The Rent Nobody Pays —By MARSHALL CRANE

WHAT is rent? Probably all of us know the answer to this question, in at least one sense in which the word is used. Not long ago I polled some of my friends on the subject. One of them simply refused to discuss it.

"It's twenty-two per cent of my income, that's what it is," he mourned. "Before taxes!"

But the others told me variously that it is the cash we shell out periodically for the use of the quarters in which we live; or, more loosely, that it is the cost of the use of any property, as when we rent a car for the week end; or that it is the income received by the owner for the occupation and/or use of real estate. One to whom I had recently loaned my extra copy of *Progress and Poverty* announced triumphantly that it is the difference in the potential income of any piece of land, exclusive of improvements, and that of any similar plot of the least profitable land in use.

There is really nothing confusing about any of these definitions. No two are quite the same, but lining them up together serves rather to bring out and emphasize the differences between them than to make these less plain. It should not be too hard, when we speak of rent, to know exactly what kind of rent we are talking about.

Nevertheless, many of us do confuse the varieties of rent, even when we think we have them all plainly tagged, and I think this is particularly true when we attempt to test the validity of abstract economic principles by empirical criteria, when we think we are getting down to brass tacks by checking with what we call "reality."

Why should this be so? Well, it seemed to me that it is because abstract, general principles, the substance of any economic philosophy, are, and must be, simple statements. They are drawn in black and white. They state truth in plain, general terms, without the gray shadings of pluses and minuses, of good and evil, if you will, which always are present in any actual instance taken from reality, even the fictitious reality so often presumed from the imperfect fund of statistics at our disposal. And this is why "theories" are so often scorned by the soi-disant realist, the "practical" economist.

Paradoxically, it is in just this sharp, apparently so impractically uncompromising definition of values, that the strength of the general concept lies, and its practical utility as well.

Recently in The Henry George News we have been reading articles (darn good ones, too!) on the effect upon rent of monopolies, of various sorts. The impression has been given—perhaps unintentionally—that these monopolies, of labor, of commodities, of privileges of all kinds, of the right to tax, etc., have a direct effect upon economic rent.

But while it has been more or less conclusively demonstrated—the proof was good enough for me, anyway—that monopoly profits are realized at the expense of rent, I submit that a glance at the four definitions given in the first paragraph of this article show beyond any doubt that this rent is not economic rent, and cannot be. (I have just checked my friends' definitions with those approved by Funk & Wagnalls, Webster, and Henry George.)

Of course it is obvious that the second definition refers to the "rent" of commodities, which is not rent at all in any sense used by any economist. The first and the third apply to the monies received by the landlords of houses, apartments, farms, factories, mines, quarries, etc., all over the country. These include contract rent and speculative rent, together with improvements, which are properly capital.

These three types of rent have one important characteristic in common. They are all money—or in exceptional cases, goods—paid to somebody. They are part of the process of distribution.

On the other hand, the fourth variety, economic rent, is not money or wealth at all. It is a relationship, in the same sense that a mile is not a distance, but a measure of distance. It is not wealth—something which has been produced—but rather a proportion of something which could be produced. The contract rent of a piece of land could conceivably be exactly equal to its economic rent (what a dream!), but the money received by the landlord would still be contract rent.

The Perfect Balance

Economic rent, in fact, is not income at all It is not an item of distribution, but a criterion of distribution, and it is governed by production alone. The same thing is true of economic wages and economic interest.

The most equitable economy is that one in which contract rent, wages and interest are most nearly equal to economic rent, wages and interest. The basic doctrine of the French Physiocrats, which strongly influenced many economists from Adam Smith on, and to which Henry George subscribed, was the principle that this approximation is most perfect where industry and trade are most free from artificial restraints, and most free to react to natural economic checks and balances.

Monopolies of all kinds do indeed affect economic rent indirectly, as must anything which interferes with free and spontaneous enterprise, with the natural play of markets, and with consumer buying power. But as direct factors they must be regarded simply as added, and perhaps inevitable complications of a system of distribution which was already basically imperfect, and which, moreover, have not altered in any way the nature of that essential imperfection.

Like all other legal and illegal forces, which limit our freedom, they are enemies to be fought at every opportunity. But as mere receivers of stolen goods, they stand in the second rank of the economic underworld. No one of them can ever challenge the land monopoly for the title of Public Enemy Number One.

Money is an article which may be used as a universal passport to everywhere except heaven, and a universal provider of everything except happiness.—From the Wall Street Journal.