

CHAPTER XIV.

OF LAND TENURE.

The expropriation of the mass of the people from the soil forms the basis of the capitalist mode of production.

Karl Marx.

A long habit of not thinking a thing *wrong* gives it a superficial appearance of being *right*, and raises at first a formidable outcry in defence of custom. *Thomas Paine.*

We have already noted the close relationship between labor-forms and capital-forms, and consequently, between labor values and capital values. Except in so far as they are used to overcome the disutility of time, capital-forms simply represent the stored up utility of labor-power; and even pure capital-forms owe their very existence to the exertion of labor-power. Labor-forms and capital-forms have a common origin. To labor-power auxiliary capital-forms serve as supplements, and pure capital-forms as complements. In normal conditions labor values and capital values are always closely related, are never antagonistic, and tend to rise and fall together. Increase of population and what we call material progress, in normal conditions, both tend to lower all labor values and all capital values within a given territory.

On the other hand, land-forms exist independently of the exertion of labor-power or the existence of capital-forms. Their origin is in nature alone. No man, either by taking thought or taking action, can originally create

the smallest land-form. In normal conditions land values tend to increase as labor values and capital values tend to fall.

With increase of population and material progress in a given territory the demand for superior land-forms increases, while the supply is limited by nature; consequently the values of superior land-forms in such territory tend to rise, while labor values and capital values tend to fall.

We now come to a further point of differentiation between labor values and capital values upon the one hand, and land values upon the other.

Every exchange in the market presupposes a right of exclusive possession to the thing sold, which right is transferred from the seller to the buyer and forms the gist of the transaction. Neither the laws of the market nor the laws of the State recognize as valid a sale of property or of an interest therein to which the seller has not the right of possession as against the world to the extent of the property or interest transferred. It is commonly recognized among all commercial peoples that the right of exclusive possession to all labor-forms and capital-forms is based upon their production. It is assumed in all cases that the rightful possessor of such property either produced the same or derived his title, directly or indirectly, through or from some one who did.

With land-forms this is not true. Not having been produced by man, no title can be based upon the ground of production. In the absence of organized government the original exclusive possession of particular land-forms can

only be obtained and maintained by individual force. It can not originally be acquired by purchase, because no one has a recognized right to sell. When organized government appears, however primitive its form, it at once assumes a sovereignty over all land-forms within its jurisdiction, and thereafter all land-forms are "held from the crown," and some form of land holding is established and maintained by law. The right to the exclusive possession of particular land-forms in any country having an established government depends upon the collective power of the State in the enforcement of a juridical or legal sanction known as land tenure.

Land Tenure is the juridical or legal sanction by which particular land-forms are held, used, or controlled.

Four facts of economic importance grow out of the facts hitherto discussed in this chapter. The first is that organized government—the State—bears a relation to land-forms, and consequently to land values, different from its relation to labor-forms and capital-forms, and consequently to labor values and capital values. To the title of labor-forms and capital-forms its relation is simply that of protector; toward them it exercises what is known in law as its police power; while of the title to land-forms it is the creator as well as protector. The State determines what land-forms shall be devoted to private, and what to public uses, and all private titles relate back to the government.

Under an orderly government the matter of the exclusive possession of particular land-forms can not be left to individual strife; nor can it be settled by the compe-

tition of the market alone, for originally no man can come into the market with any better right to convey than that possessed by every other man therein. In this condition the State intervenes, assumes title to all land-forms, and parcels them out under such system of land tenure as it sees fit to adopt. In doing so it assumes, directly or indirectly, to represent the interests of all its citizens in and to the land-forms within its borders, and by giving title to one man, to cut off the rights of all other men to the particular land-form conveyed. No State has ever assumed the right or the power to act in this manner toward labor-forms or capital-forms; for although the products of labor-power may be arbitrarily diverted by law from the actual producer to another, either wholly, as in slavery, or in part, through the various forms of monopoly, yet the law in such cases looks upon the beneficiary as the producer, and the title to the property does not at any time vest in the State or issue directly therefrom. The importance of this distinction will more fully appear when we discuss the matter of the socialization of values.

The second fact to which we have referred is this: All general benefits derived from good government tend to raise the values of superior land-forms—including franchise values based upon land grants—and to lower all other values. In any country where property rights are well protected, where personal safety is assured, and where government is economically administered, production is encouraged, markets are well supplied, and current prices fall. In this way every man, through the interchange of the market, may supply his individual needs with the least

exertion. But if property and persons are insecure, if lawlessness prevails, and an extravagant government wastes its revenues, production is discouraged, markets are depleted, and current prices rise. On the other hand, when production is encouraged by good government, competition for land-forms is increased and land values rise; and when production is discouraged by bad government the competition for land-forms decreases and land values fall.

Let us suppose the case of two cities equally well located as to natural advantages and as to communication with the outside world. Up to a given time both have been equally prosperous. Suppose now that the one increases the efficiency of its police department, establishes superior fire protection, develops its public school system, and so attracts to itself an increase of population of a thrifty and temperate character who build stores, factories and churches, and beautify their premises. The stores will be filled with merchandise, merchants will compete with one another for the making of sales, and low prices will result. But the merchants will also compete for the most advantageous locations, and the new comers will compete with one another and with the older residents for sites for homes, stores and factories. The price of land-forms will increase from year to year and upon the most valuable corner in the city a department store will lower the prices of all staple articles.

Suppose that in the other city the police department becomes demoralized, the fire protection inadequate and uncertain, and the public school system inefficient. In such circumstances the growth of the city will be checked,

merchants will carry small stocks of goods at increased risks, prices will be high at the stores, and land-forms will decrease in value. All of the advantages of good government in any country are reflected in increased land values.

The third fact to which we have alluded is this: All natural advantages of climate, soil, scenery, water ways, forests, mines, coal beds, petroleum and gas deposits, etc., are reflected in land values. Examples illustrating this fact might be cited almost indefinitely, but one will suffice. Suppose that in a large city, upon land belonging to the municipality, the public authorities happen to strike a deposit of natural gas sufficient to supply the entire city for fuel and lighting purposes. Suppose further that the city pipes this gas through all of its streets and furnishes it to consumers at an actual cost of twenty-five cents, whereas the citizens have been paying one dollar and twenty-five cents per thousand feet to a private company for artificial gas. What will be the effect? Rents will immediately rise and absorb this advantage upon all tenement property and the selling values of all land-forms will rise accordingly. Land users, as users, will be financially little or no better off than before, while land owners, as owners, whether they are the real occupiers of their respective land-forms or not, will reap substantially all the financial benefits, either in increased ground rents or in greater ground values, or both.

The fourth fact in question is that all improvements in the matter of highways and other transportation facilities increase the value of all adjacent and tributary land-

forms. This is a fact which may easily be verified by any one who will look around him. A railroad can not be built through any territory having present need of it without increasing the ground values of the adjacent and tributary land-forms more than the economic equivalent of the actual cost of the road. After the road is in operation the increase in ground rents of adjacent and tributary land-forms will more than equal the annual cost of operation. The same is true of a street railway in any city. The better the needed transportation in any community the higher the land values in the form of both ground rents and ground values. The gain to the sellers of all labor-forms produced locally is absorbed in increased rental and ground values, while all labor-forms brought to market from the outside bear a lower price because of cheaper transportation charges. All labor values tend to fall within the territory affected by the improved transportation service. The fact that labor-forms can be cheaply purchased in any given market is reflected in local land values, especially in the values of city and village lots for residence purposes, as was shown in the preceding chapter.

Instances of the marked effect of railroad building upon land values have been exemplified in almost every community in the United States. In former years it was quite the custom for the people of a community to vote an issue of bonds sufficient to build and equip, at actual cost, a proposed railroad through such community. Inasmuch as these people were to pay the regular rates for freight and passenger service upon the completion of the road, they

could only hope to recoup themselves for the increased taxes necessary to pay the bonds by an increase in the values of their labor-forms which, in turn, would be reflected in the increased values of their land-forms. The mere announcement that a railroad is to be constructed through a given territory causes a speculative increase in land values throughout such territory. So great has been the inflation of land values because of the construction or proposed construction of railroads that roads have been built for which there was no present need, and through territory which could not possibly supply traffic to pay current expenses. In other cases bonds have been voted and even issued in payment of bonuses for the construction of railroads which never existed, nor were intended to exist, except upon paper.

It must be perceived and kept in mind that when increased labor-power is exerted, or when more capital-forms are expended upon a superior land-form, the effect is not all manifested in the increase of labor, or capital differentials, as the case may be. A part of the increase in net value is always absorbed by land values. Although the additional labor-power or capital-forms may increase the total net value upon the superior land-form 50 per cent, yet if the same increase applied upon the economic margin would result in an increase in net value of only 10 per cent, then 10 per cent is all that will go to the producer as producer upon the superior land-form. The other 40 per cent will manifest itself as land value, and will go to the owner of the land as land owner, whether he be the land user or not. If the relation of landlord and tenant exists,

this division of the increase will immediately appear in an increase of ground rent as well as ground value. If the owner occupies the superior land-form himself, the result will be manifested only in the increased ground value of his land-form. If a tenant be the user of the land-form under a long time lease at a fixed rent, the effect will seemingly be modified, but in reality such a tenant is owner to the extent of his term. He can sell his leasehold interest at a premium or sublet at a profit. In case of a tenancy from year to year, the tenant may acquire and retain approximately the entire increase for the current year, because of the terms of his lease already made; but taken one year with another, an increase in ground rent will absorb substantially all the increase acquired over what a like exertion or expenditure would produce at the margin.

Another peculiarity of land value is that in any given case it is wholly independent of the labor-power of any particular person, be he owner or otherwise. Indeed, it is practically independent of the existence of any particular person. A vacant land-form in a great city in present conditions may be owned by a man who never saw it, never performed a stroke of productive labor in his life, and who lives on the other side of the globe. The owner may die and his heirs be unknown, but the land value is not thereby affected. The land-form may lie idle for another fifty years, and at the end of that time have double its present value. The growth of the city, the presence and labor of every man, woman and child within its limits, has contributed to this value, while the act of its owner, known or unknown, in leaving it idle has been a detriment to

surrounding property and, perhaps, even to the city itself.

It is not so with labor-forms. Some man, or some particular men, must originally exert labor-power in order that labor-forms may exist, and when produced they require constant use, care or supervision to maintain their value at all. The larger the community, the larger the relative supply of such labor-forms is likely to be, and the more likely they are to decrease in value aside from natural deterioration.

Again, land-forms which are held out of use in a progressive community not only increase in value themselves, but the fact that they are unused adds to the value of all still superior land-forms. Suppose that in any given community there are certain land-forms which are capable of yielding, with given disutility of cultivation, \$10 per acre; certain others, \$8, \$6, \$4 and \$2, respectively. Suppose, further, that at any given time all the \$10, \$8, and \$6 land-forms are occupied under present private tenure, the \$6 forms being upon the normal economic margin. Then the \$10 land-forms will yield a differential value of product of \$4, and the \$8 forms of \$2 per acre.

If, now, the growth of population requires the occupancy and use of \$4 land-forms, the economic margin falls to these; the \$6 forms yield a differential value of \$2; and the differential values of the higher forms are increased to \$6 and \$4, respectively. Let us assume, however, that under the existing land tenure the \$4 land-forms have been bought up for speculative purposes, and are held out of use for a rise in the land market. Then production must descend at once to the \$2 land-forms, and the dif-

ferential values of the superior land-forms rise \$2 per acre more than if the \$4 land-forms were open to use. Thus an abnormal condition of land tenure has increased the land differentials of the best land-forms by the arbitrary act of the owner of the \$4 land-forms in holding these out of use. This is the inevitable result of the holding out of use of land-forms above the economic margin. The values of all still superior land-forms become not merely differential, but, to a greater or less degree, monopoly values.

The effect of the increase of land values through the lowering of the economic margin from any cause is more far reaching than might at first sight appear. It must be remembered that land values go to the land owner as owner, and not as land user, or producer. This leaves to the actual producer upon a given land-form, at the most, only the net labor values and capital values available thereon. If the producer is a tenant and exerts only common labor-power, he receives but the equivalent of the marginal return; for the only differential value is that arising from the superiority of the land-form, and that is taken from him in the form of ground rent. If now the tenant, through the acquirement of special skill or the use of capital-forms, or both, increases the value of his product 10 per cent, there arises a new differential value. The tenant, however, does not retain all of this increase one year with another. The land owner, at the time of their next bargaining, increases the ground rent so as to absorb all of the increase for the next year, except what a like additional expenditure of labor and capital will produce,

if applied upon the economic margin. If 2 per cent is all the increase that will accrue upon the margin, that is all that the tenant can retain. Nor is this all. From pressure of population, the withholding of land-forms from use, or for some other reason, the marginal producer may be compelled to occupy a land-form which is 10 per cent less productive than the margin formerly occupied. In such case the land-form which was formerly upon the margin now bears a rent, and the rent of all superior land-forms, including that occupied by the tenant in question, is increased 10 per cent. The tenant is, therefore, no better off than before. What he gains in labor and capital differentials he loses in the payment of increased ground rent.

Again, a man may be so circumstanced at a given time that he acquires a certain net return after the payment of ground rent. Within a certain space of time thereafter, say five years, he acquires additional skill and uses additional capital-forms so that his increased labor and capital differentials net him 5 per cent of his former return. But it may be that in these five years the economic margin has been artificially depressed so that his ground rent has increased 10 per cent of his former net return, whereas his net labor and capital differentials together have increased but 5 per cent of such return. In such case, notwithstanding the man's diligence, his last state is worse than the first; the increase in ground rent has absorbed twice as much net value as his additional skill and capital-forms have realized. While it is true that he is still better off than if he had not acquired skill and accumulated the capital-forms, it is also true that, if the economic margin had not

been depressed, he would have retained his former return and he, instead of the land owner, would have acquired and retained the 5 per cent additional differential net value.

The user of land-forms, as user, is vitally interested in the welfare of the man who produces labor-forms of the same kind upon the economic margin.