workable (known here as Part XIX), was introduced by the late Mr. Hourigan session after session, and since by Mr. Crawford Vaughan, which succeeded in passing the Lower Chamber eight (8) times, only to be rejected in the Legislative Council. It is owing to the fact that until the franchise for the latter House is widened, this reform measure will not have the slightest chance of becoming law, that makes the reduction of the franchise a matter of such urgency and vital concern to reformers generally.

With our successful and popular social gatherings, our increasing membership, as well as the sustained interest in the work generally, and with the above record to look back upon, we with Mayor Tom L. Johnson of Cleveland, and ex-Mayor Dunne of Chicago, are justified, we think, in claiming that through our work in educating and influencing public opinion for public ownership of tramways and a juster system of municipal assessment, we have at least attempted to give practical application to those principles with which the name of our founder, Henry George, will be forever associated.

On behalf of the Single Tax Council of S. A.

W. H. POPE, President.
EMILY WILLIAMS, Secretary.
Adelaide, July 22nd, 1907.

THE CAUSE OF POVERTY IS POVERTY!

Illness causes most of the poverty in New York. For every family brought to actual want by drunkenness, there are nine households in need because their wage earners have not the bodily strength to keep up the fight for life. Next to ill health the lack of work is blamed for most of the pressing need. In forty-six families the proportion is eighteen cases of need caused by illness, sixteen by failure to find work, four by wages so small that they will not support the household, and only two caused by intemperance.—N. Y. Sunday *Times*, June 9.

TEXAS has repealed the state tax on "useful occupations" that yielded about $250,000 annually.

DOES THE COUNTRY MAN PAY THE CITY MAN'S RENT.

In Mr. Geo. White's letter which appeared in the Spring Number of the REVIEW a question was asked: If it is true, as certain Single Taxers claim, "that farmers really pay the high ground rents obtained by landlords in cities where farm products are often marketed or exchanged. In other words, that the returns to the labor of Manitoba farmers, for instance, are lessened by the demands made in Toronto by the owners of the land where exchanges are made." Mr. A. C. Pleydell, in his answer to that question in part says: "The fallacious claim that farmers pay the high city rents is a variation in more complex terms of the old contention that rent is added to the price. While rent is paid out of product, it does not increase the price of any unit of a particular commodity." I gather from this which I quote, and upon which Mr. Pleydell bases his argument, that it is "fallacious" to claim that the farmers pay the high city rents through the price which they receive for farm products. To me, this answer is unsatisfactory, because I think it misses the question, and I am still inclined to take sides with the Single Taxer whom Mr. White referred to in his letter.

As I understand it, the contention does not claim that the farmers pay the high city rents through the price in terms of money which they receive for farm products; but through the quantity of farm products which they give in exchange for products manufactured on high rent lands in the city. It is quite true, as Mr. Pleydell says, "the price of wheat at the farm in Manitoba is not decreased because of the high rent paid on the land where the grain is marketed," but the high rents when paid to the land owners represent in the ultimate a definite amount in the cost of producing that wheat—that is, the cost as measured in product, and so far as the farmer is concerned it amounts to the same as a decrease in price. The contention does not claim that the high rents are "added to the price" because price primarily determines the rent of land, as well as the profits on capital, and these incomes being the effect of price cannot be "added" to price, its cause. But it does claim that rents indirectly affect price through costs, and costs represent a definite quantity of products that are consumed or expended in producing other products, and that the rent when paid to the land owners in the city is an item in the expense of production, and in the final analysis is paid out of the products of the farm and country. The truth of the contention can be more easily demonstrated if we broaden it so as to include along with the farmers, all the other occupations that pertain to the country, such as mining and lumbering and stock raising, and consider them as a whole, because all are interdependent, and whatever affects the price of one particular commodity, affects also, more or less, the price of all the others, and then we should regard market exchange as an exchange between product and product, and not as an exchange between product and price in terms of money, because by doing so, we go beyond the question of price, and approach the question through costs. The price of commodities rests upon and is conditioned by the cost of producing them, and we shall find that rent is directly an element in the costs of production and is therefore an element that indirectly affects prices. To find what constitutes the "costs" of production, we consult the Professors of Economics, who tell us that exchange value is determined by two factors, namely: "Social cost" and "social utility," and has reference not to a unit of a particular commodity, but to the social supply of that commodity. And the "social costs" of production mean all those items that are expended in producing the social supply of a particular commodity in a given market at a given time. These social expenses include such items as rent and interest and wages, and also the expense of government. To find, for example, what determines the price of wheat in Toronto we must not take a particular bushel of wheat, nor a particular portion of the wheat supply, such as Ontario wheat, or Manitoba wheat, or Saskatchewan wheat, but we must take the whole available supply at a given period of time, and the text-book says that the "market price of a commodity is socially determined at the cost of the most expensive portion of the required supply." The cost of producing that supply of wheat on the Toronto market represents the payments that have been made to the land owners, capitalists, merchants, farmers and workmen, and these expenses are paid in social product as expressed in price. If rent is an element in the social cost of producing and marketing and distributing a given supply of wheat, it is also an element in the costs of producing and distributing all products, manufactured products as well as farm products, and is therefore an element that affects prices in this way: The land owners, who live at their ease by means of their rent income, consume a portion of the social product that is as if wasted, because society receives from the land owners no services in exchange for the outlay, and is, therefore, not only a social cost, but an unproductive one. And any element in the costs of production that is not productive, or that does not produce an equivalent, causes the social product to be scarcer and therefore higher in price than it otherwise would be if that unproductive element had not been there. If the item rent were eliminated from social costs in so far as it is a payment to the land owners and made payable to the government instead, it would be to change the rent bill from a non-productive expense to a productive one, and so be of some service in production, and it would at the same time displace other forms of taxation and the expense of collecting them. This saving in the social outlay as represented by the other forms of taxation and the up-keep of the land owners, would be to that extent a reduction in the social costs of production, and would finally result in lower prices through an increase in the supply. For, as the text-book says: "The supply of a particular commodity is limited at the costs of the marginal producer," that is, those persons who produce at the no-profit margin. To reduce the costs would be to increase the profits of the intra-marginal producers and give a profit to the marginal producer; this would tend to increase the number of producers, or increase the output of those who are now producing; consequently, the social supply would be increased and competition would reduce the price until the new marginal cost point is reached. The difference in the supply of that commodity as reflected in the lower price expresses the relation which the rent when paid to the land owners bears to the costs of production and finally to price. And as the expenses of production are in the last instance paid by the consumer in his own labor product, anything that would lessen his outlay in product means higher net income in social product.

What I have tried to show is this: Rent is an item in the expense of production, and when it is paid to the land owners it represents a definite quantity of social product that is consumed without the payment of a return. To abolish that expense is to leave in the hands of society that extra quantity of the social product to be exchanged for individual labor product—for remember, market exchange is an exchange between the social product and the product of the individual, and anything that will tend to increase the quantity of the social product, tends to make it cheaper; consequently a greater quantity of social product will exchange for a given unit of individual product—that is, a day's labor will receive in exchange a greater quantity of the social product. To cheapen the laborer's necessities is equivalent to a raise in money wages. Now, if this is approximately true, will it answer the question whether the farmers, or, more properly, the country producers really pay the high rents in the city. I think it will. In the first place, we must take the city as a whole, and not a particular part of it; and then place opposite to it the country as a whole. When so regarded we see that the market exchange is an exchange between the products of the city and the products of the country. The city may be regarded as a vast manufacturing and distributing corporation, with its numerous department and their officers, instructors, managers, clerks and workmen, each department working in unison with all the others, and the whole acting as one. But the city is not self sufficient, does not support itself, does not really pay its own expenses, but incorporates their expenses and up-keep within the price which is charged for its output. The value which the city must receive in exchange for its output must cover all its internal expenses, manufacturing expenses, educational, religious, law and order, land and building expenses; and those who consume the city's output pay the bill, and pay it in product, and who else does so but the other party to the exchange—the country? The products of the country consists of nature's raw materials made upon certain farms, at a certain cost in labor. The product of the city consists of the raw materials of the country made up into certain forms, so as to make it fit for final use, at a certain cost in labor, and besides, much other costs that represent no labor at all, and therefore of no real value. These artificial values created by monopoly, watered stocks, land ownership and such like, and the incomes derived from them are a form of social cost that is non-productive. These incomes being paid in product, it decreases the social supply to be exchanged with the people of the country, and therefore increases the price. Anything that causes the products of the city to be higher in price than is absolutely necessary, causes the products of the country to be lower in real price, because less real value is received in exchange. To illustrate, take Mr. Pleydell's example, made over to fit our purpose: "If a thousand bushels of wheat that on the farms of Manitoba are worth in exchange, say, 1,000 hats, become worth in Toronto"—1,150 hats, and suppose the value of 50 hats are demanded by the land owners as payment for the use of the land upon which the hat factory and warehouses are built, and fifty hats go to the hat makers and to those who handle and distribute the wheat, and fifty others go to pay the expense of government, under the name of taxes. These three payments make up the difference between the worth of wheat on the farm and the worth in Toronto, and if the same quantity of wheat were worth 1,500 hats in Toronto and 400 hats were paid to the land owners instead of 50, the price of the wheat on the farm would still be a hat a bushel, so whatever is paid as rent would not make any change in the price on the farm; and so arises the old contention that "Rent does not enter price," and I will just say in passing that that contention applies not only to rent, but it also applies to wages, interest and profits, because market price exists prior to, and conditions any form of income derived from exchange. But, suppose that instead of paying the value of fifty hats to the land owners it were paid to the government, and so displaced the other forms of taxation to the same amount, which the manufacturers and wheat merchants had hitherto paid between them. This saving in the outlay of fifty hats would to that extent lessen the social cost of making hats and handling grain. This would increase their profits by that amount, and again competition and the mobility of capital would in the ultimate increase the supply of hats and lower the price until the new marginal cost point is reached. The reduced cost of handling wheat would not cause an increase in the price of wheat on the farm, any more than a higher cost would decrease the price because the Toronto merchants do not set the price of wheat on the farm; but the reduced cost of handling wheat in Toronto would reduce the price, and in the end reduce the price of bread, and this would increase the demand for wheat and also increase the demand for hats to pay for it. On account of the reduction in the price of hats, the farmer would receive in exchange for his 1,000 bushels of wheat not 1,000 hats, but 1,050 hats. His demand for hats being limited, or in other words, his necessary outlay in producing wheat being limited, a less quantity of wheat would satisfy that demand, thus leaving in his hands a portion of wheat that may be devoted to other wants hitherto unsupplied. For the farmers income from that quantity of wheat can only be increased from either of the two sources—either from an increase in the price of wheat, or by receiving a greater quantity of other products in exchange for his wheat. In this case his income is increased by the amount of fifty hats, or in other words, his expenses in terms of product which is consumed in producing that quantity of wheat is less that amount. This increase in income is the result of decrease in the outlay, or lower cost in producing that quantity of wheat. And that result can be traced to the lower expense in handling wheat and the making of hats in the city, and that again to the saving in the social costs of the up-keep of the land owners. Therefore it is evident, that whereas the high city rents are an element in the social costs of production, that if the high city rents were abolished as private income to the landowners, such a change would ultimately increase the farmers' income. It is conclusively true that "the farmers really pay the high ground rents obtained by landlords in cities where farm products are often marketed or exchanged," and "that the returns to the labor of Manitoba farmers, for instance, are lessened by the demands made in Toronto by the owners of the land where exchanges are made," or in other words, The Country Man Pays the City Man's Rent.

HECTOR N. MCDONALD.

Toronto.

REPLY BY A. C. PLEYDELL.

Although Mr. McDonald quotes freely from my answer in the Spring number of the REVIEW, he does not attack it directly, and I need only point out the weakness of some of the premises on which his conclusion is based.

One of Mr. McDonald's assumptions is, that if that part of social product that now goes to land owners was taken by the government, the amount of social product would be increased thereby. But the total sum of product would remain unchanged; the difference would be solely one of distribution. Land owners, even though as such non-productive, are part of society.

Mr. McDonald is equally unhappy in his illustration of the exchange of wheat for hats, and he falls into the error by first speaking of the exchange of grain for hats, and then supposing "the value of fifty hats to be demanded by the owner," and then continuing his argument on the assumption that the hats themselves go to the land owners. (I understand of course that Mr. McDonald is using hats to typify city products, as I did in my letter.) But whatever tribute is taken by land owners as monoply rent, or whatever is taken out of production as natural rent, comes from both hats and grain. And any saving due to the social appropriation of rent would not affect the price of either hats or grain, since the price is their relative value. The saving would result in the remission of taxes which are now collected from farmers and hat makers in proportions that differ according to location but have no direct relation to rents.

Mr. McDonald claims that rent is an expense to production, which is true only of monopoly rent, and in that case solely because poorer land must be used for pro-