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Section 2



"THE PIONEER"

Permission Metropolitan Museum of Art

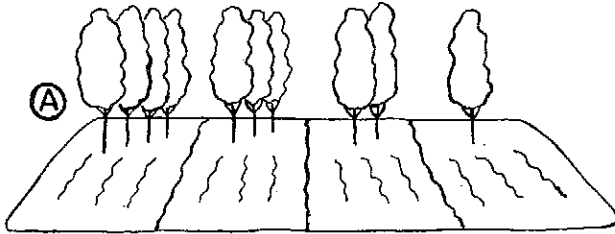
by WINSLOW HOMER

THE LAW OF RENT

Illustrated with Charts

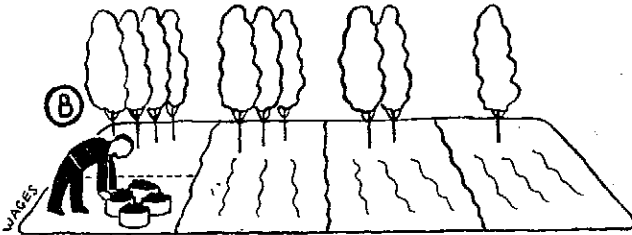
THE LAW

A - DIFFERENT GRADES OF LAND



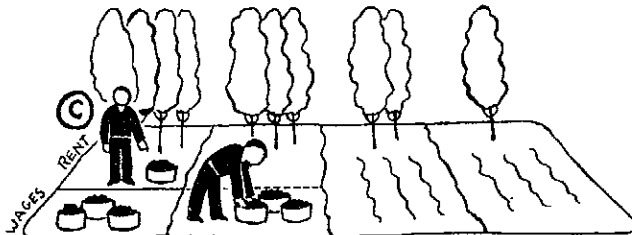
Here are four sections of a piece of land, with fruit trees. For simplicity, let us assume you can get one bushel of fruit from each tree. On the best section, where four trees are growing (at left) you can get four bushels in one day. On the next section, with the same day's labor, you can get only three bushels. On the next land two, and on the worst (at right), only one.

B - FIRST COMER - ALL WAGES



So far, all this land is free. When the first man comes to pick fruit, which land will he appropriate? Naturally, the best. The best land then is the margin of production, (indicated by the dotted line). With one day's labor he gathers four bushels. They are all his wages - the reward for his exertion.

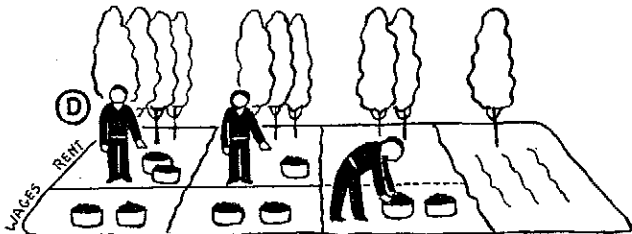
C - SECOND COMER - RENT BEGINS



The next comer has to be content with the three-tree section. (This now becomes the margin of production). With one day's labor he can get only three bushels - they are his wages.

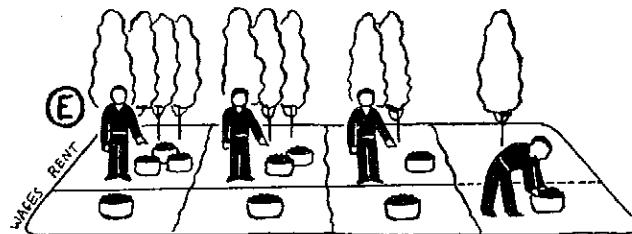
These two men work the same - still one gets four bushels, and the other only three. Why? Because of the difference of the land. The four-bushel land has a rent. Since it is one bushel superior, its rent is one (above the black line). Wages are three on both lands.

D - THIRD COMER - FURTHER RISE OF RENT



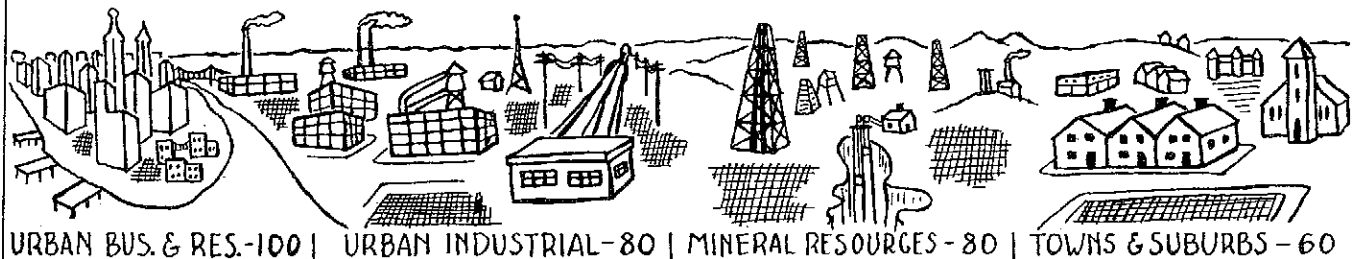
The third comer has to use the two-bushel land. (This land now becomes the margin.) The two bushels he gathers are his wages. The three-bushel land now has a rent of one, and the four-bushel land a rent of two. Wages on all lands are two. If this third comer wanted to work on the three-bushel land, its owner would give him only two as wages and take one as rent. And if he were to work on the best land, that owner could demand a rent of two, leaving two as wages. That's all the third owner could get working for himself on his two-bushel land. The rent represents what the land-owners can get without working, but solely by virtue of their ownership.

E - FOURTH COMER - ALL LAND USED



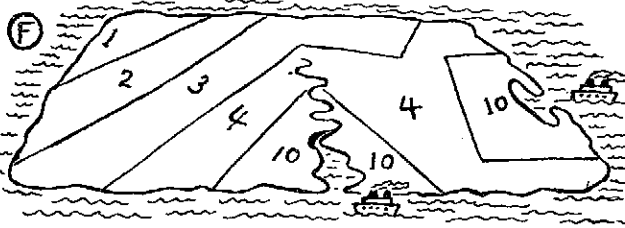
The fourth comer arrives and the only land left is the worst land, on which he can get only one bushel. Now all the other lands have a rent in proportion to their superiority over this land (which is now the margin of production.)

BELOW IS A PANORAMA OF SOCIETY SHOWING THE COMPARATIVE RENTALS OF DIFFERENT SITES.



URBAN BUS. & RES.-100 | URBAN INDUSTRIAL-80 | MINERAL RESOURCES-80 | TOWNS & SUBURBS-60

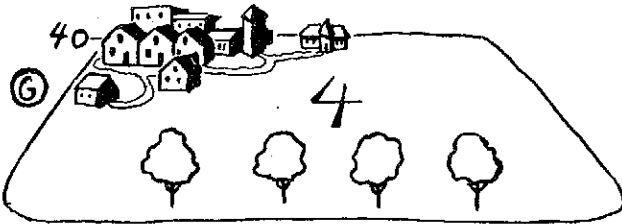
OF RENT



F - OTHER NATURAL DIFFERENCES

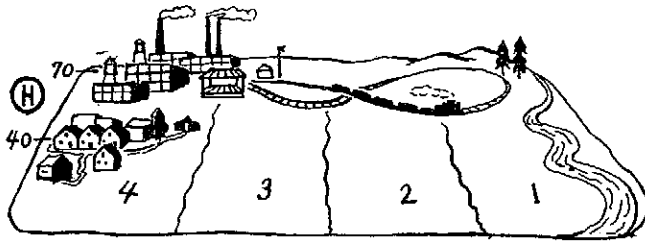
The operation of rent applies with any factor that makes one piece of land superior to other lands. There are other besides agricultural differences. The chart at left shows one, as an example. A good harbor makes land around it valuable. The land further away is less valuable.

G - GROWTH OF POPULATION



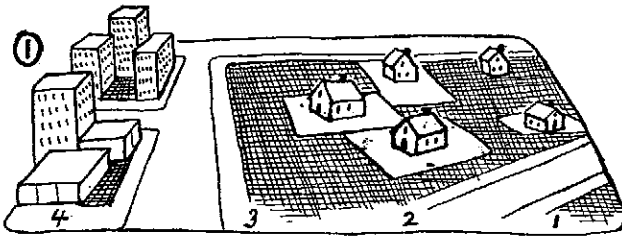
Here is a good piece of agricultural land that yields four. People settle in one section of it, and a town grows up there. Though land within the town is no more fertile than the land outside, a productiveness of a new kind has arisen. Through cooperation and specialization of labor, that section of the land is of much greater productivity. It now yields forty instead of four. If the four land were free, rent within the town would be thirty-six.

H - EFFECT OF INDUSTRIAL GROWTH



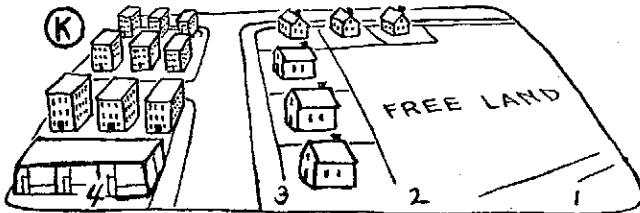
Industries grow up, new machines are invented, and much more can be produced. The productivity of industrial lands has become seventy, which is greater than the town's productivity of forty. Since more is produced, new materials are needed, and this extends the margin of production to land that yields only one. Wages then become one, and rent is the excess on all superior lands.

I - LAND SPECULATION



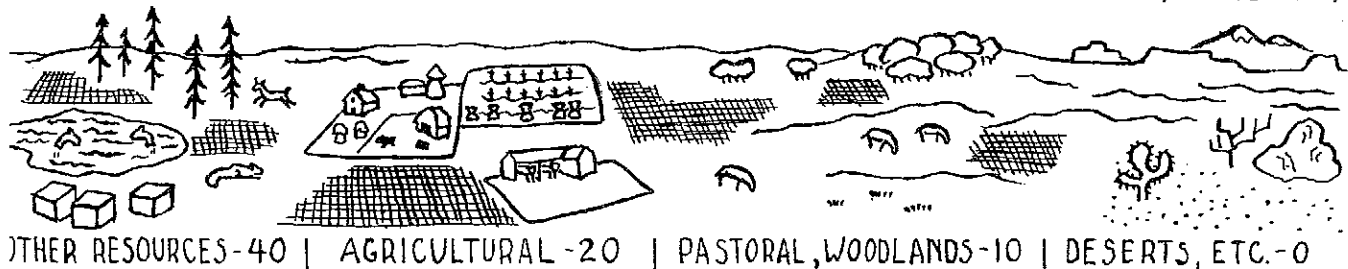
This chart shows the effect of land speculation - the keeping of land out of use for a higher price. People who wish to use land must use poorer lands, because the price asked for better lands is too high. This artificially forces rents up further, and forces wages down. The shaded area represents land held for speculation.

K - SPECULATION ABOLISHED



If there were no land speculation, people would use land whenever it was needed. There would be no artificial obstacle. This would cause only the best lands to be used. There would be no overcrowding and no sparseness of population. Rents would advance normally, and wages would not be forced down.

THE FIGURES ARE PURELY ARBITRARY. (THE SHADED AREAS REPRESENT SPECULATION, AS ABOVE.)



OTHER RESOURCES - 40 | AGRICULTURAL - 20 | PASTORAL, WOODLANDS - 10 | DESERTS, ETC. - 0

THE LAW OF RENT

(Figures in Brackets refer to pages in "Progress and Poverty")

Rent is that part of wealth paid for the use of land. (32-33 and 162)

Rent arises when someone is willing to pay for the use of land. (166)

Rent does not arise from the productivity of the land. (166)

No piece of land can have a value if there is other land of equal productiveness that can be had without cost. (166)

Rent of land is determined by the excess of its produce over that which the same application can secure from the least productive land in use. (163)

Since rent, wages and interest are the three avenues of the distribution of wealth, the share that goes for the use of land determines what is left for wages and interest. (167)

If a man can employ himself, the lowest wages for which he will work for others is what he can make working for himself. (205)

The fundamental occupations are those which procure wealth directly from nature. (210-212)

Where land is free and labor is unassisted by capital the total produce will go to labor as wages. (206 and 213)

Where land is free and labor is assisted by capital, the whole produce, less that part necessary to induce the storing up of labor as capital, will go to labor as wages. (213)

Where land is subject to ownership and rent arises, wages are fixed by what labor can secure at the margin of production. (213)

The margin of production is the highest point of natural productiveness to which labor is free to apply itself without the payment of rent. (207 and 212)

The effect of increasing productive power is to increase the demand for land, thus tending to lower the margin of production, and therefore to increase rent at the expense of wages and interest.

Therefore, as material progress increases, and rent advances, the tendency of landowners is to expect further advances - and to hold land out of use. (255)

The effect of land speculation is to force the margin of production farther than required by the necessities of society, thus increasing rent at the expense of wages and interest. (256 and 259)

Wages and interest do not rise in proportion to increasing productive power because rent absorbs an ever-increasing share of the wealth produced. (216-222)