

NOTE!
This is the
last of a series
of 24 bulletins. I
should be grateful
for your comments on
those issues you have
received. *Phil Grant*



UGH--
OH WELL--
THINGS ARE
BAD ALL OVER --

How Obie Got By on \$150 a Year

When the price of potatoes fell from \$2 a sack to \$1, things looked mighty black to Obie. He couldn't see how he could possibly continue to live at his accustomed \$200-a-year standard of living when he could earn only \$150 on his own farm. Maybe he could get a job somewhere.

He knew that the land of his neighbor, Zeke, was good land. With the same effort and capital--farm tools, etc.--he knew he could produce \$200 worth of potatoes. If he added his Labor and Capital to Zeke's, and they both worked Zeke's more productive land, they should be able to produce twice as many potatoes. Then he and Zeke would earn \$200 each.

The next morning Obie put the proposition up to Zeke. But Zeke reasoned that his own Labor and Capital on his Land would bring him \$200 a year without help; and if he paid \$200 to Obie, and thus doubled his crop, he would still end up with \$200. As he saw it, there'd be no advantage in hiring help if he couldn't benefit as much as his help did.

Obie could see the logic behind Zeke's argument. It wasn't Zeke's fault that the price of potatoes fell to a point where Obie couldn't make a living on his own land. After bargaining for some time Obie agreed to take a job for \$155 a year because that was \$5 better than he could earn on his own land.

Without knowing it, Zeke was learning an economic law. He could clearly see that

the amount of Wages and Interest (the parts of the Wealth produced because of the Labor and Capital used) that he would have to pay needn't be more than the amount of Wages and Interest that could be earned on the poorest land in use. And as men used poorer and poorer land, Wages and Interest would go lower and lower on all land; even the very best!

Obie's land was poorest of all. So Zeke gave Obie, and his Capital, a job on his land. Working together, both men produce \$400 worth of potatoes. Obie gets \$155: five dollars more than his Labor and Capital would produce on his own land. Zeke gets the balance: \$245, which is \$45 more than he got before he hired Obie.

The Communist and the Socialist would say Zeke is a Capitalist, stealing the \$45 from Obie; even though Obie is earning more working for Zeke than he could earn for himself. Actually, Zeke is collecting the advantages Nature placed in "his" land. In other words, Zeke is collecting \$45 in economic rent from Obie's production. And as wages and Interest on all land are the same as they are on the poorest --in this instance \$150 -- Zeke is also collecting \$50 rent on his own production.

The Communists would collect all the rent--in this instance \$95--and leave both Zeke and Obie with a minimum wage. Wouldn't it be fairer to divide the \$95 nature contributed between Zeke and Obie?