

# Landed Property as an Economic Concept and as a Field for Research— Discussion

With the larger purpose of Professor Ely's valuable paper, I am in entire agreement. I would reserve judgment on a few of the minor statements, and I would express dissent on only one perhaps not very important point. The title appears to be somewhat of a misnomer. Landed property is not an economic concept, but a juristic one. The various classes of land mentioned in the paper are partly physical, partly technological, partly juristic, and only in small part economic. Of course the geological, topographical, and chemical qualities of soil, all have economic bearings, but primarily such classifications are not economic. It would, of course, be possible to correct or adjust this terminology without affecting the main purposes of the leading paper.

The two main aspects of the paper are the theoretical concept of land and the social policy of land tenure. The latter is perhaps more interesting but I will leave that to be discussed by the agricultural economists who are to follow me, and shall limit my discussion to the theoretical aspect of the question.

The largest theoretical proposition presented, the great truth, is that land as an economic category is not simple or unified. It

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Reprinted from *American Economic Review*, Supp. 7 (March 1917). The paper to which Fetter refers is by Richard T. Ely and is entitled "Landed Property as an Economic Concept and as a Field of Research" (*ibid.*, pp. 18-33). Other discussants included E. Dana Durand, B. H. Hibbard, Roy G. Blakey, R. R. Bowker, and John A. Ryan (*ibid.*, 36-47).

never has been, is not now, and cannot be, a truly scientific concept. Science only in its cruder stages has to do with the classification of concrete objects. As the truly scientific stage is reached, the concern of the thinker is with the qualities and aspects of things, rather than with the concrete objects themselves.

Consider the different things that are called land. The concept land includes nearly all of our material environment. What common character have a tract of desert sand, an Iowa farm, a forest, an iron mine, a coal mine, a mountain side, attractive for residence because of the beautiful scenery, a waterfall, or a shore line suitable for docks and terminal facilities for railways? For what possible purpose could these different kinds of material things be grouped together into one logical economic category and contrasted with the economic agents? Ricardo from the first failed in his attempt to do so; his doctrine was limited to the use of soil for agriculture. He did not know what to do with the other kinds of land under his rent law. He took Adam Smith to task for using the expression "the rent of mines"; then he used that phrase as the heading of his own next chapter. He said never a word about urban sites. We must recall that at that time the reason for the rent of land was assured to be the peculiar chemical qualities of the soil used for the production of food. The modern conception of a general principle of proportionality in the use of economic agents seems not to have been glimpsed. Professor Ely's discussion ably shows that there is no final resting point in the analysis of the land concept until we come to the concept of the separable uses of material things.

But it may be said that the distinction between land and capital by the older economists was not made with respect to the *purposes* for which agents of production were used, but with respect to their *origin*, their naturalness, or artificiality. Observe that the older grouping of concrete goods into land and capital was not a continuity classification of goods which have more or less of artificiality. Land and capital were sharply defined and contrasted. Those goods which were called natural were treated (or

were supposed to be treated) under the land and rent concept, and those that were artificial were treated under the capital concept. The material of everything in the world was once "natural." When did it become "artificial?" At what moment did the bit of iron ore, the piece of coal, the piece of wood, the piece of "land," miraculously become capital? Was it at the first touch of man's hand? Then is every cultivated bit of land artificial, and by that token is capital? This difficulty was recognized by J. S. Mill and troubled him greatly. But at this point the answer is given that the iron ore becomes capital when it is removed from the land while the land surface remains. Here the reason assigned for distinguishing capital from land is changed from artificiality to transportability. We have not time to discuss this further as a theoretical question. It has been already sufficiently threshed out,<sup>1</sup> and there can be no doubt as to the verdict to be rendered.

No wonder then, that many economists have lost their faith in the old Ricardian theory of rent and the land concept. This accounts in large measure for the great dissatisfaction among many teachers with the status of economic theory. The Ricardian theory of distribution having broken down, the economists of the older school are left without any unifying philosophy of economics such as is given by a general theory of distribution.

The theoretical aspect and the social-policy aspect of the land question are closely connected in thought. At whichever end we begin to study land we find ourselves necessarily approaching, after a time, the other aspect. Professor Ely was primarily interested in the social reform aspects of the land question. He has done a service in pointing out that the crudity and lack of logic of the old land concept is one of the great obstacles in the way of a better understanding of the practical problems involved in legislation in respect to the subject of property in land.

#### NOTE

1. See the discussion on "The Relations between Rent and Interest," still significant, though now appearing in some respects undeveloped, at the New Orleans meeting, 1903, *Publications*, Third Series, Vol. V.