Pharisee. This was the central force arrayed against the Redeemer of Men. This was the type of the "special powerful interest" crouched behind the cries of the mob and the real voice of the inflamed Caiaphas. This was "the lion in the way." Distorted with malignancy was the face of the Pharisee as he glared at the prisoner who was deemed a disturber, a person to be suppressed, aye, one to be crucified. And so was led away that figure of the ages.

How many since the world's tragedy on Calvary have died to make men free? Yet man is still in bondage. How soon dies away the real battle cry of the world's great reformers when life's labors for them have ended. In this brief review of a few of Henry George's declarations there has been no thought of hero worship, for any approach to adulation would be quickly condemned could the dead but speak. There would, however, ring out true and clear that voice we loved so well, in its plain condemnation of private property in land, and of this how fitting are the words of Dryden:

"Through all the compass of the notes it ran,
The diapason closing full in man."

Henry George worked not for a day but for all time. In the valley he toiled to reach the mountain top; the summit gained, unsatisfied, he looked toward the stars; he would have penetrated the heavenly arcana and lifted his fellow man to all the glory of the vision. There is inspiration in his life for all who would become true servants of the Most High, and in the work we have to do let our watchword be:

"In the beauty of the lilies Christ was born across the sea,
With a glory in His bosom that transfigures you and me;
As He died to make men holy, let us die to make men free,
While God is marching on."

ECHOES OF THE INTEREST "SYMPOSIUM" IN SPRING NUMBER.

THE LAWS OF DISTRIBUTION.

BY JAMES S. PATON.

The symposium on Henry George's theory of interest in the Spring number of the SINGLE TAX REVIEW shows that there is a great difference of opinion among Single Taxers in regard to at least one of the laws of distribution, and I hope the interest aroused by Mr. Faidy's article will be kept up until we discover the true laws of distribution. I believe that I can point out the stumbling block over which Henry George fell, and although I do not think he succeeded in working out the laws, he not only made the most successful attempt of any political economist up to his time, but he showed so plainly how the laws may be traced that I have found it a very easy matter to work them out—to my own satisfaction, at least.

The laws of distribution are the laws that govern the division of all wealth, between landlord, laborer and capitalist, who represent the three factors in production, land, labor, and capital. The proportion that each receives varies. Under certain conditions one of the parties will receive a very large share, while if the conditions are changed, one or both of the other two may receive large shares and the first a very small share. In order to discover the laws of distribution all that we have to do is to discover the conditions that give one party the power to claim the largest share, and the conditions that compel one of the two remaining parties to accept the smallest share.

In my attempt to work out the laws of distribution, I took the following quotation from page 160 "Progress and Poverty" as a rule to work by: "The laws of the distribution of wealth are obviously laws of proportion, and must be so related to each other that any two being given the third may be inferred. For to say that one of the three parts of a whole is increased or decreased, is to say that one or both of the other parts is, reversely, decreased or increased. If Tom, Dick, and Harry are partners in business, the aggreement which fixes the share of one in the profits must at the same time fix either the separate or the joint shares of the other two. To fix Tom's share at forty per cent. is to leave but sixty per cent. to be divided between Dick and Harry. To fix Dick's share at forty per cent. and Harry's share at thirty-five per cent. is to fix Tom's share at twenty-five per cent." It will be observed that according to the laws of proportion each party is opposed to the other two. If Tom only receives twenty-five per cent. it is not simply because Dick gets forty per cent., but also because Harry gets thirty five per cent. and a decrease in either Dick or Harry's share would increase Tom's share.

In working out the laws of distribution and in considering the relations of landlord to laborer and capitalist all that Mr. George wrote is in harmony with his illustration.

He first looked for the law of rent. He says, on page 167 "Progress and Poverty:" "The law, or relation, which under these circumstances of free competition among all parties, the condition which in tracing out the principles of political economy is always to be assumed, determines what rent or price can be got by the owner, is styled the law of rent. This fixed with certainty, we have more than a starting point from which the laws which regulate wages and interest may be traced. For, as the distribution of wealth is a division, in ascertaining what fixes the share of the produce which goes as rent, we also ascertain what fixes the share which is left for wages, where there is no co-operation of capital; and what fixes the joint share left for wages and interest, where capital does co-operate in production. Fortunately, as to the law of rent there is no necessity for discussion. Authority here coincides with common sense, and the accepted dictum of the current political economy has the self-evident character of a geometric axiom. This accepted law of rent . . . . is: *The rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use.*"

Rent is always low in new countries where population is sparse, and it always rises with the increase of population. The demand for land increases with the increase of population, but the supply does not. Consequently rent rises from zero at the margin of cultivation until when population increases to the highest point the landlord gets the largest share of the produce. In regard to labor and capital in new countries the case is different; they are both scarce, at least labor cannot use all the land but it can use more capital than exists in a new country, and in a thickly settled country it cannot use all the capital but can use more land. The share of the capitalist (interest) depends upon the supply of and demand for capital; where capital is very scarce interest is very high. In new countries the laborer pays very little rent, but a good deal for interest, and in an old thickly settled country he pays a great deal for rent and very little interest—providing there are no monopolies. Now, just as Tom receives in Mr. George's illustrations only twenty-five per cent. of the produce which is caused partly by Dick's getting forty per cent. and partly by Harry getting thirty-five per cent., low wages are due to the share the landlord can claim as rent and to what the capitalist can claim as interest. The effect of a rise in rent on wages is to lower them. The effect of a rise in rent on interest is to lower interest. The effect of lower interest on wages is to raise wages. Here we have two causes at work on wages at the same time, viz., increasing rent pressing them down and falling interest raising them; but wages cannot both rise and fall at the same time; if the pressure is equal on both sides wages will not be effected, but if the pressure is unequal, wages will be forced to the weaker side, an increase of twenty per cent. of the products going to the landlord would leave twenty per cent. less of the product to be divided between laborer and capitalist. If capital is very scarce most of the loss caused by the increase in rent will fall on the laborer, while if capital is very plentiful the loss will fall principally upon the capitalist. In this case although wages and interest fall together, the fall of one is not caused by the fall of the other, but by the increase in rent, and the more that interest falls the less will wages fall. According to this theory the laws of distribution not only "meet, and relate, and mutually bound each other," as Mr. George says they must; but they may be stated as one law, viz.: *The distribution of wealth between the three factors of production, land, labor, and capital, depends upon the relative supply of and demand for the three factors, the factor which is scarcest taking the largest share; and that which is most plentiful taking the smallest share.*

This agrees with Mr. George's statement that: "The laws of the distribution of wealth are obviously laws of proportion, and must be so related to each other that any two being given the third may be inferred."

I will now try to point out what caused Mr. George to stumble, and where he fell. On the first page of Chapter I, "Progress and Poverty," he asks the question: "*Why in spite of increase in productive power, do wages tend to a minimum which will give but a bare living?* The answer of the current political economy is, that wages are fixed by the ratio between the number of laborers and the amount of capital devoted to the employment of labor." Now this answer of the political economists is not well stated, some of them included land with capital, which they should not have done; but for them it was a true answer, and others left land out of consideration, and for them the answer was only partly true. The idea contained in the answer, that the share of the wealth produced received by the capitalist lessens wages is at least true; but Mr. George disputes it, and gives his reasons. Let us examine them. He says: "And yet, widely accepted and deeply rooted as it is, it seems to me that this theory does not tally with obvious facts. For, if wages depend upon the ratio between the amount of labor seeking employment and the amount of capital devoted to its employment, the relative scarcity or abundance of one factor must mean the relative abundance or scarcity of the other. Thus, capital must be relatively abundant where wages are high, and relatively scarce where wages are low. Now as the capital used in paying wages must largely consist of the capital constantly seeking investment, the current rate of interest must be the measure of its relative abundance or scarcity. So, if it be true that wages depend upon the ratio between the amount of labor seeking employment and the capital devoted to its employment, then high wages, the mark of relative scarcity of labor, must be accompanied by low interest, the mark of the relative abundance of capital, and reversely, low wages must be accompanied by high interest. This is not the fact, but the contrary. . . . Thus, under conditions which admit of no explanation consistent with the current theory, do we find high interest coinciding with high wages, and low interest with low wages. . . . All these well known facts, which coincide with each other, point to a relation between wages and interest, but it is to a relation of conjunction, and not of opposition."

I find no fault with Mr. George's facts, nor with his reasoning. As far as it goes it disproves the theory he criticizes, and if there were only two factors in production, labor and capital, he would have proved the relation between wages and interest to be a "relation of conjunction." The writers he criticises left the third factor—land—out of consideration and thus their reasoning was not complete. Mr. George seems to have forgotten that there was a third factor to be considered, and he accepted a false theory "that interest cannot be increased without increasing wages; nor wages lowered without depressing interest," and his acceptance of this theory is the cause of his failure to discover the true laws of distribution. Mr. George thought that the fact that wages and interest often rise and fall together was inconsistent with the theory that the effect of high wages on interest is to lower interest, and that the effect of high interest on wages is to lower wages; but as I have pointed out if an increase in rent on interest and wages is to lower them both, the effect of lower wages on interest is to raise interest, and the effect of lower interest on wages is to raise wages. Wages and interest cannot both rise and fall at the same time; they can only divide between them the loss caused by increase in rent. An illustration may help us, if I have not already made it plain. Suppose a tug of war between rent and interest. Abundance of capital and low interest are pulling wages up, and at the same time scarcity of land and high rent are pulling wages down. If rent is the stronger it will not only pull wages down but interest also, and that must be the case with three parties each trying to obtain the largest share of their produce. I must quote one more passage from "Progress and Poverty:" "This natural relation between interest and wages—this equilibrium at which both will represent equal returns for equal exertions—may be stated in a form which suggests a relation of opposition; but this opposition is only apparent. In a partnership between Dick and Harry the statement that Dick receives a certain proportion of the profits implies that the portion of Harry is less or greater as Dick's is greater or less; but where, as in this case, each gets only what he adds to the common fund, the increase of the portion of the one does not decrease what the other receives.

In this case what each adds to the common fund increases the amount to be divided, but does not affect the proportion that each receives, and the statement that "each gets only what he adds to the common fund," is not only a pure assumption; but it is denied by Mr. George himself, page 174, "P. & P.": "That interest does not depend upon the productiveness of labor and capital is proved by the general fact that where labor and capital are most productive interest is lowest." Again, on p. 171, he says: "Thus wages and interest do not depend upon the produce of labor and capital, but upon what is left after rent is taken out." What rent takes out depends on the power the scarcity of land gives to the landlord, and what the landlord leaves is divided between laborer and capitalist in the same way; if capital is scarce, competition between laborers for capital gives capitalists the largest share, while if laborers are scarce competition among capitalists for laborers gives the largest share to the laborers. Is not this theory in perfect harmony with the facts, and is it not also in harmony with the way Mr. George said the laws of distribution should be worked out, in the first passage I have quoted? It does not tally with his statement of the laws of distribution, so he either made a mistake in saying the laws of distribution were laws of proportion and giving the illustration of Tom, Dick and Harry; or he made a mistake in claiming that the effect of high interest on wages is to raise wages; and the effect of low interest on wages is to lower them. Which of his contentions is correct?

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