

though colloquially called rent, is really a payment for the use and wear and tear of capital, *i.e.* interest and cost of replacement.

**§ 38. THE STATICS OF RENT.**—We have seen that the value of commodities is determined by their marginal cost of production (see § 11), *i.e.* by the cost of that portion of the total quantity required which is produced under the greatest disadvantage.

The relative advantage or disadvantage of producing any commodity or portion of a commodity depends largely upon the productiveness of the land on which it is or must be produced, *i.e.* its fertility and accessibility. The cost of production varies accordingly, being highest for that portion of the commodity which is produced on the least productive land, and lowest for that portion which is produced on the most productive land. The profit from production, by labour of the same efficiency, therefore, varies in the same measure and determines the competition for permission to produce.

At the margin, where the value of the produce may only just exceed the cost of producing it, there may be no competition, and, consequently, no rent; the intensity of competition for the use of other land increases with the profit which can be made from its use, and is most intense for the most productive land.

The rent of any land, therefore, is equal to the excess of profit which labour of average efficiency can derive from its use, over that which it can derive from the use of the most productive land which can be had free of rent.

We may approach the subject from another side. Land differs in productiveness. When all the most productive land is appropriated, those who come thereafter must use less productive land, or obtain permission from the owners of the more productive land to use some of it. This permission has a

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value, which is equal to the excess of productiveness of the more productive land over that which is open to use free of charge.

The rent of any land, therefore, is equal to the excess of its productiveness (the same labour and capital being applied) over that of the most productive land which can be used free of rent.

**§ 39. THE DYNAMICS OF RENT.**—Rent is the outcome of the growth of Society.

It arises as the increasing wants of a growing population compel labour to produce successively from less and less productive land. It increases for all the more productive land in the measure in which less productive land must be resorted to, and the excess of productiveness of the most productive over the least productive land in use is increased. It increases for particular land, as such

land is made more productive than other land—through the aggregation of the population—through discoveries which reveal unexpected opportunities to which such land gives access, *i.e.* mines, etc.—through inventions and discoveries which are applicable to some land only, or which are more productive on some land than on other land—through improvements in the arts of transportation.

Social progress, therefore, enables landowners to claim as rent an everincreasing share of the wealth which the community produces.

This tendency, however, can be strengthened by the action of the landowners themselves. If any portion of the more productive land is withheld from use or full use, more labour and capital must be applied to other land than before, or land of less productive capacity than otherwise would be used must be resorted to, to satisfy the wants of the population. The margin is artificially lowered, competition arises for land which otherwise would form the margin, is increased for all the more productive land, and rent rises for all the land above the new margin. The landowners are, therefore,

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more than compensated for loss of rent for land withheld from use, by the increase in the rent paid for all the land which they permit to be used, while at the same time the labour of the community is made less productive.

If the total quantity of land is insufficient to provide for the wants of the population when all the land which the owners permit to be used is cultivated, to the point of diminishing return, the value of some commodities must rise in order to give a profit from their production on inferior land. There will then arise competition for the use of the least productive land, and a more intense competition for the use of all the more productive land. It follows that the land at the margin of cultivation, the least productive land, will acquire a rental value, and that the rent of all other land can be proportionately increased.

The conditions which counteract this tendency, of natural and artificial causes, to give a rental value to the marginal land of any country, are the emigration of a portion of its people to countries in which more or equally productive land can be obtained free of rent or for less rent, and the free and unchecked importation of commodities from such countries. The first cause reduces the demand for, the second increases the supply of, commodities which otherwise would have to be produced on marginal land. Both of them, therefore, reduce the competition for such land and the power of the landowners in the exaction of rent for such and all the more productive land.

Any legislative measure which reduces the benefit which landowners derive from the artificial enhancement of rent, or which prevents any benefit accruing to them from such a course, would tend still more powerfully to prevent the rise of rent which results from the withdrawal of land from use or full use, and the consequent necessity to use less productive land.