rate per centum of capital in any country gives that country an advantage in the markets of the world for selling its commodities over other countries offering similar commodities where the rate is higher, because its cost of their production is less. Of course also such a country can subjugate its wild lands and make them valuable at less cost than the other countries.

To illustrate the operation of the second variable, the time for which the capital is advanced, let the same suppositions be continued, except that the *time of advance* at New York be extended to four years. Then the commodity may be sold at and from Amsterdam, as before, at $103, but the corresponding commodity at and from New York for not less than $131, so far as mere cost of production determines the prices. This point is also well shown up in the case of wine, which, to reach its perfection, requires to be kept a number of years, for, if it be genuine and ripe, its cost of production has been by so much enhanced by its delay in reaching the market. If the time of advance be long, and the rate *per centum* high at the same time, the cost of capital from the two causes combined multiplies the cost of the product; and consequently, only countries in which the *rates* are low can successfully engage in enterprises requiring a large capital to be invested for *long periods* before returns are realized. One million of Dutch capital at 3% a year, expecting to realize returns only after 20 years, may be remunerated by products selling for $1,806,111; but American capital under like circumstances, except that the rate here is 7%, must have a return of $3,869,685, or lose by the operation.

To illustrate the action of the third and last variable, we must observe, that all forms of capital wear out, but some forms much faster than others, and that this makes a difference in the sinking-funds that must be reserved out of

the gross profits of the capital in order to replace the principal whole. This difference will at once affect the cost of capital, and so of production, and so indirectly the ultimate value of the product. Suppose there are two commodities, which we will call A and B, produced in two different establishments, in each of which is invested a capital of $11,000, in one of which is used a machine that costs $1000 and is wholly worn out by one year's use, and in the other a machine costing the same sum, which will last, however, for ten years. Suppose further, that the rate *per centum* of profit be 10, and the time consumed in completing each of the two products be one year. Now there is a marked difference in the Cost of Capital in the two establishments, and this difference will indirectly but immediately appear in the Value of the respective products. For, to A must be charged not only $1100, the interest on the whole capital at the current rate, but also another $1000, wherewith to replace the machine already worn out by a single year's use. A, accordingly, cannot be sold without loss for less than $2100. B, however, will cost less and can be sold for less at the usual profit. Because, to it must be charged, as before, $1100, current rate of profit on the capital invested, and only $100 (really less than that for an obvious reason) to replace the durable machine after ten years' use. The capitalist, therefore, can sell B for $1200, and make something over the current rate of profit.

Since the cost of capital invariably resolves itself into these three variables, every capitalist in order to become successful as such must give strict attention to all three of these points. To any one who projects the making of valueless into valuable land, or valuable into more valuable land, by the expenditure of capital upon them for that purpose, it becomes a matter of prime importance for him to inquire how long a time the whole process will take, how much he must allow *per annum* for the cost of all the implements employed, and especially how complete in action and duration are these costly implements. The *durability of machinery*, whatever the name it bear and whatsoever the work it do, is at once the most significant and the most neglected point in the actual and prospective Production of our time and country; and no condemnation can be too severe upon a policy of public law, such as now prevails, whose whole tendency and actual effect is to worsen the quality and lessen the durability of all commercial implements whatsoever, from the needle to the locomotive. The same abominable public policy increases the cost and decreases the durability of all agricultural implements, like the axe and the plough, designed and adapted to transform valueless and non-productive into valuable and food-producing lands.

2. Now, having fully seen the elements of the cost of reducing land itself from a natural into a valuable and productive form, what next are the elements of the cost of production of those material commodities produced for sale *by the aid* of these subdued and now productive lands? Commodities so produced constitute the second class in the law of their Cost of Production. And a vastly important class it is. The food of the world, so far as that food is purchased as the product, whether animal or vegetable, of valuable lands; the fuel of the world, so far as that fuel is bought from owned and accessible forests and mines; the clothing of the world, so far as the fabrics come from the cultivated cotton and flax and wool and skins offered for sale; the shelter of the world, so far as the wood and brick and stones and lime are drawn from valuable lands and quarries; and the warehouses and the temples and the theatres of the world, built, as they are,

out of the products of costly and rentful lands: these all, and many more like these, constitute a class of commodities immense in their volume, whose cost of production has in it an element peculiar and additional to that of the first class already analyzed, and to that of the third class also soon to be considered.

This peculiar and additional element in the cost of production of these things, class second of commodities, is called RENT. Interminable have been and still are, especially in the British Islands, the definitions and discussions upon Rent: they have boxed the compass of economical nomenclature: they have run up and down the entire gamut of possible expression on such a theme. David Ricardo, the Anglo-Jewish Banker, formerly announced, near the beginning of this century, that "*Rent is that portion of the produce of the earth, which is paid to the landlord for the use of the original and indestructible powers of the soil.*" Two objections lie with fatal weight against this definition and all that is involved in it: first, there *are* no "indestructible powers of the soil," either "original" or acquired, since the universal verdict of all agriculture has been and still is, that the "powers" of all soils are continually wearing out, and need to be constantly renovated by fertilizers and manipulations of all sorts; and second, even if there were such "original and indestructible powers," it would be impossible to separate them from the additional "powers" acquired by means of the capital expended to bring that land from the state of nature to its present state, and the landlord has had nothing to do with any "powers" of the land except those conferred by his own labor and capital upon it, and can by no possibility put himself into a position where he can *enforce* any claim of his own for a return from any "original powers" of any land-parcel whatever. The simple truth is, and it illumines the whole subject of agriculture and its products, that the value of land-parcels and also the value of the transient use of them, or *Rent*, hang wholly on the onerous human efforts involved in them, and not at all on original and gratuitous utilities. Science has only to unfold the plan of God and its actual and beneficent workings. "*In the sweat of thy face shalt thou eat bread.*" All that God furnishes to men in order to get a living and in order even to get rich is Opportunity. The opportunity is ample. The call to a partnership in Effort as between God and men is loud and constant. The world with all its powers, free lands with all their utilities, the change of seasons, the blessed sun and the blessed dew and rain, the constant disintegration of rocks beneath the soil and the gradual clothing with lichens and moss and verdure of the rocks above in preparation for a new soil, and the wonderful chemistry of the vast laboratory of Nature, all work night and day without fee or reward in the service of mankind. But men themselves must not intermit their labor. All values are of *their* creation and maintenance. If they cease or relax their labor upon land-pieces so only made valuable and rentful, then will the value and the rent begin to slip away inexorably, and no prayers and no regrets will avail to call them back.

Now, then, since commodities of the second class in the cost of their production must respond not only to the *current* cost of Labor and Capital in bringing them to market, but also something additional in the way of Rent to the *past* cost of the implement, the land-parcel, without whose contributing agency present results could not be gained; *Rent is the Rendering for the present use of a Valuable made such by past Labor and Capital.* Land-parcels leased for agriculture; mines and the access to them leased for the production of metals and minerals; and forests whose

growth has been permitted by the past *abstinence* of their owners; all properly yield a rent; because these forms of capital, whose existence is due to past labor and capital, are present contributors to products, whose sale must compensate not only present labor and the use of current capital, but also the use of these more permanent forms of capital long ago created.

A competent authority estimated in 1881, that the land-parcels of the United Kingdom of Great Britain were worth £3,000,000,000; and there were at the same time 6,000,000 of inhabited houses, excluding factories and business premises and tenements renting for £20 and under. Most of these lands and houses are rented by their owners to the actual occupiers on the just principle explained above, inasmuch as the lease-system is the prevailing one in that country. According to the Census of 1880, there were 4,008,907 so-called farms in the United States in that year. Most of these are held in fee simple, and are tilled by their owners; but just so far as land-patches and forests and mines are leased in this country, their products must provide in their price of sale for current rents, as well as current costs of present production. This is just as it should be, and just as it must be, if Capital is to take this form of assisting the processes of future production.

But this form of Capital, as well as all other forms of the same, is perpetually wearing out, that is to say, is gradually losing its power to contribute as at first to the present and future processes of production. This loss is in the very nature of things, — in the very nature of all Capital. The great Father never intended that His children should cease from work. He has ordered all things so, that they cannot cease from work, and continue to live in any comfort and progress. Value, as we have already thoroughly learned, is not a quality that can be put into anything *to stay there:* it is a recurring relation of mutual services between man and man; and each of these services of the three kinds involves recurring Efforts. Capital is a form of Value; and, consequently, it cannot possibly take on a shape not subject to the *law of diminishing returns.* This is deductive proof. And precisely the same result is reached by Induction. Men have noticed and recorded the fact at all times, and have made provision for it in their pecuniary calculations, that tools and machinery need to be repaired and then replaced, that the current interest on moneyed capital tends to decline from generation to generation in all progressive countries, and also that lands and other forms of real estate so lose their productive and rental power unless cared for in renovation that men migrate and emigrate in consequence.

How much Rent shall the tenant pay to the landlord for the present use of the latter's old lands? Or in other words, how much shall be added to the going price of the product on account of the diminishing return due for the use of the old landed capital? This is a hard question to answer: probably the hardest question that is ever asked in practical Economics. Mr. Gladstone wrestled with it as complicated with a larger political question in passing the Irish Land Bill of 1881. Another honest athlete, Mr. Parnell, wrestled with it upon the same parliamentary arena. Scores of able and practical statesmen in Great Britain, and elsewhere, have struggled to reach a practical answer to this question; and scores of able and theoretical economists in all countries have striven to reach a theoretical answer to it. Most of these answers have been inharmonious, and many of them contradictory, with each other. The Land Bill of 1881 created a parliamentary Commission, whose duty and authority it was, to visit the Irish counties in person, to gain information in detail, to take sworn testimony of all the parties concerned, and then to lift or lower rents according to their discretion. The discontent of the Irish tenants in general was considerably mollified by the action of this Commission; while the debates and wrangles of the parliamentary session of 1889, and the persistent agitations for Home Rule (an agitation at once political and economical), show that the results of the work of that Commission were not wholly satisfactory.

(a) It is easy enough to see why the solution of this general problem is so extremely difficult. The new is mixed in with the old. The result of the old labor and capital is a productive piece of land; the current labor and capital is expended upon the same piece to make it more productive; the same sort of thing is done now that was done then, and the results of the two are now thoroughly intermixed; there were original free utilities in soil and growths and deposits, but these had and have no value and can never yield rent; the old labor and capital improved the soil by clearing and drainage and fertilizers, and made the growths and deposits more valuable and accessible, so that even the old onerous was more or less transformed into the original gratuitous; and now the new onerous, the fresh cultivation and fertilization and betterments generally, in soils and roads and buildings, are inextricably commingled with former betterments of the same general kind and with the original free gifts of Nature. No wonder the Commission of 1881 found difficulty in determining what was what and which was which! No wonder that Irish tenants on long leases quarrel with their landlords about the betterments, how much is new, how much is old! It is clear, that when the lease is ended, the landlord ought to compensate the tenant for all that portion of the latter's betterments, which is not already worn out; it is equally clear, that the tenant ought to be willing to pay a fair rent for the use of the unexpended betterments of the landlord and his predecessors; while there is room and verge enough for endless disputes between them as to the respective amounts of these, and consequently as to the amounts of rent and of its remissions.

These difficulties and intricacies do not belong to the *principles* of the Science of buying and selling, which are in the main clear and certain in their action, but are incidents of determining in certain cases *what that is*, which is bought and sold. Parties in interest in all kinds of buying and selling are sometimes compelled to go to the courts in order to have the Law decide what their respective rights are as buyers and sellers; but this is no fault of Political Economy as a science, or of trading as an art; two men in all cases make their own bargain, according to their own estimate of the respective rendering and receiving of each; if the uncertainties of language, the misconception on the part of one or both of the terms agreed upon, and the misapprehension of some of the circumstances of the case, breed confusion and litigation, all this cannot be justly charged to the science of Political Economy.

Nevertheless, it is into these incidental intricacies and uncertainties, that Henry George's now famous theory of landed rents and the taxation of them, strikes its roots. Instead of building his structure upon firm and open ground, so that thoughtful men can see that his basis is solid and scientific, Mr. George dashes at once into a thicket and lays his foundations with quickness and assurance where all is dark and doubtful, or at best where all is rather incidental than fundamental and demonstrable, and pretty soon displays a superstructure that appears attractive both without and within, through whose airy halls

he knows how to conduct to their delight the credulous and discontented, and on whose walls hang plausible pictures calculated to invite and hold the attention of the masses. Let the perfect integrity and rhetorical ability of Mr. George be freely conceded; let it be freely conceded also, that he teaches in his books and lectures a great deal of vastly important industrial truth in a popular way so as to accomplish great good, such, for example, as the imperative need of greater simplicity in taxation, and the indisputable right of the people to their liberty in buying and selling; yet it must at the same time be owned, that he has never yet found out exactly what *Value* is in general, consequently what are the causes of value in lands, and what are the nature and grounds of Rent. Something more of patient and radical analysis at the outset, and of logical and scientific unfolding afterwards, would have made Henry George one of the chief benefactors of his age.

(b) It is also very easy to see, that the current price of produce, that is, what is gotten in return for the sale of what is gotten out of the land-parcels, must have a dominant influence upon what can be paid as rent for the use of the parcels. Unless the return from the produce be sufficient to reward at current rates the present labor and capital employed upon the parcel, the parcel will not continue to be cultivated at all, otherwise men would act without a motive for action, which they never do; unless, therefore, the price of produce be more than high enough to repay current wages and profits, there will be nothing left for Rent; and, consequently, the amount of the rent that can continue to be paid for lands will be *the difference between the going price of what is produced from them and the current expenses of cultivating them.* Here, as everywhere else within the domain of Exchange, Competition exerts its beneficent action. If one dealer, or ten, endeavors to put a price upon the produce more than enough to pay current wages and profits with a fair margin for the diminishing rate of rent, there are a plenty of others, dealers in the same grade of produce, who will be content with a fair return for present and past expenditure of labor and capital; and the action of these will effectually debar the others from exorbitant rates. The price of produce, accordingly, under free competition, is the divinely appointed regulator of landed rents. It regulates also, though more indirectly, the current rates of wages and profits in agriculture.

Very different from this is Ricardo's doctrine of Rent. He makes everything turn on the Cost of Production of the Produce, which is Effort, ignoring the ever-varying demands for the produce, which is Desire. His doctrine, too famous and too long received for us to pass by in this connection, though now superannuated, was for substance, this: there are some lands in every country whose produce just repays the expenses of cultivation, and consequently yields no margin for rent; and the cost of production on these rentless and poorest lands under cultivation, will determine the price of the produce; and as there can be but one price in the same market, the produce raised on more fertile land will be sold for the same price, and this price, besides paying the cost of cultivation, will yield a rent rising higher according as the land is more fertile; so that the rent paid on any land is always a measure of the excess of productiveness of that land over the least productive land under paying cultivation; and therefore, an increased demand for food in consequence of increased population, and the higher price resulting, will force cultivation down upon still poorer soils, or compel a higher culture for less remunerative returns on the old soils,

according to the law of diminishing returns, which in either case will raise the rents on all the soils above that grade that just repays the expenses of cultivation; so that it is the sole interest of landlords, as such, that population should be dense and food high, their interest being directly antagonistic to that of the other classes of the community.

(c) Finally, in this connection, it is easy enough to see, what were the motives on the part of the landlords, and what were the results on the part of the masses, of Great Britain, in putting on and keeping on the infamous Corn Laws, so-called, which were repealed forever in 1846. The Corn Laws forbade the importation of foreign cereals under heavy pecuniary penalties. The simple purpose of the landlords then governing England was to raise the price of their grain by shutting off Competition of foreigners by means of these prohibitory tariff-taxes. It was Protectionism pure and simple. It was designed to raise the price of bread to the masses of their countrymen, and often did raise it to the point of their starvation. But we have just seen, that the higher the price of the produce, the wider the margin for Rent for the lands that produce it. The Corn Laws of England enriched the landlords at the expense of all other classes and to the starvation of many of the poor. As has been well said, this was the most successful of all the many expedients that have been tried, "*to fertilize the rich man's land by the sweat of the poor man's brow.*" The words of Daniel O'Connell, spoken Sept. 28, 1843, in his parliamentary fight against the high-tariff Corn Laws, were surfeited with truth and righteousness: "*But what is the meaning of 'Protection'? It means an additional sixpence for each loaf; that is the Irish of it. If the landlord had not the protection, the loaf would sell for a shilling, but if he has protection, it will sell for one and sixpence. Protection is the English for sixpence; and what is* *more, it is the English for an extorted sixpence. The real meaning of 'Protection,' therefore, is robbery,—robbery of the poor by the rich.*"

At the present moment and for twenty-five years past, the public laws of the United States ostensibly relating to Taxes, have had an immense influence upon the value and rents of the agricultural lands of the country to depress them; because these laws have put up nearly or wholly impassable barriers to the coming in of those foreign goods, against which the farmers would naturally and profitably and inevitably have sold their surplus agricultural produce; by destroying the foreign market for farm products, these laws do in effect destroy a large part of the value of the farms of the country, and of what would otherwise be the rentals of a part of them; the Constitution of the country expressly forbids any taxation whatever of Exports, but these laws have precisely the same effect on the value of farm products if they were themselves forbidden to be exported, because those goods for which these would be otherwise exchanged for a profit are forbidden to be imported. *A market for products is products in market.* Thus these wretched laws lower the price of farm products, and consequently the value of farms and of their rents, and impoverish the farmers who are nearly one-half of the entire population of the country.

While these paragraphs are being written, comes the intelligence of the formation of the "North American Salt Company," whose purpose is in their own language "*to unify and systematize the salt interests of the United States and Canada*," and to this end "*arrangements have been completed for the purchase and control of nearly all the existing salt properties of the North American continent.*" As this is a fair instance out of some thousands, in which a tariff-tax has the designed effect to lift or lower values which

deeply concern the people, let us look at it for a moment. On the average of the past twenty-five years the tariff-tax on salt has in general doubled the cost of that necessary of life to the whole people of the United States. When Canada had no such tax, American makers of it sold salt sometimes to the Canadians 40% less than they would sell it to their own countrymen. On the basis of this United States tariff-tax (it would never have been dreamed of without it) this new company comes forward with a scheme of international monopoly to control in their own interest the price of a prime necessity of life. They propose to issue stock and bonds to the amount of $15,000,000, with which to buy up "the existing salt properties"; and they frankly avow in the prospectus from which we are quoting, that profits of $2,000,000 a year on their capital are justified by the present outlook. Whence are these immense profits to come? Out of the pockets of the masses of the American people bound hand and foot in the meshes of a legal monopoly, which they themselves allow themselves to be ensnared in! In a similar but more outrageous way, are bound up at the present moment in the secret so-called "Trusts" about forty more of the necessaries of life; each one of which, unless it be the "Standard Oil Trust," has its footing in a so-called "protective" tariff-tax, and would collapse instantly on the repeal of that!

It was necessary in order to complete our study of the second class of material commodities, namely, those produced from valuable and rentful lands, to glance in passing at the frequently disturbing effect on these, aside from their cost of production, of sinister laws plausibly imposed upon an unsuspicious people in the interest and at the instance of a privileged few.

3. It only remains in this chapter, devoted to the discussion of material Commodities in their three economic classes, to conclude with a glance at the third class, namely, those material valuables that are obtained from free and unowned sources, such as masts cut in the wilds of America on both oceans two and three hundred years ago, and fish caught on the Banks of Newfoundland, and furs gathered to such profit in the north by the Hudson's Bay Company, and salt evaporated in the tropics by a free sun from old ocean's brine.

These, and all such things as these, have a cost of production determined only by the cost of present labor and capital, and consequently a grade of value determined only by present Demand and Supply, unentangled for the most part by questions of rent and prior claim and taxation and nationality. All these things, accordingly, are relatively cheap, except as the element of Scarcity, and on that account of strong Desire, may sometimes come in to enhance the value. No man can tell the time exactly when French fishermen from the coasts of Brittany ventured over to the Banks of Newfoundland in their frail barks for the abundant cod in those waters, and went back home again at the close of the season freighted with plenty of a free and cheap food for their families and countrymen; or when it was that rude men calling themselves English followed these in their western track for the same general purposes, to become thereby hardy seamen on deeper seas, such as those who gained long afterwards the naval victories of Nelson; and we have all read in the fascinating pages of Irving the ventures and adventures of John Jacob Astor, the attraction of free furs in the Northwest of America, the hazards and the history incident to obtaining them, and the immense profits gained by their sale in the markets of the old world.

CHAPTER III.

PERSONAL SERVICES.

THERE are three kinds of things only ever bought and sold in this good world of ours. In the preceding chapter we have conned carefully the first kind, material commodities, in their three subdivisions of land-parcels and products of such parcels and products of free land and sea. In the present chapter we come to study the second kind of valuable things, personal services, which we shall also find subdivisible into three classes. We have treated of Commodities first, because their value in its grounds and changes is more easily understood than that of the other two kinds, while in point of *time* Services might well enough have been considered first, since it is these that manipulate into value the originally rude forms of Nature. The main difference between the two is this: in Commodities the attention is naturally drawn to tangible *things* offered for sale, such as lands and wheat and fish; while in Services the attention is strongly drawn to *persons* offering them for sale, such as the common laborer and the skilled artisan and the professional artist. This distinction, though obvious and useful as between commodities and services, is not after all radical; because Economics is a science of Persons from beginning to end; inasmuch as the services precede and are merged in the commodities, and inasmuch as the Desires (personal) of some men for the renderings of other men antedate and underlie all exchanges whatsoever.