

## CHAPTER 7 THE CORRELATION AND CO-ORDINATION OF THESE LAWS

Our conclusions overthrow some of political economy's important theories, but were developed entirely from fundamental principles which are already recognized.

The laws of interest and wages which we have developed are necessary deductions from the fundamental law that men seek to gratify their desires with the least exertion.

Acceptance of the law of rent implies, as necessary sequences, the laws of interest and wages.

The conclusions we have reached as to the laws which govern the distribution of wealth recast a large and most important part of the science of political economy, as at present taught, overthrowing some of its most highly elaborated theories and shedding a new light on some of its most important problems. Yet, in doing this, no disputable ground has been occupied; not a single fundamental principle advanced that is not already recognized.

The law of interest and the law of wages which we have substituted for those now taught are necessary deductions from the great law which alone makes any science of political economy possible—the all-compelling law that is as inseparable from the human mind as attraction is inseparable from matter, and without which it would be impossible to prewise or calculate upon any human action, the most trivial or the most important. This fundamental law, that men seek to gratify their desires with the least exertion, becomes, when viewed in its relation to one of the factors of production, the law of rent; in relation to another, the law of interest; and in relation to a third, the law of wages. And in accepting the law of rent, which, since the time of Ricardo, has been accepted by every economist of standing, and which, like a geometrical axiom, has but to be understood to compel assent, the law of interest and law of wages, as I have stated them, are inferentially accepted, as its necessary sequences. In fact, it is only relatively

that they can be called sequences, as in the recognition of the law of rent they too must be recognized. For on what depends the recognition of the law of rent? Evidently upon the recognition of the fact that the effect of competition is to prevent the return to labor and capital being anywhere greater than upon the poorest land in use. It is in seeing this that we see that the owner of land will be able to claim as rent all of its produce which exceeds what would be yielded to an equal application of labor and capital on the poorest land in use.

The harmony and correlation of the laws of distribution as we have now apprehended them are in striking contrast with the want of harmony which characterizes these laws as presented by the current political economy. Let us state them side by side:

*The Current Statement*

RENT depends on the margin of cultivation, rising as it falls and falling as it rises.

WAGES depend upon the ratio between the number of laborers and the amount of capital devoted to their employment.

INTEREST depends upon the equation between the supply of and demand for capital; or, as is stated of profits, upon wages (or the cost of labor), rising as wages fall, and falling as wages rise.

*The True Statement*

RENT depends on the margin of cultivation, rising as it falls, and falling as it rises.

WAGES depend on the margin of cultivation, falling as it falls and rising as it rises.

INTEREST (its ratio with wages being fixed by the net power of increase which attaches to capital) depends on the margin of cultivation, falling as it falls and rising as it rises.

Comparing the laws we have developed with those currently accepted shows how much better they harmonize.

In the current statement the laws of distribution have no common center, no mutual relation; they are not the correlating divisions of a whole, but measures of different qualities. In the statement we have given, they spring from one point, support and supplement each other, and form the correlating divisions of a complete whole.