

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 monopoly 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-

duction than would be used normally, thus abnormally increasing productive cost.

There is no such thing as "the social cost of production," any professors of economics to the contrary notwithstanding. That "the market price of a commodity is socially determined by the cost of the most expensive portion of the required supply," is true, but such most expensive portion is produced on the cheapest land (though not necessarily "no-rent" land); and the rent of better land has to be just a little less than the saving of productive power so as to induce people to stay there. This is why things are sold and made most cheaply on high rent land.

Some years ago the members of the Philadelphia Single Tax Society debated for several meetings the perplexing question "whether the producer or the consumer pays the rent." Arguments only served to strengthen the belief of each side in the accuracy of its own view, but the contest was dropped by mutual consent when one of the members pointed out that, for economic discussion, it was sufficient to know that "rent pays itself."

Much confusion would be avoided if it were always kept in mind that distribution is a part of production, and an article is not "produced" until it is in the hands of the ultimate consumer. Mr. McDonald apparently overlooks this when he claims that rent paid to city land owners comes "out of the products of farm and country," when really it comes "out of" all the services employed in production, including those performed by distributors. In fact Mr. McDonald's contention is perilously near the shoal upon which the physiocrats were wrecked—the belief that agriculture is the only productive industry.

In so far as the mechanic gives his service, expressed in a plow, for the farmer's service, expressed in wheat, the mechanic is producing wheat, and vice versa. The rent taken by private land owners comes from both farmer and mechanic. To say that "the countryman pays the city man's rent" in the sense that a farmer gives to the city worker something for which he gets no equivalent, is economically untrue. It is partially true of only the monopoly portions of city rents. But normal city rents are merely the indication of a saving in

production, and the farmer is no more their maker than anyone else who performs a useful service.

A. C. PLEYDELL.

"LET us have done with this hypocrisy. We deny that any such things as 'property rights' exist in the mere holding of land. If it did the government would be no more justified in interfering with landlords than they would be in taking possession of a banker's strong room or robbing a shopkeeper's till. * * * The fact is land belongs to an entirely different category altogether from that which properly distinguishes property. The latter is wealth, consisting of natural products that have been secured, moved, combined, separated, or in other ways modified by human exertion, so as to fit them for the gratification of human desires. That cannot be said of land; it is not wealth, and the possession of it in consequence of our civilization, is but an acknowledgment in favor of certain persons of an exclusive right to its use, enabling them to command a share of the wealth produced by others. A careful discrimination must therefore be made by the nation, and, having arrived at that, the so-called 'property rights' will be shown to not exist at all."—*Middleton* (Eng.) *Guardian*.

OUR old Single Tax friend, ex-Senator S. A. Stockwell, in a letter to the Governor of Minnesota objects to the character of certain appointees as regents of the University of that State. Several of these appointees are railroad attorneys. Senator Stockwell says:

"The railroads already had one regent in the person of Mr. Wilson, and there was certainly no good reason for the selection of another railroad attorney, Mr. Butler. *No representative or beneficiary of privilege* should be appointed to the board of managers of any public educational institution, with rare exceptions. It is too much to expect such men will shape the policy of our public school system upon a high and democratic plane. One cannot serve two masters. The interests of privilege and public education (along right lines) must be forever diametrically opposite."