

# Economic and Speculative Rent

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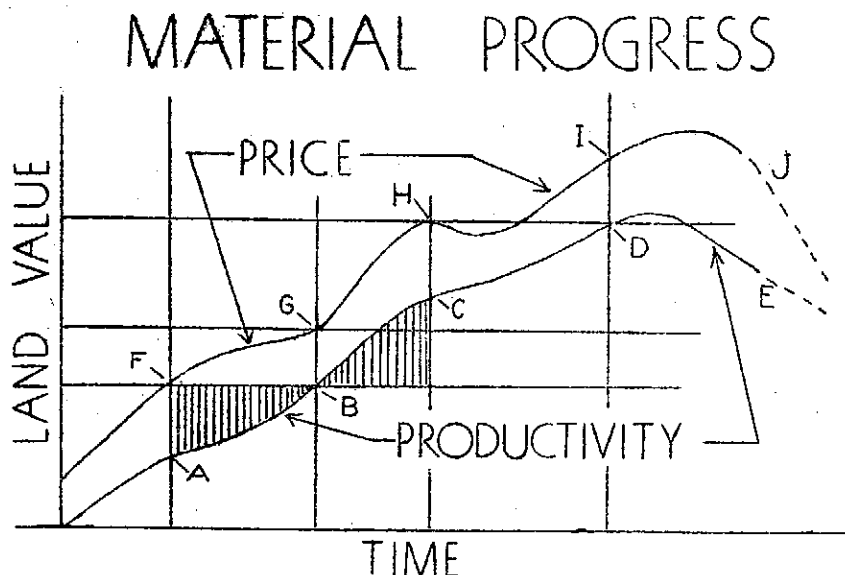
With material progress, due to cooperative industry, technological advance and improvement in the general welfare, or with a reversal of these trends, we find the eco-

the holder as long as the returns were in excess of those upon which the price line F—B was determined. It is this expectation of recovery of investment losses which justifies the long term holding of land.

We may note that a purchaser

price at which they are willing to dispose of their land. Very frequently their estimate of future need is far in excess of the need that will be translated into demand within the life time of the purchaser. That is why most purchasers of land lose on their investment. It is only when the seller makes an error in his estimate of the future need for land that the buyer at A, for instance, can recoup at C.

The curve F, G, H, I & J is very much like the bundle of hay hanging from a stick in front of the mule; its attainability is always doubtful. The greater the need for land, the greater the productivity of the community, the more disparity between economic worth of land and the speculative price put upon it.



nomie worth of land, or its productivity under application of labor and capital, will vary as shown by the Curve A, B, C, D & E. With land held as private property, however, we find that speculation in land or discounting of future increases in value will be manifested in expected exchange value or market price as shown by the Curve F, G, H, I, & J. Although all lands will not increase simultaneously or in the same degree at any given time, we may assume the curves shown above as typical and illustrative of the influence of Material Progress on Land Values.

At any given time we may find productive land value as at "A" and price or exchange value as at "F". A purchaser at that time would hold his "investment" at a loss until the benefits of material progress increased the actual value to "F" as at "B". From then on he would be making gains on his "investment" until he had recovered all his losses as at "C". After the time interval "C", there would be a net gain to

at time "B" would have to pay a higher price "G". He might recover his losses sooner but his total net gain would never be as great as that of the purchaser of another similar piece of land at "A". A purchaser at time "C" with price at "H", might be "land poor" for a longer time and possibly never recover his losses. A purchaser at "D" with price at "I" when the actual values were about to decline from repeated shocks of depressions, or interferences with production, would be caught "holding the bag".

The economic worth of land—that is, the curve A, B, C, D, & E—is the capitalized rent of land. This rent is determined by the need for land, which in turn is determined by the density and productivity of population. The measure of this rent is approximately the social services which the community enjoys.

But, the owners of land, especially in a productive or growing community, anticipate the increase of social services, or the greater productivity of society, in fixing the