

What does the increase of land values indicate except that land owners are able to make a larger and larger levy upon the total produce? Since they contribute nothing whatever to production, where can the increase come from unless from one or both the other shares?

All this is deductive reasoning and is merely a repetition of what is laid down in "Progress and Poverty." I tried to show that the definitely recorded decrease of the capitalist's share is too small to account for the more or less definitely recorded increase of the land owner's share, and I believe that I succeeded. That was inductive reasoning. I have no controversy with those who assert that "quantitative" (by which I suppose Mr. Filmer means "nominal") wages are higher now than formerly. It does not concern me whether they are or are not justified in their contention. I believe that under conditions of material progress the rise of rent and the fall of interest and wages can no more be prevented than the rise and fall of the tides; that the only practicable method of correcting the consequent inequality of distribution is the appropriation of rent for public purposes. In other words, I am a Single Taxer, and I was under the impression that Mr. Filmer was also. Therefore I am all the more surprised at the nature of his criticisms.

COMPETITION, AND THE LAW OF SUPPLY AND DEMAND,*

(*For the Review.*)

By JAMES S. PATON.

I have chosen this subject because it is one on which there is a great difference of opinion, and one on which there is a good deal to be said both for and against. I do not think I ever heard a Single Taxer condemn competition, or a socialist commend it, yet I cannot find a full discussion of the question by either. Competition is a struggle between two or more parties to obtain the same thing; or as much of it as possible, and different methods may be employed; we may condemn some of the methods without condemning the thing itself. Competition is the "higgling of the market," the working of what is called in political economy the law of supply and demand, supply meaning the amount of the commodity offered for sale, not the amount in existence; and demand the amount of the commodity that can be sold at some price, not all that people want, for some may want an article who cannot pay for it. Perhaps it would be better to say that there is no demand for an article that will not sell for the cost of production. People generally having wealth of any kind to dispose of, try to get as

*Not all Single Taxers will agree with Mr. Paton. We leave our readers to make their own comments, and shall be pleased to hear from any one who may desire to point out what he considers flaws in the reasoning of our contributor.

much as possible for it; and people wishing to buy generally try to get what they want as cheap as possible. The consequence is that when there is a quantity of goods offered for sale the prices they will bring does not depend upon what it will cost to produce the goods, but upon the ratio between the amount of goods offered for sale and the amount required by those having wealth or money to exchange for them. Among those offering goods for sale, some either from necessity or from having a surplus of the article, will accept a very small price rather than keep them; while others will not part with theirs unless they get a high price. On the other hand, we have some buyers able and willing to pay almost any price rather than do without, yet not wanting to pay any more than others for like articles. We have others who are unable to pay quite so much, and still others who can afford to pay very little. Now if there is only enough goods offered to supply the first class of buyers, prices will be very high and only the first class will be supplied. Let me illustrate: Suppose that oranges are for sale, and that ten persons are willing to pay ten cents for an orange. If ten oranges are offered for sale, ten cents each will be the price; for the vendors will not accept nine, if they can get ten; neither will the ten men be allowed to get them for less. If they only offered nine, probably ten other men would be ready to take them, and some who are willing to pay ten would have to go without. If more than ten are offered the price will be lower; and if one hundred can only be sold by selling some at five cents, that will be the price for all.

Competition is always one sided. If there is a scarcity of any commodity the sellers try to hold for still higher prices, and competition is among the buyers while if there is a great supply, competition is between the sellers, and extra inducements are offered to the buyers. Most persons can produce more than one kind of commodity, or perform more than one kind of service; and whenever there is a scarcity of some kinds of goods and a surplus of others, some will find it more profitable to stop making the plentiful articles and turn their attention to the scarce. In this way the market is constantly supplied with everything we need. Under our competitive system of production we are not only compelled by prices to produce only such articles as are in demand, but we are forced to produce as good articles of the kind as possible, and to try to improve the methods of production, both as to quantity and quality.

Political economists have attempted to discover the law or laws, that govern the distribution of wealth between landlords, laborers and capitalists; but they have only been partially successful, for although Henry George showed that the laws of distribution as stated by earlier writers did not correlate and harmonize, I think he failed to state them scientifically himself. He agreed with earlier writers on the law of rent, that "rent depends on the margin of cultivation, rising as it falls and falling as it rises". If they had said that rent depended on competition for the most desirable land, it would have meant exactly the same thing; and Henry George says, on page 167, *Progress and Poverty*: "The law or relation, which, under these circumstances of free competition among all the parties, the condition which in tracing out the principle of politi-

cal economy is always to be assumed, determines what rent or prices can be got by the owner, is styled the law of rent."

George differs from the older writers on political economy in regard to the law of wages. They say that: "Wages depend upon the ratio between the number of laborers and the amount of capital devoted to their employment."

Here again we have it stated in another way, that wages depend upon competition, and that it is the relative supply and demand of capital and labor that determines what each receives. George claims that: "Wages depend on the margin of cultivation, falling as it falls, and rising as it rises." That is wages depend upon competition for land, and the supply of, and demand for, land, rising when land is good and plentiful and falling as the increase of population forces poorer land into use. Now if the laborer got all that the landlord left, Mr. George would be correct; but as the laborer only gets a portion of what the landlord leaves, he is only right to the extent that what the laborers and capitalists have to divide is what the landlord leaves. The writers who claim that wages depend upon the relative supply and demand of capital and labor are right as to the division of what the landlord leaves.

We find that wages depend upon a three sided competition; that when land is so plentiful that labor and capital only require the best for use, they not only produce a great deal of wealth, but divide most of it between themselves; that when land is scarce, and they have to resort to poor land, they only get to divide between them what they could produce if the land was all of the poorest quality in use, for the landlord gets all above that. We also find that when the laborer and capitalist come to divide what the landlord leaves, the share of each depends upon the relative supply of, and demand for, capital and labor. When there are more laborers than capitalists can supply with capital, the capitalists get the larger share, and when capital is plentiful a larger share goes to the laborer.

With regard to interest, the share of the capitalist, George holds that it depends upon the margin of cultivation, the same as wages; and other writers claim that it depends upon the equation between the supply of and demand for capital.

In fact, they are both partly right, the same as they are with regard to wages. The distribution of wealth, as I understand it, is a three cornered competition between landlord, laborer and capitalist. The law of supply and demand determines the shares of each just as in all other commercial transactions.

Under our present industrial system a large portion of the laborers have neither capital nor land; consequently they are compelled to find someone with a surplus of both who is willing to employ them for wages. When landlords and capitalists are looking for laborers wages are high, for as there are not enough laborers to supply them all, those who have the most profitable work to do can afford to pay the highest wages, and laborers naturally choose the best jobs to be had. If unemployed men now arrive on the scene they either have to accept the job that the first men refused, or replace the other

men at reduced wages. In either case, wages fall, for even the men who control the most profitable work will not pay high wages when they find others can secure similar workmen for less than they are paying. Many people who see the result of competition in a case like this, say that competition should be abolished; but competition was not the cause of the low wages, any more than it was the cause of high wages. Wages fell because there were not enough jobs to go around. Competition equalizes wages. It is a good thing for employers when there are surplus laborers. It is a good thing for laborers when there is idle land and capital seeking them. With our present system of production and distribution competition generally favors the employer, and we want reforms that will change conditions so that employers will constantly be looking for men instead of men constantly looking for work. The main thing to abolish is not competition, but monopoly; not the monopoly of land alone, or the monopoly of capital alone, but the monopoly of both. The increase of population and the progress of civilization make it constantly easier to monopolize the land, and harder to monopolize capital; for land being a fixed quantity, naturally becomes scarce with the increase of population, and also with improved methods of production, especially in agriculture, where one man can use much more land than formerly. On the other hand, in a progressive country capital increases faster than population; and as interest depends upon the relative scarcity of capital, land and labor, it is bound to fall, and has fallen in spite of combinations to keep it high.

Capitalists combine to limit production, and abolish competition as much as possible among themselves, for what they have to sell, and they object to similar combinations among workmen to keep wages high. A great many of these combinations resort to immoral methods. They strive to destroy competition, by deliberate attempts to ruin their competitors. If two men engage in the same business, and one is very much richer than the other, he can, by selling goods at a loss, destroy the other's trade or force him to sell at a loss also. He is soon ruined, and the rich man gets the monopoly of the trade, and can then charge more for his goods than he could while he had a competitor.

I think that the great wrongs in our industrial system are due to monopoly built on special legal privileges, such as franchises, or the tariff, or combinations that interfere with the law of supply and demand. When prices fall, owing to increased production, or rise with the scarcity of goods, I think it is all right. I look on competition as a natural law adapted to the present state of society. It runs through our whole industrial system. It cannot be abolished in the near future; but as men become more brotherly with the advance of civilization, competition will gradually become less keen, until men become so unselfish that they will cease to compete. Even now, many of us do not take full advantage of the law of competition. We do not drive as hard bargains as we might. We do not always hire laborers at the lowest possible wage. We accept low wages in preference to underbidding a man with a better job, and we do not try to get goods at less, or sell for more, than we

consider a fair price. We may not all believe that mankind evolved from the lower animals, but we certainly all know that the human race has made, and is making, progress; and none of us know what heights humanity may reach. The lowest types of humanity are communists, and as extremes often meet, the highest may also be communists. Among barbarians the amount of wealth used for the common good is very small, and it increases as civilization advances. Is it not possible that the time may come when each will add to the common fund according to his ability and draw from it according to his needs? Then there will be no competition.

TOLSTOY ON HENRY GEORGE. *

“One of the most horrible superstitions, more harmful than all religious superstitions—one which has caused rivers of blood—is that very strange superstition which sprang from the use of violence, and which makes people believe that a small number of people can now establish the social life of the whole community. This activity to transform the present order of things not only fails to help, but actually hinders the course of events. The activity of the revolutionists, like the deeds of violence committed by the Government, will not lead to any improvement in the life of our people. On the contrary. Stolypin, who hangs hundreds of people, or the revolutionists, who are trying to kill Nicholas II., are only interfering with the natural development of events. History is full of examples to prove this. The French Revolution produced Napoleon. The civil war produced the terrible negro problem in America.”

Count Tolstoy shook his head, brushed back a tuft of white hair from under his turban, and added, as though to himself:

“Strange—very strange.”

“Nearly fifty years ago,” he went on slowly, “the great question that occupied all minds in Russia was the emancipation of the serfs. The burning question now is the ownership of land. The peasants never recognized the private ownership of land. They say that land belongs to God. I am afraid that people will regard what I say as stupid, but I must say it: The leaders

*In the *New York Times* of Sunday, August 9, is this admirably written account of an interview with Count Tolstoy. It gives a picture of the “Grand Old Man” of Russia which lingers in the memory. In spite of the Count’s eighty years there is no decline of that mental vigor and spiritual aspiration which have made him perhaps the chief prophet of our times. But what will interest our readers most is the opinion, now again repeated, of the work of Henry George and the truths of Progress and Poverty. It will be noted too, that he speaks of Single Tax journals in England and America, as having but an insignificant number of subscribers. Count Tolstoy has been a reader of the *REVIEW*, and no doubt of *Land Values*, of Glasgow, and the publication conducted by Adolph Damaschke of Berlin. It is true that none of these have a wide circulation, but the growth of the movement cannot be measured by the circulation of these organs any more than by the numbers of actually organized Single Taxers. It is nevertheless a matter of serious concern that our journals should be so circumscribed in their influence, and that this important phase of our propaganda should be so neglected.—Editor Single Tax Review.