a drinking-saloon to find an opportunity to invest them. The

hungry land is, even at the moment, crying aloud for them.

“Day-laborers,” says Mr. Mill, “where the laboring class mainly consists of them, are usually improvident; they spend carelessly to the full extent of their means, and let the future shift for itself.

“This is so notorious that many persons, otherwise well affected to the laboring classes, hold it as a fixed opinion that an increase of wages would do them little good, unless accompanied by at least a corresponding improvement in their tastes and habits. The tendency of peasant proprietors, and of those who hope to become proprietors, is to the contrary extreme, — to take even too much thought for the morrow. They are oftener accused of penuriousness than of prodigality. They deny themselves reasonable indulgences, and live wretchedly, in order to economize.

“In Switzerland almost everybody saves, who has any means of saving; among the French, though a pleasure-loving and reputed to be a self-indulgent people, the spirit of thrift is diffused through the rural population in a manner most gratifying as a whole, and which in individual instances errs rather on the side of excess than defect. . . .

“But some excess in this direction is a small and passing evil compared with recklessness and improvidence in the laboring classes, and a cheap price to pay for the inestimable worth of the virtue of self-dependence, as the general characteristic of a people,—a virtue which is one of the first conditions of excellence in a human character; the stock on which, if the other virtues are not grafted, they have seldom any firm root; a quality indispensable in the case of a laboring class, even to any tolerable degree of physical comfort, and by which the peasantry of France and of most European countries of peasant proprietors are distinguished beyond any other laboring population.”

Fifthly, the influence upon population of a widely popular tenure of the soil was once matter of dispute; but the entire effect of European experience during the past generation has been to corroborate the view that no other state of agricultural economy tends, on the whole, so much to discourage an improvident increase of numbers.

The reasons herefor cannot be better stated than they have been by M. Sismondi:—

“In the countries in which cultivation by small proprietors still continues, population

increases regularly and rapidly, until it has attained its natural limits; that is to say, inheritances continue to be divided and subdivided among several sons as long as, by an increase of labor, each family can extract an equal income from a smaller portion of land.¹ A father who possessed a vast extent of natural pasture divides it among his sons, and they turn it into fields and meadows; his sons divide it among their sons, who abolish fallows; each improvement in agricultural knowledge admits of another step in the subdivision of property.

“But there is no danger that the proprietor will bring up children to make beggars of them. He knows exactly what inheritance he has to leave them; he knows that the law² will divide it equally among them; he sees the limits beyond which partition would make them descend from the rank which he himself has filled; and a just family pride, common to the peasant and the prince, makes him abstain from summoning into life children for whom he cannot properly provide. If more are born,

¹ See *ante*, pp. 13-16.

² This has reference to the principle of “Partible Succession,” widely incorporated into the law of Continental Europe.

at least they do not marry, or they agree among themselves which of several brothers shall perpetuate the family."

The power of population strictly to limit itself, under the impulse to preserve family estates from undue subdivision, by the means adverted to in the closing sentence of the paragraph quoted, is strikingly illustrated by Professor Cliffe Leslie, in the facts which he adduces regarding the population of Auvergne.

In the mountains, it appears, the people cling with remarkable tenacity to the conservation of the inheritance unbroken. The daughters willingly consent to take vows and renounce the patrimony of their parents; or, if they contract marriage, agree to leave to the head of the family their individual shares of the inheritance. It is the same with the sons, of whom some become priests; others emigrate, consenting never to claim any part of the property. One of the sons remains at home, working with the father and mother, and becomes in time the proprietor of the ancestral estate. Thus the principle of equal partition, established by law, is eluded by the connivance of the family, it seldom occurring that the other children assert

their claims, so fully accepted is this usage in the manners of the mountains.

Professor Leslie, after giving the foregoing as the substance of an official report, adds: "The renunciation by the emigrants of their share in the family property certainly shows, if not an extraordinary imperviousness to new ideas, an extraordinary tenacity of old ones; and, in particular, of two ideas which are among the oldest in human society, — subordination to the male head of the family, and conservation of the family property unbroken."

From the "London Times,"¹ I take the following remarkable testimony to the influence of an extensive ownership of land in antagonizing the procreative force, and in winning for improved living, comfort, luxury, and security of condition, what otherwise would be usurped and wasted upon increase of population, with resulting squalor and poverty: —

"Over the greater part of France the standard of comfort and well-being has been increasing ever since the termination of the great war in 1815. The country had been so drained and impoverished by the great wars of Napoleon and by a century and a half of bad government,

¹ January 25, 1883.

that the general misery of the population was indescribable, and the poverty even of the landed proprietors and middle classes was very great. . . . For many years comfort and well-being, and even luxury, have made their way into the households of all classes in France. The standard of living has risen enormously. The habits of saving and thrift have not been neglected. In the art of managing and regularizing their lives, the French people are unrivalled, and the object of every family is to live and to save, at the same time, so as to be able to leave their sons and daughters in as good a position as themselves, at all events, and in a better, if possible. . . .

“Among people with such habits and such views of life, the risk and expenditure attendant upon a large family are naturally regarded with horror. ‘Since two or three children give us sufficient enjoyment of the pleasures of paternity, why,’ the greater number of Frenchmen argue, ‘should we have more? With two or three children, we can live comfortably, and save sufficient to leave our children as well off as ourselves; a greater number would involve curtailment of enjoyments both for ourselves and our children.’”

Without confining myself at all points within strictly economic lines of thought, I have grouped the considerations which lead me to dissent from the opinion of M. Leroy-Beaulieu that if the economic interest which demands the greatest possible production of wealth be found irreconcilable with the moral interest which claims that the greatest number of persons shall be proprietors of land, it is the former which should by all means prevail, the latter which should in all cases give way.

Beyond the considerations which I have felt at liberty to adduce, is the interest of the community in the development of the manhood of its citizens, through the individuality and independence of character which spring from working upon the soil that you own.

“I believe,” wrote Emerson,¹ “in the spade and an acre of good ground. Whoso cuts a straight path to his own bread, by the help of God in the sun and rain and sprouting of the grain, seems to me an *universal* workman. He solves the problem of life, not for one, but for all men of sound body.”

Still, in addition to this, is the political interest which the State has, that as many as may

¹ To Carlyle, March 18, 1840.

be of its citizens shall be directly interested in the land. Especially with popular institutions is there a strong assurance of peace, order, purity, and liberty, where those who are to make the laws, to pay the taxes, to rally to the support of the Government against foreign invasion or domestic violence, are the proprietors of the soil.

I would by no means argue in favor of a dull uniformity of petty holdings. Probably Professor Roscher is right in saying that a mingling of large, medium, and small properties, in which those of medium size predominate, forms the most wholesome of national and economical organizations.

In such an organization each class of estates is a help and strength to every other. The great estates afford adequate field and ample capital for advanced experimental agriculture, by the results of which all will, in turn, profit. They set the standard of "the straight furrow, the well-built ricks, and the beautiful lines of drilled corn," to use the enthusiastic phrase of Sir James Caird.

The multitude of small proprietors, on the other hand, as Professor Emile de Laveleye has well expressed it, serve as a kind of political rampart and safeguard for the holders of large

estates; they offer the laborer a ready resort to the land, a sort of economical "escape," in the failure of mechanical employment; and they provide the nation with a solid body of yeomen, not easily bought or bullied or cajoled by demagogues.

In the medium-sized farms, again, may be found united no small measure of the advantages of both the large estate and the petty holding, the three degrees together forming the ideal distribution of the soil of any country, where both economical and social considerations are taken into account.

What, if anything, should be done by the State to promote the right holding of land? Mr. Thornton's reply to this question is the reply of Diogenes to Alexander: "Get out of my light!" And, indeed, in a country like our own, with vast unoccupied tracts still available for settlement, with a population active, alert, aggressive, both industrially and socially, and with no vicious traditions, no old abuses, perverting the natural operation of economic forces to ends injurious to the general interest, it is only needful that the State should keep off its hand, and allow the soil to be parted as the

unhelped and unhindered course of sale and bequest may determine. But wherever there is a peasantry unfitted for competition, upon purely commercial principles, with a powerful and wealthy class, under a painful pressure of population, there the regulation of the holding of land becomes a proper matter of State concern.

INDEX.

AGRICULTURE, always subject to the law of diminishing returns, 13-16 ; the characteristic agriculture of the United States, 45-47 ; agriculture of England compared with that of other countries, 202 ; agriculture contrasted with manufactures, as to the effects of an extensive application of the principle of division of labor, 197-207.

ALISON, SIR A., offers an illustration of the force of geometrical progression, 83.

AMERICAN COMPETITION, its influence on European rents, 25, 26, 115-117 ; characteristic American agriculture, 45-47, 202.

ANDERSEN, JAMES, stated the true law of rent in 1777, 32.

ATKINSON, EDWARD, small plantations and the cotton culture, 206 *n.*

AUVERGNE, influence of personal proprietorship in that region upon marriage and the increase of population, 214, 215.

BASTIAT, FRÉDÉRIC, his attack upon the economic doctrine of rent, 57-75.

BELGIUM, "rack rents" in, 44.

- CAIRD, SIR JAMES, range of productiveness among pasture-lands, 11 ; position of the English land-owners, how affected by recent improvements in transportation, 115-117 ; improvement in the condition of the British laborer, 168 ; advantages of large as contrasted with small farms, 202, 203.
- CAIRNES, PROF. J. E., effect of land monopoly upon rents, 41, 42 ; his criticism of Bastiat's word "services," 59 *n.* ; the operation of self-interest not always compatible with the general good, 193, 194 ; the ownership of land rightfully subject to State regulation, 199, 200.
- CALIFORNIA, the speculative holding of its land, 1868-73, 163, 164.
- CAPITAL, invested in the soil, how compensated, 32-37, 82-85 ; the law of capital contrasted with the law of rent, 33-35 ; Mr. George's disparaging view of the importance of capital in production, 144 ; his view that none of the gain due to increase of productive power is received by capital, in enhanced interest, 145-188.
- CAREY, HENRY C., his attack upon the economic doctrine of rent, 75 ; his first argument, derived from "the cost of producing farms," 75-88 ; his second argument, derived from the historical order of the occupation and cultivation of the soil, 88-108.
- CATTLE, cost of transportation from America to Europe, 115, 116.
- CHUZZLEWIT, MARTIN, his lamentable experiences in the town of Eden used in argument against the doctrine of Ricardo, 118.
- COMBINATIONS to exact rents in excess of the Ricardian formula, 38-42.
- COMMUNITIES, CULTIVATING (Village), originally the proprietors of the soil, 128, 129 ; their efficiency as cultivators, 137, 138.

- COMPENSATION, claim of land-owners to, should their estates be taken by the State, admitted by Mr. Mill, 124, 126, 127 ; denied by Mr. George, 161.
- COMPETITION, implied in the economic doctrine of rent, 12, 38-53 ; effects of unequal competition in mechanical industry, 183-194 ; in agriculture, 219, 220.
- COMPOUND INTEREST, how far it may safely be introduced into economic computations, 83, 84.
- CONFISCATION OF RENT, proposed by Mr. Mill, saving the rights of existing holders, 124-127 ; by Mr. George, without saving such rights, 161.
- CONSUMERS OF AGRICULTURAL PRODUCE, not concerned in the payment of rent, 27-31 ; how far may agricultural laborers, as consumers of agricultural produce, recover whatever of advantage they may lose through the sacrifice of their independent position as producers ? 197, 198.
- CONSUMPTION OF WEALTH, how influenced by the tenure of the soil, 210, 211.
- COST OF "PRODUCING FARMS," used by M. Bastiat as an argument against the economic doctrine of rent, 67, 68 ; this argument also used by Mr. Carey, 76 ; the argument examined, 77-88 ; the same argument used by M. Leroy-Beaulieu, 111, 112.
- CRISES, COMMERCIAL, attributed by Mr. George to the private ownership of land, 156-158.
- CUSTOM, as influencing rents, 49, 50.
- DEPRECIATION OF PROPERTY, as complicating the problem of nationalizing the land, 134-136.
- DIMINISHING RETURNS IN AGRICULTURE, explanation of the term, 13-16 ; scope of the principle, 16-21.

DISTRIBUTION OF WEALTH, importance of rent in the, 109-120 ; influence of the tenure of the soil upon that distribution, 201, 207-210.

DIVISION OF LABOR, as increasing production, 13-15 ; mechanical, contrasted with agricultural, industry, in this respect, 184-190, 197-207 ; its effect upon the distribution and consumption of wealth and upon population, 185-189, 194-196, 207-219.

EMERSON, R. W., on the virtue there is in the cultivation of the soil, 217.

ENGLAND, competitive rents not always exacted, 48, 49 ; rents how affected by modern facilities of transportation, 115-117 ; productiveness of its agriculture compared with that of other countries, 202.

EUROPE, CONTINENTAL, competitive rents not the rule, 49.

FACTORY ACTS justified by economic principles, 190, 191.

FERTILITY, differences in, as governing rent, 10-11, 13-21 ; as governing settlement and cultivation, 89-108.

FISCAL INUTILITY of public lands, 136, 137, 140, 141.

FRANCE, productiveness of its agriculture compared with that of England, 202 ; frugality of its people, 210 ; restraint of population, 214-216.

FRUGALITY, how influenced by peasant proprietorship, 210-212.

GEOMETRICAL PROGRESSION, how far may this principle be introduced into economic computations, 83, 84.

GEORGE, HENRY, his work, "Progress and Poverty," the interest aroused by it in England, 6-9 ; his economic position reviewed, 141-181 ; his economic errors how

far explained by the errors of the current political economy, respecting the coincidence of individual interest with the general good, 194-196.

GOVERNMENT, as the proprietor of land, may, by establishing a land monopoly, exact a rent in excess of the Ricardian formula, 41, 42 ; Mr. Mill and Mr. George propose that Government shall assume the ownership of the soil, chap. iii.

GRAIN, cost of transportation from America to England, 116.

IMPROVEMENTS AND INVENTIONS, Mr. George's view of their relation to rent, 151-153 ; this view examined, 162-181 ; Mr. Mill's statement of the effect of strictly agricultural improvements upon rent, 177-181.

IMPROVEMENTS OF THE SOIL, how compensated, 32-37, 82-85.

INFERIOR SOILS, are they settled first ? 89-108.

INTEREST ON LANDED IMPROVEMENTS, how related to rent, 32-37, 76-88, 111, 112 ; Mr. George's view that none of the gain accruing from improvements, in production or exchange, goes to the capitalist in enhanced interest, but that this gain is wholly absorbed by rent, 145-188.

INTEREST, COMPOUND. *See* COMPOUND INTEREST.

INTEREST, SELF. *See* SELF-INTEREST.

INVENTIONS AND IMPROVEMENTS. *See* IMPROVEMENTS, ETC.

IRELAND, rents there approach and even exceed the economic maximum, 43, 50, 51.

JEVONS, PROF. W. STANLEY, his proposition that "the wages of a laboring man are ultimately coincident with

what he produces, after the deduction of rent, taxes, and the interest of capital," 144, 145 ; the operation of individual interest is not always consistent with the general good, 194.

JOHNSTON, PROF. J. F. W., his notes on North America, 46 *n.* ; "rich land for a rich man may be poor land for a poor man," 101.

KEELEY MOTOR, its success all that is lacking to effect a complete refutation of Ricardo's doctrine, 120.

LABOR *vs.* LAND, Mr. George's view that all labor-saving improvements and machinery expend their entire force in enhancing the demand for land, and thus increase rents while wages do not advance, 154, 155 ; this view examined, 167-181.

LABORER, THE AGRICULTURAL, not concerned in the payment of rent, 27-31.

LAND, of varying degrees of fertility, 10, 11, 21 ; the no-rent lands, 11, 12, 24, 29, 33, 34, 52, 53, 73-75 ; the question of individual or common ownership, chap. iii. ; the best holding of the land, chap. iv.

LAVELEYE, PROF. ÉMILE DE, rack rents in Belgium, 44 ; his view of the Cultivating Communities of the Middle Ages, 137 ; he declares that the increase of capital is greater than that of ground rents, 168, 169.

LEROY-BEAULIEU, PAUL, his attack upon the economic doctrine of rent, 109-120 ; estimates the comparative advantages of large and of small farms, 205-207.

LESLIE, PROF. CLIFFE, the influence of small holdings upon population, 214, 215.

- MAINE, SIR HENRY, competitive rents a thing of recent origin, 50 *n.* ; rack rent, 51 *n.* ; inefficiency of communal cultivation, 138.
- MALTHUS, T. R., his statement of the law of rent, 32 ; relation of his law of population to the economic doctrine of rent, 93, 94 ; Mr. George attacks his law of population, 145, 150.
- MARGIN OF CULTIVATION, so-called, as controlling rents, 24, 25, 53-55, 92, 95, 96 ; Mr. George's distinction between the necessary and the actual margin, 155, 156.
- MARRIAGE, how influenced by peasant proprietorship, 212-216.
- McCULLOCH, J. R., the range of productiveness among cultivated lands, 11.
- MILL, JOHN STUART, the means by which the produce of any given tract may be increased, 15 *n.* ; his plan for nationalizing the soil, and securing to the State the progressive increment in its value, 121-130 ; its feasibility considered, 130-141 ; his statement of the effect of agricultural improvements upon rent, 177-181 ; the influence of peasant proprietorship upon frugality, 211, 212.
- MINIMUM, THE ECONOMIC, to be treated as *nil*, 12.
- MOBILITY OF LABOR, as related to rent, 43-51.
- MONOPOLY OF LAND, how it may be established, and its effects on rent, 38-42.
- NATURAL ADVANTAGES OF THE SOIL, these alone, and not improvements effected by capital and labor, command rent, in the proper sense of the term, 32-37, cf. 109.

- NATURAL RIGHTS, as concerned with the private holding of land, 141, 142.
- NEWMARCH, WILLIAM, the difficulty of classifying landed improvements, 133 *n.*
- NO-RENT LANDS, 11, 12, 24, 29, 33, 34, 52, 53, 73-75.
- OHIO, THE STATE OF, in what order were its lands occupied? 98-106.
- OPINION, PUBLIC, as influencing rents, 49, 50.
- PANICS, attributed by Mr. George to the private ownership of land, 155, 156.
- PARTIBLE SUCCESSION, the law of, 213.
- PEASANT PROPRIETORSHIP, its advantages and disadvantages, 201-219.
- PELL, ALFRED, the cost of transporting live cattle from America to Europe, 115 *n.*
- POPULATION, how related to rent, 12-21, 93-96; Mr. George's view, that land, being held as private property, would produce in a stationary population all the effects attributed by the Malthusian doctrine to pressure of population, 150; how related to the tenure of the soil, 212-216.
- PRICE, NORMAL, how determined, 27, 28.
- PRIVATE OWNERSHIP OF LAND, involved in the economic doctrine of rent, 38-42; a comparatively modern institution, 128, 129; its rightfulness and expediency denied by Mr. Mill, 121-141; by Mr. George, 141-181; admitted by Professors Roscher and Cairnes to be only justified by public policy, 198-200.
- PRODUCTION OF WEALTH, how influenced by the tenure of the soil, 200-207.

- PROFITS, Mr. George's proposition that none of the gain accruing from improvements in production or exchange goes to the employer of labor, in enhanced profits, that gain being wholly absorbed by rent, 145-188.
- PROGRESS, so-called, indissolubly associated, in Mr. George's theory, with poverty, 151, 152, 159, 160, 194-196; the socialist and the protectionist view of the same subject, 188-190.
- "PROGRESS AND POVERTY," Mr. George's work under this title, 6-9, 141-181.
- PROPERTY, WHY AND HOW FAR "SACRED"? Mr. Mill's view, 122-127; Mr. George's view, 149-161; Professor Cairnes' and Professor Roscher's view, 198-200.
- PROTECTION, a means of limiting the extension of the division of labor, 189, 190.
- PROTECTIONISTS, their view of the influence of the aggregation of capital and the subdivision of labor, upon the condition of society, 189, 190.
- QUARTERLY REVIEW, LONDON, references to Mr. George's "Progress and Poverty," 7, 8.
- RENT, its importance in the distribution of wealth, the subject of active discussion at the present time, 5, 6, 55, 56, 145, 188; origin and progress of rent illustrated, 9-21; the economic law of rent, 21; qualifications of this doctrine, 21-26; rent does not form a part of the price of agricultural produce, nor is it deducted from wages, 26-31; the economic doctrine of rent relates only to compensation for the natural advantages of the soil, 32-35; distinction between rent proper and interest on landed improvements, 35-37; the assumptions which underlie the economic doctrine of

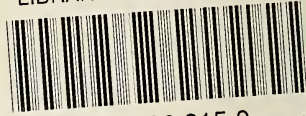
- rent, 38-53 ; rents governed by the margin of cultivation, 53-55, 95, 96 ; attacks on the economic doctrine of rent, chap. ii. ; Mr. Mill's and Mr. George's proposals to confiscate rent by taxation, chap. iii. ; Mr. George's proposition that all the gain accruing from improvements in production or exchange go to enhance rents, neither interest nor wages being advanced in consequence, 145-181.
- RICARDO, DAVID, why rent is paid, 29 *n.*, 53 ; his relation to the economic doctrine of rent, 31, 32 ; are there any no-rent lands ? 73 *n.* ; his view of the historical order of settlement, as between good and inferior soils, 91, 92 ; what Mr. Ricardo would be likely to think about rent now, 119, 120.
- RIGHTS OF MAN, Mr. George's view concerning, 141, 142.
- ROGERS, PROF. J. E. THOROLD, rents in England, below the economic maximum, 48.
- ROSCHER, PROF. WILLIAM., his view of Mr. Carey's historical order of settlement, 90 ; private property in land only to be justified by public policy, 198, 199 ; his view of the best holding of the land, 218.
- SANITARY REGULATIONS justified by economic principles, 190, 191.
- SELF-INTEREST, its normal operation among owners of land, 12, 21, 48, 50, 51, 91, 92 ; how far the operation of self-interest is coincident with the general good, 191-194.
- SENTIMENTS, MORAL, as influencing rents, 47-51.
- SERVICES, the equivocal character of this word, as used by Bastiat, 59-64.
- SETTLEMENT OF LAND, Mr. Carey's alleged historical order, and the argument derived therefrom against the economic doctrine of rent, 89-108.

- SISMONDI, M., influence of peasant proprietorship upon frugality, 210 ; upon restraint of population, 212, 214.
- SMITH, ADAM, his error in supposing that rent enters into the price of agricultural produce, 27 *n.* ; are there any no-rent lands ? 73 *n.*
- SOCIALISTS, their view of the influence of the aggregation of capital and the subdivision of labor upon the condition of society, 188.
- SOCIAL LABOR, how far the cause of rent, 68, 124-126.
- SPECULATION IN LAND, Mr. George attributes to it great industrial evils, 155-158 ; this view examined, 162-166.
- STATE, the, Mr. Mill and Mr. George propose that the State shall become the owner of the soil, chap. iii. ; what shall the State do to prevent the evils likely to attend the wide extension of the principle of the division of labor ? 188-191, 219, 220.
- SUPERIOR SOILS, are they settled after inferior soils ? 89-108.
- SURFACE, REGULARITY OF, its relation to rent, 22.
- TAXATION OF RENT, SPECIAL, proposed by Mr. Mill, 124-127 ; by Mr. George, 160.
- TENANT, the, rent a question between him and the landlord only, 27-31.
- TENANTS making improvements on leased land, 84, 85.
- TENURE OF THE LAND, THE BEST, chap. iv.
- TIMES, THE LONDON, quoted concerning the advance in the condition of the French people, 215, 216.
- TRANSPORTATION, its relation to rent, 22-26 ; M. Leroy-Beaulieu's view of recent and prospective reductions in its cost, 113-120 ; effect of improvements in transportation upon rents, 176, 177.

- UNEARNED INCREMENT OF LAND, Mr. Mill's statement of its origin, 121-128.
- UNEXHAUSTED IMPROVEMENTS, their relation to rent, 51-53, 76-88.
- UNITED STATES, influence of our competition upon English rents, 25, 26, 115-117; rents here approach the economic maximum, 44-48; the characteristics of our agriculture, 45-47; in what order were our lands settled, as between good and inferior soils? 98-108; productiveness of our agriculture, compared with that of England, 202.
- VALUE, M. Bastiat attributes all value to "service," 58-65.
- VILLAGE COMMUNITIES, their cultivation of the soil, 128, 137, 138.
- WAGES, not reduced by the payment of rent, 29, 30; are they "produced by the labor for which they are paid"? 143-145; Mr. George's proposition that none of the gain accruing through improvements in production or exchange goes to increase wages, all that gain being absorbed by rent, 145-181.
- WAGNER, PROF. ADOLPH, his recommendation that municipalities acquire all city real estate, in order to secure the progressive advance in its value, 138, 139.
- WASTE OF THE SOIL, its relation to rent, 12, 51-53; not influential with reference to the rent of building sites, 138, 139.
- WEST, SIR EDWARD, his announcement of the law of rent, 32.
- WRIGHT, C. D., his report on the Factory System, 197 n.



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