

CHAPTER XVI

THE DISTRIBUTION OF WEALTH

THE production of wealth enlists the co-operation of all learning. It engages the best thought of science. It is promoted by every agency of government. We know to a fraction the cost of every commodity and the annual value of our output. The increase in the production of wealth is heralded to the world, as is every invention which stimulates the efficiency of labor. Yet we know practically nothing of the laws which govern the distribution of wealth. The university is silent on the subject. It remains almost unexplored by the political economist. The splendid foundations for the promotion of scientific research neglect this, the most important concern of man, for the study of the earthworm and the oyster.

We have sadly inverted the importance of things. It is of comparatively little advantage to society that one man can produce a hundred pairs of shoes where but a single pair was produced a generation ago, if his labor still gives him but a single pair of shoes. It is of small profit to humanity that the annual production of wealth now amounts to \$1,170.20 per family, if an increasing percentage

of the population still receive but the barest necessities of life. The many aids of the government are an empty service to the farmer, no less than to the consumer, if the improvements in agriculture are all absorbed by the railways, the warehouses, and packing establishments, just as it is an empty service to the wage-earner to be trained to perfection in technical schools, if the result of his training is all appropriated by another.

There must be an answer to the question of why the few receive more than they can possibly earn, while the millions receive less than they absolutely need; why it is possible for an Astor, a Rockefeller, a Carnegie, or a Morgan to pile up wealth which runs into the hundreds of millions, while other men of equal talent and industry produce no more than a living, while millions never rise above the fear of sickness, a period of industrial depression, or some calamity which temporarily disables the producing member of the family.

The explanation of this mystery has been suggested in the preceding pages. Those who have followed the tendencies there described have seen emerging an explanation so obvious and so simple that it should have become the commonplace of political economy. We have seen how the American continent has been peopled by successive generations of pioneers spreading out from the Atlantic seaboard in concentric circles to the West;

how decade by decade the outer line of population has moved steadily toward the Pacific Ocean, leaving farms, towns, and industry in its rear. We have seen how the free land has been all enclosed, how tenancy has appeared along with land monopoly, how all of the resources of the nation have been appropriated, and the highways have been massed under the control of a constantly narrowing syndicate able at will to fix the terms on which the industrial life of the nation will circulate.

We have seen, too, how land began to have an increasing value due to the pressure of population. It was higher at the seaboard than it was in the interior. It was more valuable in the towns than it was in the country. Some of it is more precious than the silver dollars which will cover its surface. Some of it may still be had for a song. It ranges in value from the million-dollar lot in the centre of a great city to the semi-arid wastes which scarcely support life. *Everywhere, however, the value of the land reflects the density of population, the improvements in the means of production, and the necessities of the people. Everywhere the value is social. It is not due to any service rendered by the owner.*

Some land still has no value. It will produce no more than a living for him who works upon it. This land is the "no rent" land, the land of "marginal fertility." It produces no surplus, it

yields no rent. But while this land of "marginal fertility" has no market value and yields no rent itself, it fixes the value and rent of all other land. *For everything that other land, whether it be a city site, a bonanza mine, a market garden, or a country farm, produces in excess of the return from the land of "marginal fertility," the land which will just support the worker at the prevailing standard of living, is rent; it is the annual value of the unearned increment which society has produced.*

We have seen how the land of America is now appropriated. It is constantly increasing in value. And this value never recedes. The present population, the number of children that are born, the number of immigrants admitted to our shores, this it is that determines the price which shall be paid for the privilege of being upon the earth. This measures the demand. It is daily and hourly, by night as well as by day, increasing in intensity. The supply of land, however, is constant. It is fixed irrevocably. No effort of man can enlarge it. The only element that is variable is the demand. And the demand is indicated by the census returns.

Rent is the resultant of the struggle. It may be paid in personal services, in the shares of the farm tenant, or in cash. It may be paid in mining royalties or dividends, in the charges of the railways or franchise corporations. In a thousand

unseen forms rent is collected. It is a toll upon every act of our lives. And rent, like land value, is a social product. It is a common treasure. Political economists have obscured the nature of rent by phraseology. Ricardo defines rent as "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."¹ John Stuart Mill says: "The rent, therefore, which any land will yield, is the excess of its produce, beyond what would be returned to the same capital if employed on the worst land in cultivation."²

All of the economists agree in this: rent has nothing to do with the character, thrift, or intelligence of the owner of the land. There is no service rendered by him in return. The owner may live in some distant corner of the earth, as do some members of the Astor family. Rent is paid for the mere privilege of living upon the earth, for the right of using one's labor upon God's common heritage.

Some economists have seen further than this. They have seen that rent is not a constant charge. In all progressive communities it continually rises in amount. In time men offer all that the land will yield in excess of a mere living for the privilege of its use. Necessity then fixes the tribute. The love of life holds the scales in determining its

¹ *Principles of Political Economy and Taxation*, chap. 2, p. 34.

² *Principles of Political Economy*, book II, chap. 3.

amount. This is what happened in Ireland. This is what is taking place in Great Britain to-day. This is the ultimate and the inevitable result of the private ownership of the land.

This tendency was recognized by Ricardo, who said: "The whole surplus product of the soil, after deducting from it only such moderate profits as are sufficient to encourage accumulation, must finally rest with the landlord."¹

This fact was later emphasized by Professor Cairnes, who wrote: "A given exertion of capital and labor will now produce in a great many directions five, ten, or twenty times—in some instances, perhaps, a hundred times—the result which an equal exertion would have produced an hundred years ago; yet the rate of wages has certainly not advanced in anything like a corresponding degree, whilst it may be doubted if the rate of profit has advanced at all. Some one, no doubt, has benefited by the enlarged power of man over material nature; the world is, without question, the richer for it. *The large addition to the wealth of the country has gone neither to profit nor to wages nor yet to the public at large, but to swell a fund ever growing, even while its proprietors sleep—the rent-rolls of the owners of the soil.*"² John Stuart Mill expressed the

¹ *Principles of Political Economy*, chap. 24, p. 202.

² *Some Leading Questions of Political Economy Newly Expounded*, pp. 275-279.

same thought. "The ordinary progress of a society," he says, "which increases in wealth is, at all times, tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of a community, independently of any trouble or outlay incurred by themselves. They grow richer, as it were, in their sleep, without working, risking, or economizing. What claim have they on the general principle of social justice to this accession of riches?"¹

I admit that it is impossible to demonstrate that the wealth of the world is being appropriated by those who own the land. Neither can the land question be visualized as can the capitalistic system. But a common knowledge is conclusive that only the landed classes are conspicuously rich. This is true in every country. An enumeration of the millionaires in any city finds no retail and only rarely a wholesale dealer among them. There are comparatively few merchant princes. Here and there a wealthy manufacturer may be found, but his fortune is usually traceable to some patent right, or the identity of his business with some landed interest, tariff privilege, or railway rebate. Competitive business produces few millionaires in this or any other country. And they suffer constant reverses. Their fortunes rarely outlive the generation which inherits them. The conspicuous

¹ *Principles of Political Economy*, book V, chap. 1.

wealth of America is landed. It springs from city sites, from mines, railways, transportation, and franchise holdings. It is social in its origin, not competitive. It is permanent and increases more rapidly than the powers of spendthrift children to dissipate it. Take the long list of millionaires of the blue-book of Wall Street or of any great city; almost without exception their fortunes are the creation of society. They are identified with some landed privilege. They represent no labor of their owners. And they are all identified with the land. From out the coal and the oil, the natural-gas and the copper, the gold and the silver mines scores of other fortunes have been created, fortunes which are increasing in value with each passing year through the necessities of humanity.

Great Britain is a conspicuous example of the same fact. Her aristocracy is a landed one. Trade and commerce have enriched the country, but there, as here, the increase in wealth has largely passed to those who own the land.

And in that country the process of social production and private appropriation has reached its logical conclusion. The peasant and the artisan are miserably poor, while industry itself is being gradually impoverished by the very poverty of the producing classes. They cannot buy what capital produces. They are so poor that they cannot consume. Everything above the minimum of exist-

ence is taken in rent. This is what is the matter with Great Britain. The land is held in vast manorial estates. Millions of acres are kept out of use for hunting preserves and parks. Even greater areas are used for grazing and careless agriculture. And that which is open to occupancy is subjected to the competition of forty millions of workers, who produce scarcely enough to ward off eviction. After the rent is paid there is little left with which to buy other things. Thus rent starves not only the workers, it starves capital as well. For industry must have a market. It can only flourish where the mass of the people are able to consume. And in Great Britain the mass of the people are continually at the starvation point.

The real struggle over the distribution of wealth is between the landlord on the one hand, and capital and labor on the other. Rent fixes interest and profits just as it fixes wages. All of the wealth that is produced is divided between the landlord, the capitalist, and the wage-earner. These are the only possible claimants among whom it can be distributed. Disagreement arises as to who receives the lion's share. We have seen that the share of the land-owner is constantly increasing by the growth in the value of the land. We have further seen that the great fortunes of America, as well as of England, are landed fortunes. It is not the capitalist who is the offender. The returns of

capital in the form of profits and interest tend always to an equality. They are automatically governed by the average returns in the community, and that return is somewhere in the neighborhood of six per cent. If the profits of a given industry rise above the average, new capital flows into the industry until competition reduces returns to that level. A conspicuous example of that fact is afforded by the manufacture of automobiles. The industry is scarcely ten years old. There are few privileges connected with the business. It requires an immense outlay of capital. Yet it is doubtful if the returns on the industry taken as a whole have equalled the current return on mortgages. In the long-run profits and interest are fixed by this process. The returns of capital are kept at a competitive minimum by the operation of the law of supply and demand.

There would be no dispute about this tendency were it not for the fact that capital is so often confused with some form of land monopoly. This is true of mining, it is true of the railways and transportation business, it is true of the franchise corporations which occupy our streets. It is also true of many other industries which are so identified with the land, with railway rebates, with the tariff, with patent rights, as to be free from the competition of capital with capital. But if we exclude such industries we shall see that the capitalist is not

the offending party in the distribution of wealth. He suffers along with the worker.

We see conclusive evidence of this fact in new countries where land values have not begun to appear. Here wages and interest are high, while rent is low. So long as the wage-earner can turn his hand to fertile fields of his own, the wages of all industry will respond to this alternative. The worker will not labor for another for less than he can produce himself. It is this and not the tariff that has determined the rate of wages in America. Adam Smith recognized the effect of cheap land on wages. In discussing the "Causes of the Prosperity of New Colonies," he says: "Every colonist gets more land than he can possibly cultivate. He has no rent and scarce any taxes to pay. He is eager, therefore, to collect laborers from all quarters and to reward them with the most liberal wages. But those liberal wages, joined to the plenty and cheapness of land, soon make those laborers leave him in order to become landlords themselves, and to reward with equal liberality other laborers who soon leave them for the same reason that they left their first master."¹

The American West has demonstrated this theory. Up to but yesterday in Oklahoma, in Dakota, in the mining regions of Nevada, Colorado, and Alaska, wages were high, and still the labor market was un-

¹ *Wealth of Nations*, book 4, chap. 7.

satisfied. Interest, too, ranged from eight to twelve per cent. Workmen could only be had on their own terms. They could scarcely be obtained at all. For there were homesteads or mining claims to be staked out at an insignificant cost. Land was cheap. It was accessible to all. Everything that it produced went back to the worker. Here we find men owning their own homes. They enjoy a freedom that is not to be found in the East. But what will be the condition a generation hence? By that time Eastern conditions will have appeared in the West. Machines will do the work formerly done by hand. There will be rapid transportation and communication. There will be a far greater production of wealth, it is true. The per capita wealth will be doubled, possibly quadrupled. There will be schools and universities, churches and libraries. All of the evidences of culture and refinement will have appeared. But who will have benefited by the change? Will wages have advanced? Will interest rates be higher? Not if the experience of older communities offers any proof. Instead of every man being a home-owner, a tenant class will have appeared. In the centre of every county there will be a jail. There will be almshouses and asylums. In the cities there will be a residuum of wreckage, of vagabonds, and the semi-criminal class, which, by some mysterious process, has been cast upon the shores of society

by the very advance in civilization which should have rendered involuntary poverty out of the question. The slum will come in with the mansion; the prison with the priest. Where once there was equality, now there is inequality; where once there was freedom, now there is servitude. The production of wealth will have increased even more rapidly than the production of men. In spite of this, where once there was more than enough for all, now there is only enough for a few, and hunger and want and privation for the destitute many. While the returns on capital have fallen, while wages have been reduced or at most remained stationary, one class, and one alone, will have been benefited by the change. The value of land will have increased with each passing day. Those who own the land are better for the change. Their incomes will have increased possibly a hundred-fold. On the other hand all other classes will be the poorer because of the wealth which they have created.

That rent is constantly rising, that it is higher to-day than it was yesterday, that it will be higher to-morrow than it is to-day, all will agree. But why, it may be asked, is this inconsistent with an equally rapid increase in wages? Why may not the returns of labor increase even more rapidly than the returns of the landlord, and the condition of the wage-earner in reality grow better? Why, in fine, does increasing rent preclude increasing well-being?

The growth of population and the speculative ownership of the land make this impossible. A glance into the future proves it to be true. Fifty years hence there will be two hundred millions of people in America. They will increase the value of the land, just as they have increased the value of the land underlying New York, which now exceeds three and one-half billion dollars. The value of the land will be more than doubled, it will probably be quadrupled. It is even now increasing in value at the rate of from one to two billion dollars a year. Land will have acquired a famine price long before another generation has elapsed. And rent will increase far more rapidly than population. For land speculation is intensified by scarcity. Increased exertion, improved machinery, every contribution of the arts and sciences, will but increase the value of the land and the tribute which the owner will demand for its use.

And while rent will increase, the incomes of all other classes must fall. More rent will be demanded from the tenant farmer and the city dweller. At the same time the relative amount of land in use will be diminished. Per capita production will, in many lines, fall. Opportunities will be lessened, while the cost of all commodities will be increased. There will be fewer jobs to go around, and an increased cost of living to all classes. From this condition there is no escape. To this indictment

there is no confession and avoidance. We cannot limit the supply or increase the demand for any commodity without increasing its price, and we are both limiting the supply and increasing the demand for land.

Herein is the real iron law of wages. It applies to capital no less than to labor. It is the tendency of all wages to fall to the amount which will just support the worker and enable him to reproduce his kind. This is not a very generous law, but neither is the law of the survival of the fittest. But so long as land is an object of private property it is a law, nevertheless. And from now on the tendencies at work will lead to a constant and rapid lowering of the standard of living in America. There will be a gradual reduction in the scale of expenditure of all classes; a limitation in the outgo for education, for pleasure, for the comforts of life. The effect of this change will not be confined to the wage-earning or professional classes. It will affect industry as well. For the manufacturer is dependent upon the prosperity of the wage-earner. Industry cannot flourish where wages are low. Were the wages of America doubled, the country would enjoy a period of prosperity such as we have never experienced. Then men would be able to purchase twice as much as they do to-day. And just as an increase in wages brings prosperity, so a general reduction of wages by consumption taxes

and rent checks prosperity. And in time rent will increase to such a point as to bring about permanent industrial depression. In time it will produce national decay.

This is a question upon which the industrial life of the nation depends. It is idle to look for any improvement in the well-being of humanity so long as the private ownership of the land prevails. The adoption of sumptuary legislation, the erection of model tenements or garden cities, the municipalization of franchise corporations, even the organization of labor unions and the abolition of unjust taxes, these reforms may bring temporary or local relief. But so long as the private ownership of the land remains, wages and interest must tend to fall to the subsistence level, to the point where the wage-earner can only sustain life.

Unfortunately even this cheerless comfort is not left to those who look upon this as the best of all possible worlds. For population pays no attention to the laws of political economy. The birth rate increases without thought of the checks and restraints which the economists of the early half of the last century sought to have the laboring class impose upon themselves. And when the land is all taken up, when even the marginal land is under cultivation, humanity will still continue to crowd in upon the earth and clamor for its chance to live. Then the value of labor, like the value of any other com-

modity produced in excess of the current demand, will fall to zero. Then an increasing residuum will not even receive a subsistence wage. Then the monopoly of the land will bring famine. For famine can exist in the midst of plenty; it can exist where civilization has flowered to its highest.