THE LAW OF NATURE IS PERFECT

EDITOR LAND AND FREEDOM:

IN your September–October number you print a letter from our comrade, S. Tideman, which leaves room for at least two question marks. He declares that the expression, "Take the whole rental value of land runs outside reason," and continues that it is impossible to do so, and even if possible, it ought not to be done.

As to his first statement; present landholders find no difficulty in taking the whole rental value of land, and just why a change of the collectors of this rent would work some subtile change in its nature that would place its entire collection outside reason is not at all clear to me. At any rate, this statement is not of the nature of an axiom, hence its acceptance awaits demonstration. Just why should it be harder to effect the collection of the entire rental value when it is received by its rightful claimant, society, than when diverted into the pocket of a land speculator?

As to his second statement: Again I must ask *why* it ought not to be done? Men are now paying the entire rental value of land for the privilege of its occupancy, in many cases much more than this, since they must pay a speculative rental in addition to economic rent; and they give no evidence that they account themselves wronged by such payment. Wherein would they be wronged, then, if they paid society in full for the service conferred upon them by society? Is wrong more in accord with "the sublime order of nature" than right? If an individual man extend me a service, I feel no sense of wrong when he collects in full for that service. In fact I agree with Emerson that he can ask me less only upon the assumption that I am his inferior; why, then, should I expect society to extend me a service and not exact payment in full?—a service that is exactly measured by the rent of the land I occupy.

Nor can I assent to the statement that "a man, in making improvements on his land does so on the assumption that it will be worth more to him than it cost." Is the antecedent of "it" land or improvements? This is somewhat ambiguous. If he means the land is expected to be more valuable, I answer that he cannot possibly make enough improvements on the land to influence its value in the slightest measure. If he means the improvements will be more valuable to him than their cost, I think we all wi l agree with him; but as no one who understands economics will account an assessment against such improvements covered by the term, rent, I fail to see the pertinency of this statement to the matter he is discussing. The man who improves land, does so on the assumption that his improvements will increase the effectiveness of his industry as applied to that land; only the speculator desires to make anything from the increased value of land, and he distinctly declares that, "speculation should, of course, be taxed out." Every industrial effort man puts forth is, of course, made on the assumption that the results he seeks will be of greater value *to him* than the cost of the effort, otherwise he would not make the effort, but this does not imply that he must secure his goods, or services, for less than their market value. If two men trade horses, each expects the horse he is getting to be worth more *to him* than the horse of which he is disposing; and it is wholly probable that each will be advantaged, as he expects, by the exchange; but this advantage does not at all depend upon either of them securing his new horse for less than its full market value. And it is this expectation of advantage that accounts for all commercial activity—the exchange of what men have for what they would rather have; and we need have no fear that the removal of opportunity for receiving social service for less than it is worth will occasion the loss of "all incentive to social progress," any more than we need fear that men will refuse to eat when hungry unless they can secure personal service for less than it is worth. This matter is all taken care of in that supreme law of economics, that men seek to satisfy their desires with the least effort. It just happens to be a fact that "The law of the Lord (Nature) is perfect."

Marathon, Iowa. T. J. KELLEY, M. D.

STEP BY STEP TO NOWHERE

EDOTOR LAND AND FREEDOM:

Referring to the article by Bolton Hall, "Step by Step to Nowhere," in the last issue of LAND AND FREEDOM, and your invitation for contributions on the subject, I offer the following:

Assuming the rate of interest at 5 per cent the lot that rents for $30 a year will always be worth $1,000. Whether you call that the capital value or call the selling price the capital value, the real value will be $1,000 as long as it rents for $50 and the rate of interest is 5 per cent.

The real value of a lot of ground can be determined by adding the rent capitalized at prevailing rate of interest to the selling price and this should be the basis on which to levy the tax. The tax on this particular lot will always be $30 so long as the rate of taxation remains 3 per cent.

Of course the same result could be obtained by making the rental value the basis of taxation and making the rate 20 times 3 or 60 per cent, but this involves an unnecessary departure from established methods of taxation and it does not seem to be good policy to depart from established methods when unnecessary and no particular advantage is to be gained thereby.

Besides some lots are not rented and have only a speculative value, and it seems easier and more practical to arrive at a selling value than a rental value.

I can not agree that we should wait until education has brought people to the consciousness that land values belong to the people and then determine to take them. That would probably be a long wait. Progress can best be made by the step by step method. Education is a step by step process and can best be furthered by the aid of concrete examples of gradually taking more and more of land values in lieu of other taxes, rather than by the teaching of abstract principle alone. People will accept the principle as they see it gradually being put into practice.

Glenolden, Pa. FRANKLIN SMITH.

ECONOMIC RENT

EDITOR LAND AND FREEDOM:

Mr. Emil Jorgensen's contention that rent enters into "price" is quite evident when considering the rent paid by tenants of residential property. Rent does enter into the price paid for occupying a flat or a residence.

The tenant of a residence pays for two services; one of a private nature, the use of a building; the other rendered by the community. The private service permitting the occupancy of a part or the whole of a building, warrants a return (interest) for its use and justly so; ground rent, likewise, is a just payment for community services rendered.

The tenant of a residential building cannot shift economic rent to another person, because he is the consumer (beneficiary) of community services.

An occupant or renter of a store, like the occupant of a flat or residence is a consumer of public or community services, and cannot shift the economic rent (cost of community services) to another person, by including it in the price of his merchandise. The economic rent paid by the merchant is a deduction from the gross profits of his sales; the net profits consisting of interest, the reward due capital employed and of wages for his personal services, i. e., labor.

Quoting Louis F. Post from memory: "Distribution of wealth is perpendicular and price is horizontal." "Price enters into rent, but rent does not enter into price."

The old maxim, "The consumer (tenant) is the ultimate payer," still holds good.

Chicago, Ill. ALEXANDER PERNOD.