

as to be considered a part of it, to tax them now would not discourage future improvements. Today, improvements made on land, leased for that purpose, revert to the land owner on the expiration of the lease.

Another objection made by Gide was that if society profited by all gains in the value of land, on the ground that they were due to no exertion or sacrifice on the part of the owner, it should, in justice to him, make good all losses arising from the decreased value due to social causes. This hardly seems worthy of Gide's analytical abilities. If the owner used the land he would not suffer, because then his tax would be smaller. However, if he speculated in land he would lose. We know that Gide was unalterably opposed to land owners who did not use their land themselves for productive purposes. His defense of land speculators, then, indicates how badly muddled he was at this point in his analysis. It is evident that he did not realize fully to what extent the speculation in land held land out of use. He believed that the present popular and legal conception of land as property permitted the easy transferability of land which he considered beneficial to society. He thought that when millions of people, as in the United States, had the opportunity of sharing in this monopoly of land, the evils were minimized. On the contrary, they are intensified. This easy transferability has led to terrific speculation, sending land values to abnormal heights and making it difficult for producers to obtain access to land.

Gide claimed that taxation of rent would amount to confiscation of the land itself, and that owners should be compensated. While it appears unfair that people who were permitted to buy land in good faith should suffer, it would not be practical to compensate them for more than the amount of money they had invested in improving the land. If the State bought the land, the value of which in the United States amounts close to two hundred billion dollars, the burden on labor and capital would be greater than it was before until it had all been paid for. In other words, the injustice to the many would be perpetuated.

To conclude, then: Gide admitted that the private appropriation of land-rent was unjust. However, because it is impractical to compensate the few for the injustice to them, the injustice to the many must be perpetuated and labor and capital continue to suffer. This is rather weird reasoning, to say the least. If the people in this country had been guilty of such reasoning in connection with the slavery question, negroes today would be held as slaves on the Southern plantations. Once they were enlightened, they did not believe in temporizing with injustice.

I have shown that Gide could not avoid definite convictions on disputed questions in the science of political economy, and I believe I have succeeded in proving that they were not the logical conclusions of his analyses. This is not to say that his analyses were entirely correct. What

I mean is that, like a motorist, he came to certain cross-roads and, falling into confusion at these points, chose the wrong direction. This caused him to lose faith in the power of natural laws to produce economic and social equality. It is to be hoped that some of his pupils at least, inspired by the very interest and curiosity he unquestionably aroused, have avoided the wrong road and pressed onward in a determined effort to seek the truth.

RAYMOND V. McNALLY.

Rent and Price

CONCLUDING ARGUMENTS ON THE SUBJECT BY L. D.
BECKWITH AND OSCAR H. GEIGER

WHATEVER contributes to a clear comprehension of economic principles contributes to harmony in our ranks.

It was to clear away a misunderstanding regarding Emil Jorgensen's book, "The Road to Better Business and Plentiful Employment," that I contributed to the last issue of LAND AND FREEDOM. My purpose was to show how the conflicting opinions regarding that book are reconciled once certain economic principles are comprehended.

In that article, which will be found on page 116, I argued that while it is true that such rent as may represent one's own obligation to Society—that is, one's "tax"—cannot be passed on, and so can never be a part of price, still it is also true that some rent can be passed on and is a part of price. In other words, both parties to the controversy can be right.

The weakness of the reply made by Oscar H. Geiger (page 119) is two-fold. First, he begins with a conclusion and seeks to justify his position by arguing back to the premises. Secondly, he confines himself almost wholly, if not exclusively, to a consideration of rent paid on the bounty of Nature, which is not an item of cost and can never be a part of rent, and ignores correspondingly that rent which is paid on the bounty of Society and is an item of cost and may be a part of price.

It is the failure to keep these two kinds of rent in mind that has made this controversy possible. We are all in agreement regarding rent paid on the bounty of Nature. The trouble arises because some of us overlook the fact that only part of the rent is paid on the bounty of Nature and that the rest of the rent is very different in certain vital respects.

In my article I argued that, in the case of a merchant, some of the rent should be paid by the customers and is passed on to them in price. Mr. Geiger argued in his reply that rent is a joint creation of the members of Society who, by their presence and by activities inseparable from their membership in the community, make sites in that locality valuable, and that every member of the community has by that presence and those activities paid in full and in

ance for all service rendered him at the expense of the fund; so there is nothing more for him to pay.

Mr. Geiger could show that the entire value of the site is due to the presence of the population and to actions which are inseparable from their membership in the community, and not to any special relationships distinct from and additional to those unavoidable relationships of citizenship (or residence), then he would be correct. But he cannot do that.

Regarding the establishment of homes, the maintenance of those homes and the raising of families are instinctive. Responding to this instinct a member of Society contributes unavoidably to the community rent fund, even though he may have no interest in that fund and knowing of its existence and be unaware of his contribution; for he does what he does as an individual, without partnership arrangement expressed or implied.

Neither the State nor the neighbors participate in the establishment of homes, nor in their maintenance. But something very different from this is necessary, if we have stores, banks, newspaper offices, hospitals, churches, for all these depend upon a partnership arrangement between those who establish these institutions and those who patronize them.

The public gets the land value and the rent resulting from the establishment of homes without having to contribute directly to their support; but not so in the case of the rent on these other institutions. This obligation on the public to support these institutions is not, of course, a legal obligation; but it is something even more binding than that, for it is a decree of Nature herself. Her decree is very blunt and quite pitiless. It is, too, as curt as brusque and merely: No patronage, no store!

And this support must be rendered consciously, deliberately and additionally to that which Mr. Geiger described, as a service separate and distinct from it. Our financial, scientific and professional institutions are partnership arrangements between those setting them up and those patronizing them. And the patrons are held to the strict fulfillment of their obligation by the natural laws of economics. Mr. Geiger is correct in saying that each member of the community makes an unavoidable contribution to the community rent fund, and thus pays in advance and in full for service; but this service is the service financed by the rent that is unavoidably engendered. It does not include the service of stores, banks, professional offices, which is a service special, separate and distinct from and additional to the service unavoidably involved in residence and citizenship.

The conduct of stores is not an act unavoidably connected with residence in a community. Nor is the patronage of any given store, if indeed any patronage is unavoidable. It is additional, special, contractual and optional.

One may fulfill all the conditions of unavoidable relationships of residence and citizenship of which Mr. Geiger speaks and yet find ourselves on Nature's C. O. D. list

and compelled to pay more rent, cash on delivery of the service if we would enjoy the advantage of these stores and other institutions of that character. Our unavoidable participation in the life of the community does not pay that bill.

The question here is not whether the patrons should pay all of the merchant's rent, but whether they should pay their own partnership proportion of the rent expense of the service they receive.

It is understood and agreed that the merchant cannot evade his part. The question is whether the non-landowning patrons can evade theirs.

I hold that, in a free market, neither party can evade his proper share of that rent; that the merchant could not pass his portion on to his customers in price, and that the customers could not avoid paying their portion in the price of their purchases.

Nor do I see why any Georgist should hesitate to admit that this is so. Suppose a community without sewers or garbage disposal service, in which residents were put to personal inconvenience and expense to provide this necessary service. What that service cost them would, of course, be an expense. Suppose now that the community installs sewers and an effective garbage disposal system. Immediately the place is more desirable as a place of residence and land value and rent rise. Residents are saved the inconvenience and expense of providing their own sewer and garbage service, and pay for that advantage in increased rent. By what logic can it be maintained that the expenditures that formerly appeared on the books as sewer and garbage outlay but which now appear there as rent have ceased to be an expense and a part of the price of living? How can this item be in any way an exception to the usual rules governing costs of operation?

To sum up: The controversy over Jorgensen's book results from a lack of clearness in economical vision. It will subside as we see more clearly. Some rent is paid on the bounty of Nature; it is not an expense and cannot be a part of price. Some rent is paid on the bounty of Society; this is always an expense and may be a part of price. In a free market no one can pass to another his own obligation to Society, nor evade payment of his own obligation when it is passed to him. A storekeeper must pay his part of the store rent, and so must his patrons pay their part; for the conduct of a store is not one of those instinctive acts inseparable from membership in a community, but is a special act distinct from and additional to the unavoidable relationships of membership in the community.

L. D. BECKWITH.

* * *

REPLY

In the foregoing contribution Mr. Beckwith says: "While it is true that such rent as may represent one's own obligation to Society—that is, one's tax—cannot be passed on and so can never be a part of price, still it is