

with optional direct legislation. We want representative government as a mere matter of convenience—but demand direct legislation as our natural and inalienable right.

Again, such a step is in accord with previous action. The electoral college was originally designed as a representative body, whose duty was the naming of a chief executive from among certain selected citizens. This body was soon reduced to a merely clerical position, with the result that, in the matter of selecting their chief executive, the people now possess the initiative. If the citizens of the United States desire a particular man to act as president, no one may say them nay. Would any considerable number of our people favor curtailing popular power in this direction? On the contrary, is there not an ever-increasing demand for the election of United States senators by popular vote?

Tories everywhere oppose the rule of the plain people. The claim is set up that they are incompetent. So said Charles 1, so said Louis XVI. So say all tories to-day. And yet the world's history bluntly tells the story of meanness, misery and fraud wherever power has been placed with the few, while peace, good will and joy have ever attended those peoples whose governments were equally participated in by all.

There be those, even among democrats, who, fearful of error on their own part, seek to lean on some one thought to be more capable. To these we commend a few words from a speech in New York by Justice David Brewer of the United States Supreme Court—which position we trust carries sufficient "dignity" to satisfy the most fastidious.

"The two supreme dangers that menace a democratic state are despotism on the one hand and mob rule on the other—the more constant and universal the voice of the people makes itself manifest, the nearer do we approach to an ideal government.

The initiative and referendum make public opinion the controlling factor in government. The more promptly and the more fully public officers carry into effect such public opinion, the more truly is government of the people realized."

REPLY TO JAMES S. PATON.

(For the Review.)

By WILLIAM G. WRIGHT.

The essay by Mr. James S. Paton in Sept.-Oct. REVIEW on "Competition and the Law of Supply and Demand" contains much that is of value. Particularly interesting is his criticism of both the orthodox and the Georgian theories of the laws that govern the distribution of wealth between landlords, laborers and capitalists. But in the development of the theory which he

builds on that criticism Mr. Paton commits an error, which, although it is, perhaps, but a misplaced emphasis, is, nevertheless, fundamental, and vitiates most of the conclusions at which he arrives.

Mr. Paton argues that Mr. George's claim that wages depend on the margin of cultivation is only partly true. And likewise his claim that interest depends on the margin of cultivation is only partly true. That which depends on the margin of cultivation is wages plus interest. How this remainder is divided between capital and labor depends "upon the relative supply and demand of capital and labor." This is true. But having stated the law thus correctly, he goes on to say, "The distribution of wealth, as I understand it, is a three cornered competition between landlord, laborer and capitalist." In a sense this is true, but the emphasis is wrong. Of course there are three contestants, the landlord, the laborer and the capitalist; and as each looks out for himself, the contest is three-cornered if we look at it only from the view point of the ultimate distribution. But the proper view point is that of the contest itself. I use the word "contest" because "competition" does not seem quite the right word. From that view point, as Mr. Paton well shows, the contest has two phases, both of which are always two-sided. There is never a three cornered contest. The contest is, primarily, between the landlord on the one hand, and industry on the other, industry being labor and capital united. Into this contest the respective claims of labor and capital do not enter. They have no effect upon it. Their contest—the second phase—relates only to "the division of what the landlord leaves," a contest into which the landlord's claim does not enter.

Industry is constantly looking for a place to be applied, that is, for land. Landlords are constantly looking for industry to use their land. Rents are high and the return of industry low when there is not sufficient good land to accommodate industry. Rents are low and the return of industry high when there is not enough industry to occupy all the good available land. This is true whether there is a greater surplus of labor or capital in the one case, and whether there is a greater deficiency of labor or capital in the other. Landlords are constantly looking for labor and capital; and labor and capital are constantly looking for land.

The effect of Mr. Paton's false emphasis appears at once. He says, "When landlords and capitalists are looking for laborers wages are high." He should have said, "When landlords are looking for laborers and capital, the sum of wages and interest, the return of industry (wages and interest) is high." And he might have added "Wages will be high as long as that condition exists, whether there is a surplus or a deficiency of capital." For, if there is a surplus of capital, interest will be low, and wages, which will include most of the large remainder, will be high. If, on the other hand, capital is scarce, interest will be high. But very little capital will be used. It will be used only where it is absolutely essential; everything will be done by hand as far as possible. Thus the interest rate will be high, but the amount taken as interest will not be larger. As there is plenty of cheap land on which the laborer can work

for himself, doing nearly everything by hand and using very little capital, and making large wages, which he can always do when good land is plentiful, he will not work for someone else at smaller wages, nor will he employ capital which costs him more than the return it brings him. Capital will come into more general use only when the interest rate falls sufficiently to make it pay to use more capital. If there is plenty of good land, everyone can make a good living without the use of much capital, and will do so until the interest rate falls sufficiently to make the use of more capital profitable.

There is another point that Mr. Paton seems to overlook. That is the ease with which capital can be produced. Land cannot be produced. Labor is produced but slowly. But labor operating on land can produce capital at a marvelous rate. Therefore, when capital is scarce and land plenty, interest being high to furnish the motive, and wages being high furnish the ability, labor will produce capital at a rate that will soon bring interest down.

We thus are forced to conclude, that, as long as land is plentiful, wages will be high whether capital is scarce or not. And, as all that monopoly of capital can do—if it cannot be used to buy and thereby monopolize land—is to make capital scarce, we must conclude that wages will be high whenever land is plentiful, even if capital is monopolized. Obviously. For why should men work for low wages, when they can make good wages working for themselves on cheap land.

I do not wish to be understood as underating the evil of monopoly of capital. It could do great harm if land was abundant and not monopolized. It does do incalculable harm when land is monopolized. And with land free, as the world fills up, and land becomes less plentiful its evil power increases. But what I wish to emphasize is the great truth that the wrongs in our industrial system are chiefly due to land monopoly, making land scarce; that everything else is of comparatively small importance. For we have seen that wages will be high if land is plentiful even if capital is scarce and monopolized. And wages will be low if land is scarce, no matter what other conditions obtain. For that which the landlord leaves to be divided between labor and capital will be small; and wages will be low, even if capital gets nothing.

REPORTS OF TWO RECENT STATE TAX COMMISSIONS,

By THE EDITOR.

Reports of the State Tax Commissions are interesting reading these days. Hardly any of them but evidence signs of advance. It would be interesting to compare these later reports with the recommendations of similar bodies, including those of governors of States, made, let us say, twenty or even ten years ago. They would bear all the resemblance which mediaeval speculations on matters of science bear to modern experimental methods and treatment.