

CHAPTER XIV

OF RENT

"The allocation of the rents of the soil to the nation is the only possible means by which a just distribution of the created wealth can be effected." — Patrick E. Dove. In the previous chapter it was assumed that our hypothetical community had at its disposal land of much the same quality in sufficient quantities to supply the requirements of all its citizens; and hence, that holdings of much the same value were available to any and all who might desire to put them to use. Such a natural state of equality of opportunities, however, could not long continue. Even if all the land in use were of much the same fertility, differences of position would inevitably confer special advantages on the utilisers of some holdings. Moreover, increase of population, or increased demand for the products of "the primary industries," for the raw materials of the secondary industries, derivable only from Mother Earth, would soon compel our community to have recourse to inferior land. And we shall now inquire how such facts could be reconciled with the dictates of the Law of Liberty, which demands that all should be secured equal opportunities of availing themselves of the natural bounties and forces. For manifestly to secure to some, without proportionately greater duties, the exclusive use of better natural opportunities than were available to the industry of their fellows, would not be in conformity with the requirements of this fundamental ethical or social principle. To this end we shall first have to devote some space to the consideration of what is known in Economics as "The Law of Rent."

As already sufficiently emphasised, Land is the storehouse whence alone the industry of man can derive everything essential to life and comfort; it is the element the control of which gives control of all other elements and forces. Some portions of land, however, will be more fertile — or if mineral land, more rich in minerals — or more favourably situated than other portions; and it is to these differences of advantages of fertility or situation that what is known as the "unimproved value," or "the economic rental value," of land is due; that is to say, the bare site value of land irrespective of any improvements in or on it. The right to use, or "to engross," any portion of the more fertile or more advantageously situated land inevitably confers special advantages on the utiliser or "the engrosser"; it places at his disposal natural advantages greater than those at the command of his less fortunate fellow-citizens. Any man desirous to use land for any purpose would willingly pay, or promise to pay, a certain "rent" — that is to say, he would willingly give up a portion of what he can earn by putting it to use — for the privilege of using the better land, rather than devote his labour to land that would yield him a less return.

What is known in Economics as "The Law of Rent" is, then, simply the statement that the "economic" rent of any holding of land is determined by the excess or surplus that labour can gain by putting it to use over what could be gained, or is being gained, by similar labour from the worst land in use.

This may perhaps be made more clear by means of a diagram.

Figure 1 may be regarded as representing all the land at the disposal of our hypothetical community, and each small square as representing a block of, say, 25 acres. At first we may suppose that all the population could be supplied with equal-sized and equally favourably situated holdings of A land, capable of yielding to a given amount of labour, say 40 bushels of corn per acre, or its value in other products. Under such circumstances, seeing that equally valuable holdings were available for all, there would as yet be no question of any "economic" rent; whilst, for reasons already given in the preceding chapter, as each agriculturalist would be earning a value equivalent to 1,000 bushels of corn per annum, this would also be the "natural wage" of every individual worker in the community, for less than which no one would be willing to work.

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As population increased, however, the community would have to make use of the B land, capable of yielding to a similar amount of labour, say, 35 bushels of corn per acre, or 875 bushels per holding. The favoured utilisers of the A land would now be enjoying greater natural advantages than their fellow-citizens on the B land, the value of such advantages equalling 5 bushels of corn per acre, or 125 bushels per holding. And the controller or engrosser of such land would be able to command a rent almost equal to this amount: say, in order to induce another to use his land rather than the B land still open to him, of about 3 to 4 bushels per acre. The B land would now be on what is termed "the margin of cultivation," that is, it would have no rental value; the A land would have an economic rental value of 5 bushels per acre; and the "natural wage" of every individual worker would now be equivalent to 875 bushels of corn per annum.

Here, however, we must pause to point out that an increase of population does not necessarily involve a reduction in the earning power of the individual, but rather the reverse. With increased population comes the almost indefinite extension of the co-operation and division of labour, with the enormous increase in productive power which this yields. Hence, even when the demands of the community necessitate recourse to the less productive natural sources, the B land, though wages as expressed in corn may have fallen, the purchasing power of wages, the command of the necessaries and comforts of life the individual worker can command, may have been materially increased. For the present, however, we are only endeavouring to explain a principle, the Law of Rent, so we need not dwell here further on this most important point.

To return to our hypothetical community. Let us now assume all the B land to have been taken up, and new-comers forced to find homes on the G land, capable of yielding to a similar expenditure of labour only 30 bushels per acre. Under such conditions the holders of the A land would be enjoying natural advantages greater than those shared by the holders of the G land to the equivalent of 10 bushels per acre; and the holders of B land advantages equivalent to 5 bushels per acre: advantages, be it remembered, not due to anything they have done or caused to be done, but due solely to the natural advantages of fertility or situation they were being permitted to enjoy. This reasoning need not be carried further. It is evident that should the necessities of the community compel them to make use of the D land, each acre of the G land would have a rental value of 5 bushels, each acre of B land of 10 bushels, and each acre of A land of 15 bushels; and that the basis of wages would have been reduced to 625 bushels of corn per annum: though it is quite possible that, owing to improved methods and organisation of production and exchange, each individual worker might be able to command more gratifications than at any previous time in the history of the community.

From these considerations it is manifest that "rent" is due to natural causes, and hence must necessarily spring into existence wherever a community of men may settle down. Some portions of the land will necessarily be more fertile or more favourably situated; and it is to these two factors, of advantages in fertility and of situation, that what are termed Land Values are due. To be permitted to use or to engross any such portion necessarily confers special advantages on the utiliser or engrosser. The only question each community can decide for itself is, whether these advantages, or their value, shall be permitted to accrue to some, or whether they shall be appropriated for the common benefit of all. The former would immediately create a privileged class, a class who would be enjoying advantages over the rest of their fellow-citizens. The latter would tend to maintain that equality of rights, of opportunities, and of duties, which is the necessary condition of all equitable social life — the *conditio sine qua*

non of the establishment and maintenance of Justice.

We cannot doubt which method would be adopted by our hypothetical community of honest men, of men earnestly desirous of shaping their personal activities, and framing their social laws and institutions, in accordance with the dictates of equity, with the demands of Justice. A little time, however, will not be wasted in investigating how this would work out. Let us suppose, then, that the A land was capable of accommodating 1,000 families; and that prior to the necessity of occupying any of the B land, they had required a public fund equal to 2J bushels of corn per acre, or about 60 bushels per holding: which would secure to the community collectively the command of the labours of about 60 men. As each occupier of A land was secured equal natural advantages, each could equitably be called upon to contribute equally to the common revenue; this would leave to the individual a net revenue equal to 35 bushels per acre, or 940 bushels per holding.

The B land we may suppose to be of sufficient quantity to provide homes for, say, double the number of families; and let us now assume that the increase in population necessitated half of it being taken up and put to use. To govern, or to minister to the public wants of a larger population, spread over a larger area of land, would necessarily require a larger public revenue, say double. This, of course, might still be gained by demanding from each landuser a value equivalent to 1\ bushels of corn per acre. But, though the occupiers of the B land might be equally benefited by the public expenditure, yet in accordance with the Law of Liberty, accepted by all, the occupiers of the A land could still be called upon to provide all the public revenue. For if each member of the community contributed 1\ bushels of corn per acre, the occupiers of the A land, in return to a given amount of labour, would be enjoying a revenue equal to 37J bushels of corn per acre, or 840 bushels per holding, as before; but the occupiers of the B land, in return to a similar amount of labour, would only be gaining a revenue of 32| bushels per acre, or 815 bushels per holding. On the other hand, if the whole of the natural, economic rental value of the A land — viz., 5 bushels per acre — were appropriated to defray the common expenditure, the occupiers of both A and B land, in return to equivalent labour, would be gaining equivalent revenues. In the one case, the rental value of the land would be benefiting and enriching some; in the other, it would be benefiting and enriching all.

Under this latter system of raising the public revenue, it is manifest that when the increase of population necessitated the use of the G land, the community would be enjoying a natural revenue, derived without deducing from the legitimate earnings of a single citizen, equal to 500,000 bushels of corn, which, as the natural wage would

have gone down to about 750 bushels of corn per annum, would give them the command of the labours of nearly 670 men. Thus, the equal claims of all to avail themselves of the natural bounties and resources might be scrupulously respected; all could be left free to dispose of their own activities, and the results to their individual exertions, as they might deem most conducive to their individual happiness; and the necessary public revenues could be gained without infringing on the liberty or encroaching on the earnings of a single member of the community.

Moreover, under such conditions it would manifestly be to the direct interest of every member of the community to see that none of the better land, no matter where situated, were withheld from use, and that none of his fellow-citizens were being forced to use worse land than was absolutely necessary. In other words, the interests of all would be identical; and it would be to the interest of each to see that his fellow-workers were concentrated and employed on the best land available. By this means, other things remaining equal, the public expenditure would be kept at a minimum, the value of land also kept at its minimum, whilst individual earnings would be maintained at their maximum. On the other hand, if each individual holder or "engrosser" of land be allowed to appropriate its unimproved rental value, not only would such considerations cease to influence him, but the very opposite considerations would take their place. For under these conditions, in so far as it would tend artificially to increase the rental value of his own holding, the withholding of the better land from use — in fact, the monopoly of land generally — would tend to benefit him as a land-owner, though, by compelling labour to have recourse to less productive natural sources, it would directly tend to reduce the individual earnings of every worker, as well as the united earnings of all. The effect of these latter causes is very manifest in every new colony, more especially, perhaps, in Australia. In the latter country, in colonies where the whole population, which does not exceed that of many English towns, might be comfortably settled on the more fertile and better watered and better situated land, and whilst much of the best of these lands is still unused, the farming population, owing to land monopoly, have been forced to find homes and expend their labour on land in every way inferior, to the great detriment of the present, and still more of the rising generation. Australians, however, are gradually commencing to appreciate that these disadvantages can be promptly removed by the adoption of a very moderate instalment of the method of raising public revenues indicated in this chapter.

Of course, in no community would land values be so regularly distributed as we have assumed; but the principle we are endeavouring to elucidate always remains the same: the unimproved value of any holding of land will at all times be determined by the advantages it offers over and above the advantages offered by the worst land in use. Besides advantages due to superior fertility, there are other and more potent causes,

all, however, to be included under "advantages of situation," tending to increase the value of certain holdings of land. As a community develops, centres of industry, of manufacture and commerce, creep or spring into existence. It is in these busy hives of industry that population tends to aggregate; for it is here that labour can be made most productive, and that men can most readily command everything tending to gratify their material, mental, and spiritual desires; and it is in and near these centres of population that today the highest land values are to be found. As Henry George so lucidly expresses it¹ —

"Production is here carried on upon a great scale, with the best machinery and the most favourable facilities; the division of labor becomes extremely minute, wonderfully multiplying efficiency; exchanges are of such volume and rapidity that they are made with the minimum of friction and loss. Here is the heart, the brain, of the vast social organism that has grown up from the germ of the first settlement; here has developed one of the great ganglions of the human world. Hither run all roads, hither set all currents, through all the vast regions round about. Here, if you have anything to sell, is the market; here, if you have anything to buy, is the largest and choicest stock. Here intellectual activity is gathered into a focus, and here springs that stimulus which is born of the collision of mind with mind. Here are the great libraries, the storehouses and granaries of knowledge, the learned professors, the famous specialists. Here are museums and art galleries, collections of philosophical apparatus, and all things rare and valuable, the best of their kind. Here come great actors, and orators, and singers, from all over the world. Here, in short, is a centre of human life, in all its varied manifestations. . . . All these advantages adhere to the land; it is on this land, and no other, that they can be utilised, for here is the centre of population — the focus of exchanges, the market place and workshop of the highest forms of industry. The productive powers which density of population has attached to this land are equivalent to the multiplication of its original fertility by the hundred fold and the thousand fold. And rent, which measures the difference between this added productiveness and that of the least productive land in use, has increased accordingly."

1 "Progress and Poverty," Book IV., chap. ii.

As already sufficiently demonstrated, all land values, being due to the presence and necessities of the whole population, are practically the creation of the community as a community, and consequently in equity should accrue to the community as a whole. The fabulous values of our town lands, however, seem in a special sense the creation of the community; for they have continuously to be re-created, as well as increased, by the united activities and the public and private expenditure of the whole population. This latter is necessarily in great part devoted to providing a given area with roads, streets, means of transit and transport, drainage, shops, water, gas, etc., etc. And after these have been constructed in variety and abundance, those who desire

to avail themselves of them, if not themselves the legalised owners of any land within the area thus advantaged, will have to come to terms with those who are; and the rent derivable from such land will be determined, like all other rent, by the advantages its use secures to its utilisers. Thus it is that the dwellers in our towns have first to provide the means for furnishing such accommodation, more especially such as is due to and maintained by the public expenditure; and then they have to pay the owners of the land for permission to avail themselves of the improvements they have themselves made and paid for.¹ The remedy against this injustice is easy and manifest. As soon as any community appropriates for common purposes the unimproved rental value of the land it is occupying, its members will reap the whole harvest of their own industry and expenditure. Until they are sufficiently enlightened to take this step, they must remain content to see the greater part of the results of their toil appropriated by those who have in no way shared in or assisted it.

1 The rents obtainable from what are known as "slum properties" are almost exclusively due, not to the value of the house accommodation provided, but to the value of the land upon which such properties are situated.

Of this method of raising all necessary public revenues, so honourably associated with the name of Henry George, we shall have more to say in the next chapter, on "The Principles of Taxation," when we shall consider it in the light of already accepted canons of taxation. As we have seen, the most superficial consideration of "The Law of Rent" is sufficient to demonstrate its equity, and of its manifold advantages, direct and indirect, we hope to convince our readers as we proceed in our studies. One advantage, however, its tendency to break down Land Monopoly and the withholding of land from use, is so self-evident that we think that we had better immediately dispose of it.

No two portions of the earth's surface being exactly alike, there being always, at least, differences in position, the power to control any portion of land, however insignificant, necessarily confers on the controller a certain monopoly. Hence, strictly speaking, the selling price of any given holding of land is determined only by the demands of its owner, and the necessities and means of would-be purchasers. This fact is manifest whenever any public body urgently requires the use of a special piece of land, when the price demanded bears no relation to its rental value, present or future. When land is in the market, however, its selling price will be determined by its rental value, by the revenue its mere ownership confers on the individual. In other words, the market price of any given holding of land is simply so many times its revenue; when land is saleable at what is called ten years' purchase, at ten times, when at twenty years, at twenty times its revenue, and so on.

This fact has a marked influence on the question of interest, or premium for the use of "wealth," with which we shall have to deal somewhat exhaustively later on. For, manifestly, in any country where the power to control land is treated as "property," and is exchangeable against commodities, there, as the great French Statesman and Economist, Turgot, expresses it — "Every sum of value, whatever it may be, is the equivalent of a piece of land producing a revenue equivalent to a definite fraction of that sum." Consequently, other things being equal, the owner of any such values will not use them, or allow others to use them, in any enterprise for a less return than he can obtain by securing therewith the ownership of a piece of land of an equivalent value; that is, he would expect to be able to secure, not only the return of the "capital," selling, or exchange value of the things employed, but also a revenue at least equal to that he could derive from the possession of a piece of land of an equivalent value. To this, however, we shall have occasion to refer again.

To return to our immediate subject. The selling value of land being determined by the revenue its mere ownership confers on the individual, it follows that if its rental value were appropriated by the community, land would cease to have any selling value. Under such conditions, the mere ownership of land not only ceasing to confer advantages, but involving certain responsibilities, no one would care to claim to control a single foot of land unless he were desirous to put it to use — and, what is of at least equal importance, to put it to the best use of which it is capable. Under such conditions, land monopoly, and the withholding of land from use, would at once become impossible, or, at least, very unprofitable. Moreover, as such of our readers as are interested in practical politics would do well to remember, a comparatively small instalment of this method of raising public revenues would have the same tendency, viz., to break down land monopoly, and to make the natural resources available to the industry of the people at their lowest economic rental values.

To appreciate the importance of this fact, we must remember that in countries, such as Great Britain, where there is no free land available, where all the natural opportunities are owned or engrossed, land users can be called upon to pay, not "economic," but "monopoly" rents. Thus, in many districts, allotment holders, crofters, etc., are today paying rents out of all proportion to the value of the natural opportunities they are being allowed to use. In fact, under such conditions, would-be utilisers of Mother Earth can be compelled to pay rent, and often a very high rent, for the permission to use land of which a sufficient quantity exists to supply the demands of all, and which, therefore, possesses no economic rental value. Such payments, of which the rent-rolls of many Irish landlords are in great part composed, are not Rent, but Tribute! Tribute

paid by the disinherited for permission to work and to live.

Under such conditions, and by such means, the value of all land is artificially increased and maintained at famine, scarcity, or monopoly values. By such means the productive powers of the nation, as a whole, are minimised, limited, and hindered, to satisfy the whims and fancies, to pander to the class interests of a privileged few. By such means all rents are artificially increased, all earnings are artificially diminished, and, despite the recent continuous and gigantic increase in the productive powers of labour, the lowest stratum of earnings is rigorously maintained at a subsistence level. Land Monopoly is, in truth, the direct enemy and enslaver of industry, the main cause of that unequal and inequitable distribution of "wealth," of that poverty and fear of poverty, with its attendant train of misery, degradation, vice, and crime, which is the most marked feature of our Twentieth Century civilisation. And so long as the causes remain unaltered, the effects must continue the same. Nature is not to be deceived by our hypocritical lip-professions. To admit on Sundays the Fatherhood of God, whilst denying on week-days the Brotherhood of Man, is nothing but blasphemy, if blasphemy there be. Nor will our churches and chapels, our hospitals and charity organisations, or any other means by which the consciences of the rich are temporarily soothed and the most pressing necessities of the disinherited temporarily relieved, avail us anything. Prayers cannot serve as a substitute for deeds; nor can they avert the consequences of our acts. Charity cannot serve as a substitute for Justice; nor can it yield the fruits of Justice. And Justice cannot exist so long as Land Monopoly continues, so long as some alone are enriched by the natural bounties, so long as some alone are allowed to control the use of the natural opportunities necessary to the life of all.