

others. Yet, within the limits consistent with this, there is opposition of interests.

251. The Parties to the Distribution of Wealth.—The contest is, in the last analysis, between individuals. We shall see that the real or supposed common interests of a number of producers may create a supposed class interest which will lead them to act in concert, with a subordination of individual preferences to the general good ; but, as a rule, the efforts of individuals are directed to a personal benefit. Inasmuch, however, as it would be impossible to work out the problem of distribution with reference to each man, woman, and child, we may aggregate individuals, according to what they have in common, into classes, larger or smaller, and may seek for the general law which governs the efforts of the members of each class towards the acquisition of wealth.

252. Classes in Distribution.—Even if we disregard petty distinctions and inconsiderable exceptions, the prime classes appearing in distribution will vary in different countries. A classification which would fully meet the facts of industrial organization in India, would omit distinctions of prime importance in England.

Inasmuch as we could not, in an elementary treatise, give the space needed to set forth the problem of distribution in each country or group of countries having a common industrial organization, we will consider for our present purpose the industrial organization of England. We take this, because it is the most highly developed organization known to industry ; because it is largely reproduced in the United States and on the continent of Europe, and in Canada and Australia, and is everywhere, among progressive peoples, more and more widely extending from year to year. Moreover, it will be easier for the reader to work out for himself the problem of distribution in countries of a lower organization, than it would be to go from the simpler to the more complex forms of industrial life.

Under the system which we have taken for the purposes of the present discussion, we have four classes of claimants upon the product of industry, and that product is accordingly

divided into four grand shares. These [classes and the shares respectively received by them may be expressed as follows :

1. The landlord, receiving rent.
2. The capitalist, receiving interest.
3. The employer, or entrepreneur, receiving profits.
4. The employed laborer, receiving wages.

The reason for naming these several claimants in the order just given, will appear as we make progress in the discussion of the forces which effect the distribution of wealth.

CHAPTER II.

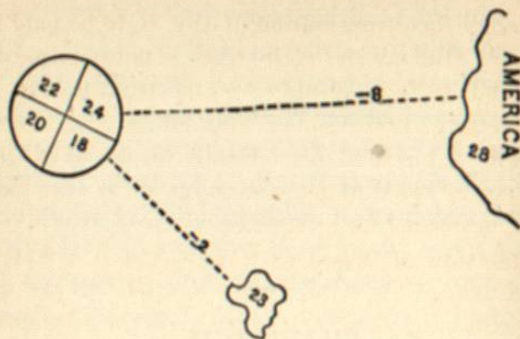
RENT.

253. Definition of Rent.—Rent is the term applied to the remuneration received by the land-owning class for the use of the native and indestructible powers of the soil, or, as it might be expressed, for the use of natural agents.

That remuneration may be paid in money or in produce. The term land, or natural agents, must be understood to include not only arable land, but pasture, timber lands, mineral deposits, water privileges and building sites. For the present discussion, however, it will be best to take our illustrations from the occupancy and cultivation of arable land.

254. The Origin of Rent Illustrated.—Let us suppose a community, isolated from all others, to occupy a circular tract of land divided, as in the following diagram, into four sectors equal in extent but so differing in fertility that one piece will, with so many days' labor in the year given to plowing, cultivating and harvesting, yield 24 bushels of wheat per acre, while the second will yield, with the same amount of labor, but 22 bushels, the third but 20 bushels, and the fourth but 18. Now the assumption we have made as to differing degrees of fertility in the soil of the several tracts, is not an extravagant one. On the contrary, we might reasonably have

assumed the degrees of fertility to differ far more widely. "A quarter of wheat," says Mr. McCulloch, "may be raised



in Kent, or Essex, or in the Carse of Gowrie, for a fourth or fifth part, perhaps, of the expense necessary to raise it on the worst soils under cultivation in the least fertile parts of the kingdom."

In order to further simplify the problem, we will suppose that all the inhabitants of this community reside in a village at the center.

255. The Ante-Rent Stage of Cultivation.—Let the first case taken be when the village is yet so small that all the wheat required for the subsistence of the population can be raised upon a portion only of what we will call the 24-bushel tract. If the tract be held by a number of competing owners,* each acting for himself, seeking his individual in-

* If the tract were held by one person, or by several persons acting in concert, a monopoly would be established, and a rent might be exacted. What would be the limit of that rent? Two bushels an acre, inasmuch as one would do better for himself to take up for cultivation a portion of the 22-bushel tract, paying no rent, than give more than two bushels for the use of an acre of the more productive land.

But this rent of two bushels per acre, would not be paid for the whole of the first tract, but only for the number of acres actually required for cultivation in order to furnish subsistence for the community. All the owners in the combination would have to divide among themselves the aggregate sum so obtained, none obtaining so much as two bushels an

terest, no rent will be paid, or only a rent so small that for purposes of economic reasoning we may disregard it. Each owner of land in this tract will be desirous of securing for himself whatever compensation, if any, is to be paid for the use of land. But as the entire tract is not required for cultivation, and, as, consequently, only a part of the owners can receive any compensation for their land, an active competition will set in, each man offering the use of his land for less and less, in order to get something, until rent falls to a minimum, or disappears altogether.

256. Relation of Waste to Rent.—And it is here we see the significance of the word, "indestructible," in par. 253. All scientific reasoning about rent is based on the assumption that the tenant will leave the soil in as good condition as it was in when he took it. Now, it is possible for a tenant to impair the fertility of land, first, by intentional abuse, or, secondly, by taking away its productive essences, in the crops of successive years, without returning any thing to it in the shape of manures or other fertilizers.

It is only upon the above assumption that it would be true that each owner of land in the twenty-four bushel tract would prefer to lease it for a very small rent, approaching nothing, rather than not lease it at all. Unless he could be protected, by law or contract, against exhaustion of the soil, he might prefer to let his land go unoccupied. But on the assumption stated, the proposition is true that, in the situation described, no portion of the twenty-four bushel tract would bring so large a rent that it might not, for purposes of economic reasoning, be treated as *nil*.

257. Rent Emerges.—Let us now advance to the second stage. We will suppose that the population of the village has increased to such an extent that the whole of the twenty-four bushel tract will no longer raise, when cultivated as it has heretofore been, all the wheat required for the subsistence

acre for his individual estate. Should any one owner try to overreach the others and secure the full rent for the whole of his own land, the "ring" would be broken, competition would set in, and rents would fall to the minimum.

of the community. Cultivation will then be driven down to an inferior grade of soils. A part of the second tract, the twenty-two bushel tract, will be taken up.

Do you ask, why not increase the amount of labor upon the twenty-four bushel tract, and so raise more wheat to the acre? I answer, because of the great fact of Diminishing Returns in Agriculture, which was set forth in Part II., with so much particularity. We shall now see the whole theory of rent built upon it. The fact itself is undeniable. In every country of the world, and in every parish or township of every country, cultivation is seen descending to grades of soils below the best, because the yield from the highest grades can not be increased proportionally to an increase of labor expended thereon.

Cultivation having, in the case of the community whose industrial history we have traced so far, been driven down to the twenty-two bushel tract, rent will at once emerge. Not that rent will be paid for any portion of the latter tract, which will all be in the same condition, as regards compensation for its use, as was the first tract, when that alone was cultivated; but for the twenty-four bushel tract, and for each portion of it, rent will now be paid. Why? Because any person desiring to raise wheat may better, may he not? pay something for cultivating a portion of that tract, than cultivate a portion of the new lands for nothing.

How much will he pay? Exactly the difference between the crops to be grown on the two soils, with the same application of labor, *i. e.*, two bushels, since he can afford to pay this rent rather than move to the less productive soil. As some must so move, the landlord will be able to exact the maximum rent from the present cultivator: if not, from some other.

Let us now advance another stage, and suppose the increase of population to require the cultivation of the twenty-bushel tract. The effect of this downward movement of the limit of cultivation will be two-fold:

First, the twenty-two bushel tract will begin to bear a rent, since any cultivator can better afford to pay a certain rent for the privilege than occupy a portion of the new land for

nothing. The amount of that rent will be determined by the difference in productiveness between the two tracts, being, in the case supposed, two bushels, an acre.

Secondly, the tract first cultivated now brings its owner a rent ($24 - 20 = 4$), not of two bushels, but of four. It is no better land than it was before; it produces no more wheat under the same application of labor and capital; yet it yields its owner a rent twice as great as before cultivation descended to the third grade of soils. That increase of rent takes place simply and solely because cultivation has so descended.

If, again, we suppose that the increasing needs of the community require the cultivation of the eighteen-bushel tract, even the twenty-bushel tract will begin to bear a rent, *viz.*, two bushels, while the rent of the next tract will rise to four bushels, and that of the most productive land to six bushels, or three times the original amount.

258. The Law of Rent.—If we have correctly traced the course of self-interest, in dealing with the occupation of land, under the necessity of a resort to inferior soils, we are prepared to state the law of rent.

1. Rent arises out of differences existing in the productiveness of different soils under cultivation at the same time, for supplying the same market.

2. The amount of rent is determined by the degree of those differences. Specifically, the rent of any piece of land is determined by the difference between its annual yield and that of the least productive land actually cultivated for the supply of the same market, under equal applications of labor and capital, it being assumed that the quality of the land as a productive agent is, in neither case, impaired or improved by such cultivation.

259. Cost of Transportation.—By productiveness throughout the foregoing discussion, has been intended net productiveness, the cost of transportation to market being first deducted.

In the illustration as thus far given, the cost of transportation has been left out of account. Let us now, however, suppose a tract to be brought under cultivation for the pur-

pose of supplying this market, situated at so great a distance as to make the cost of transportation a considerable element in the problem of rent.

If the reader will recur to the diagram, he will see that we have marked out a tract, at some distance from our village, the path thereto bearing the legend —2, by which we have intended to signify that the cattle and men taking the grain to market will eat, going and returning, two bushels out of the produce of each acre. The net productiveness of the tract will then be, for the purpose of determining its rental, not 23 bushels, but 21. It will not be cultivated until after the first two tracts have been completely occupied. It will then be cultivated, but will bear no rent so long as its produce, combined with that of those two tracts, suffices for the sustentation of the community. But when the increasing needs of population drive cultivation down to the 20-bushel tract, the tract in question will bear a rent of one bushel, which will rise to three when cultivation seeks the 18-bushel tract.

260. A New Continent.—The reader will further note that we have connected the same community with the projecting edge of a continent, which we have named America, by a dotted line, to which we have attached the sign and figure —8. These represent that portion of the crop of the year which is given to railway companies and the owners of vessels, as a consideration for transporting the grain to the English market. The net produce of these lands is, then, 20 bushels. Though they actually yield 28 bushels to the acre, with the given application of labor, they will bear no rent till the 18-bushel tract of English land is brought under cultivation, when they will yield two bushels rent, an acre, the same as the 20-bushel English tract, the net productiveness being the same.

But suppose this American land is of vast extent, and upon it can be raised all the grain which this, or any, market requires, what will be the effect upon rents? Why this: no one will now cultivate the English 18-bushel tract. Why should one, since a greater net produce can be obtained by the same labor elsewhere? This lowest grade of soils, therefore, falls out of cultivation. With what effect upon the rent of

other parcels of land? To answer this, let us recur to our formula. The rent of any piece of land is determined by the difference between its annual yield and that of the least productive land under cultivation for the purpose of supplying the same market. The 24-bushel English tract has been bringing its owner 6 bushels, an acre, rent, because, and only because, the 18-bushel tract was necessarily brought under cultivation. Now, however, that American land, with a net productiveness of 20 bushels, an acre ($28-8=20$) is found in unlimited amount, the margin of cultivation is pushed backwards, and the best of the English tracts brings but four bushels rent; the next best but two; the 20-bushel tract now bears no rent, as it is in competition with free American land of indefinite extent.

Again, assume that the introduction of Bessemer steel rails and various improvements in ocean navigation reduce the cost of transportation of American grain to seven bushels out of every 28, what will be the effect on English rents? Clearly the American land now has a net productiveness represented by 21 bushels, and, as it is of unlimited extent, all the English 20-bushel land is thrown out of cultivation—for who would wish to cultivate it? and the rent of the best English land is reduced to three bushels, and that of the second grade to one.

The foregoing illustration accounts sufficiently for the great economic, and, by consequence, great social change, which has been going on in the British Islands within the last few years. The reduction in the cost of transportation from the American wheat fields beyond the Mississippi to the seaboard, and from the seaboard to Liverpool, has increased the net productiveness of those fields to a degree equal to the addition of several bushels an acre to the crop. This has thrown out of cultivation much of the poorer English land, and, by lifting upward the limit of cultivation, has decreased the normal rent of all English lands, cutting deeply, in prospect, into the incomes of the land-owning class. The first effects, however, have been most severely felt by the cultivators of the soil, who, holding their farms by lease, find themselves still bound to pay the stipulated rents.

261. Relation of Rent to the Price of Land.—We have stated the economic doctrine of rent. The price of land and its rental value stand in a certain necessary relation to each other. Land has its price because, and only because, it can command a rent. But while the relation between the two is a necessary one, being no less direct than that of cause and effect, the ratio between the rent of land and the price of land, expressed in terms of produce or of money, varies widely. In some countries, where the amount of accumulated capital is large; where a high degree of civil security exists; where the rights of property are respected, and where the ownership of land carries with it social distinction and perhaps political influence, the price of land may be twenty, twenty-five or even thirty times the annual rental. In other countries, from the failure of one or all of the conditions indicated, land may not sell for more than fifteen or even ten times its rental.

262. Rent forms no part of the Price of Agricultural Produce.—From the law of rent, as it has been stated, we deduce the very important conclusion that rent forms no part of the price of agricultural produce.

No proposition which the political economist has occasion to announce is so startling, at the first hearing, as this; nor does any other contend against such persistent incredulity. And yet, no proposition can be more clearly established. We have seen (par. 132) that in the same market, at the same time, there is but one price for different equal portions of any commodity. We have also seen (par. 137) that normal price is fixed by the cost of producing that portion of the supply which is produced at the greatest disadvantage.

Apply these principles to the case in hand. England does not raise all the wheat needed for the subsistence of her population. Besides cultivating the most fertile of her own fields, she makes heavy draughts upon the United States, France, Egypt, Hungary, and the Black Sea region. For the wheat of all these countries, however, so far as it is of the same quality, there is but one price. That price is fixed by the cost of raising the million, say, of bushels which are raised at the greatest disadvantage, which means, in this case, at the greatest dis-

tance, *viz.*, on the plains of Dakota. This wheat the English must have: the proof of which is found in the fact that they do have it. Now, if they will have it, they must pay the cost of raising it, that is, must pay enough to induce men to go to that far-off country, undergo the privations of a frontier life, undertake all the risks of pioneer agriculture, and submit to enormous charges for the transportation of their product by land two thousand miles to the seaboard, and, then, three thousand miles, by sea. If the English will not pay this price, they can not have the wheat. That they get the wheat is proof that they pay this price, which, in turn, sets the price for all the wheat raised in England, and for all the wheat brought thither, whether from France, from Egypt or from the Black Sea. Wheat may be raised in Middlesex at an actual cost not exceeding two shillings a bushel; but the Middlesex farmer will not, on that account, sell his wheat below the market price, say six shillings, which price is fixed, as we have seen, by the wheat from America. The difference, four shillings, is to be profit for somebody; and we will now proceed to show that this body must be either the landlord, or the tenant, not the agricultural laborer, and not the consumer of flour.

263. What Would Happen if Rents Were Remitted?—We shall best make this appear by means of an illustration. Let us suppose that a philanthropic gentleman, whose rent roll is £20,000, being greatly moved by tales of distress, knowing that the quartern loaf is very dear, and believing this to be due to the large rents paid for the use of land, calls his tenants together, and tells them that, in consideration of the hard times and the great suffering of the poor, he has determined to remit one-half of the rent of all his farms. What would be the consequence? Doubtless all the tenants would accept the proffered terms cheerfully, and humbly thank his honor. But would they sell the wheat at any lower price? Not at all; why should they? They can get the market price for it. That price is not fixed by the cost of raising wheat on their farms, or any farms for which rent is paid. It is the no-rent land that raises that last portion of the

necessary supply of wheat which fixes the price of all wheat.

But suppose, to imagine a most improbable case, that some one out of the fifty tenants on this estate were to go to the dealer in grain to whom he was accustomed to sell his crop, and say: "Mr. B., inasmuch as my landlord has remitted half my rent this year, I offer you my wheat a shilling less a bushel, in order that you may sell it at a corresponding reduction to the baker." What would the grain-dealer do? Clearly he would take the wheat, at the reduced price offered; but would he sell it to the baker for any less? Or, if he did, would the baker, getting his flour a shilling "off," put down the price of the loaf? Not if he were of the sort of baker that you and I know.

But perhaps it is said, we concede that the farmers will not sell their wheat at any lower price, on account of the remission of rent, but they will raise the wages of their laborers. Why should they? They can make presents to their laborers, just as they could make presents to grain dealers or bakers, but we are talking now about business, and, as a matter of business, why should these fifty persons raise the wages of their laborers, in consequence of the generosity of their own landlord? The laborers were willing to work, before, for the wages that were stipulated, the same wages, it may be assumed, which other laborers in the county were receiving. Why should the laborers now be unwilling to work at the same wages? And if the laborers are willing to work at the same wages, why should the farmers pay more?

264. Resume of the Subject. — These illustrations may seem very elementary, but I have known so many persons, after a complete demonstration of the proposition we are considering, go away, showing, by look or by remark, that they still clung to the notion that rent has, somehow, something to do with the price of agricultural produce, that I have thought it worth the space required to repeat the demonstration and fully illustrate the argument. I trust it has been shown, to the conviction of every reader, that rent is a matter between the landowner and the tenant, not between the land-

lord and the agricultural laborer, or between the landlord and the consumer of agricultural produce.

Rent is the surplus of the crop above the cost of cultivation on the least productive lands contributing to the supply of the market. Admitting the private ownership of land (pars. 493-505), that surplus, necessarily, so far as economic forces are concerned, is left in the hands of the landlord. There, so far as economic forces are concerned, it must remain. The landlord can give it away, if he pleases, just as he can give away his horse, or his house, or any thing that is his. He can give it to his tenant, just as he could give to any one else. But if he does, it becomes a pure gratuity to the tenant, who, under the operation of the principle of self-interest, will transmit it neither to the agricultural laborer nor to the consumer of food, but will retain it entire for his own enrichment.

265. Attacks on the Doctrine of Rent. — Such is the economic doctrine of wealth, which is generally known by the name of David Ricardo, though, in truth, it was announced by Anderson, a Scotch economist, who wrote at an earlier date.*

I postpone to Part VI. the consideration of attacks upon the doctrine of Rent, by certain American and French writers.

266. The Doctrine of Rent: How Far Applicable to Actual Conditions? — The law of rent which has been expounded, is true only hypothetically, that is, upon the condition assumed, *viz.*, that the owners and the occupiers of land, each for himself, fully understand their own pecuniary interests, and will unflinchingly seek and unfailingly find their best market.

How much does this mean? A great deal; more than ever was realized in any country, at any time, though it has been

*It is not, however, wholly inappropriate to join the name of Ricardo to this doctrine, on account of the great force and clearness with which he expounded and defended it. Anderson's statement of the same principle, though perfectly correct, was so made as to attract no attention, and it was not till long after Ricardo made the doctrine famous, that it became popularly known that the substance of it was contained in Anderson's work.

far more nearly approached in some than in others. Just what is implied in the above assumption?

On the landlord's part that (1) he would as soon take a new tenant as retain one whose family had been on the soil for centuries; that (2) he will entertain no other consideration than the realization of the largest possible rent; that (3) he knows all the facts which in any way bear upon the highest rate that could be charged for the use of the land without driving away all would-be tenants.

On the tenant's part, that (1) he has the means to place himself elsewhere; that (2) he could carry with him the value of his stock and fixtures, and of any improvements made during his tenancy; that (3) he knows and can intelligently canvass the varying advantages of a sufficient number of localities to make his choice practically indefinite; and that (4) neither indolence, nor inertia, nor dread of change, nor love of home, friends or country, will intervene to keep him from his best market: that is, where he can rent land, of a given degree of productiveness, at the lowest annual rate.

The recital of the foregoing conditions shows that Ricardo's law does not furnish a formula by which the rent of a single piece of land can be determined in advance. The doctrine is true only hypothetically, and the conditions assumed exist nowhere.

267. Yet this hypothetical doctrine of rent is by no means to be regarded as vain and illusory. It is, on the contrary, of vast importance. It must be fundamental in any correct theory of the distribution of wealth. No projectile ever describes a perfect parabola, since the resistance of the air and the force of the wind will interfere to prevent an absolute compliance with the law of the projectile. Yet the artillery must always have reference to that law in pointing his piece, making such allowance for disturbing influences as existing conditions may seem to require. Any attempt to explain the partition of the product of industry which should leave Economic Rent out of account, would be either futile or deceptive.

In some countries, notably in the United States and in

England, Ricardo's law furnishes the great underlying principle according to which, with more or less of divergence from general or from local and individual causes, actual rents are primarily determined. In other countries, like those of continental Europe generally, where custom operates powerfully upon the rental of land, the doctrine is still of importance; first, as clearly furnishing the outside limit of rent; secondly, as establishing the proposition that the question of rent or no rent, of high rent or low rent, is purely a question between landlord and tenant, not between the employer and the employed, and not between the producer and the consumer of food.

268. *Rents in the United States.*—We have said that in some countries the economic doctrine of rent furnishes the principle which primarily determines actual rents. The United States offer the most striking illustration of this. So completely is the American mind imbued with the feeling that a thing is worth what it will bring; so little sympathy is here found for the notion of classes which, by reason of weakness, must be hedged in from competition with outside forces; so vast are the tracts of arable land not yet occupied; so freely do our people move from place to place; so slight are their attachments to locality, that no prejudice whatever would be created by a landlord's demanding the utmost rent which the tenant could, and in the result, would, pay. The fact that the tenant actually paid the rent demanded would be proof sufficient that he ought to pay it; that the land was worth it, and that the landlord showed only a proper sense of his own interest in advancing the price.

Nay, should the tenant refuse to pay the increased rent and give way to another, I know not an American community where odium would attach to the landlord. It would be felt, it would be freely said: If the tenant is not willing to pay the price of the land, let some one take it who is. And what is true of the United States in this particular, is true probably in nearly equal degree of Canada and Australia, new countries exhibiting the same general conditions of social life.

Here we see the unrestrained operation of the principle of