

## CHAPTER II

# Natural Rights of the Individual

ALL OF US are interested in how wealth is produced, and because most of us are workers we are interested in how much of the total wealth produced is distributed as wages. Since we will consider wealth, wages, interest, ground rent, land value, etc., it will be necessary to define the terms.

**LAND.** In economics the term "land" includes all natural resources. Waterfalls are used to make power. Waterfalls are a part of natural resources and are included in the term "land." The same is true of harbors and rivers. Land is the raw material of all wealth, but since it is provided by the Creator it is not wealth.

**WEALTH** consists of material things produced by labor from land to satisfy human desires. This definition excludes evidences of wealth from wealth. The man who owns U.S. bonds may be wealthy, but no one would say that U.S. bonds are wealth. If all the bonds outstanding were destroyed, the wealth of the United States would not be changed at all. What the bond-holders would lose, others would gain.

**CAPITAL** is wealth used to produce more wealth. Farmers today produce many times as much as their grandfathers did on the same land. The reason for this is the use of better machinery at the present time.

**WAGES** are the payment for labor, either by hand or brain. The gold the Forty-Niners gathered from the creeks in California were their wages and were so called. The crops the farmer raises are his wages after he has paid for the use of the land and for the use of the machinery he uses. Most wages are paid by the employer to the employee for labor, usually in money at regular intervals.

**INTEREST** is what is paid for the use of capital and includes more than is paid to a bank as interest on a loan of money. The farmer or contractor rents machinery. What is paid is interest. Most of ordinary house rent is interest.

**GROUND RENT** is paid for the use of land. The term "ground rent" is not much used in ordinary conversation, but it is very real and important. Ground rent is produced by the presence and activity of the community.

Since this book is a discussion of the origin and proper use of ground rent, it is well to get a clear idea of what it is and how our man-made laws treat it.

After the Dutch founded New Amsterdam, the population of the city at the south end of the island increased the value of crops raised on a farm in the middle of the island. This made it possible for the owner of the land to get a higher rental for his land than he could get before the city existed. As the population increased, the land could be of more profitable use as a location for a factory than as a farm, and the owner of the property could get an increased rental. At the present time, the population of the city and country has grown so that it pays to cover the old farm land with office buildings of 30 and 40 stories, and the rental of the land approaches \$1,000,000 per acre a year.

At present, our man-made laws foolishly permit the landowner to collect this rental. It is obvious that the ground rent approaching \$1,000,000 per acre per year is due to the presence and activity of the ten million people of New York and vicinity.

LAND VALUE is ground rent capitalized. The community, by its presence and activity, creates annual ground rent in a piece of land. Our man-made laws permit the landowner to collect the ground rent and any future ground rent on the land he buys. If the ground rent is \$500 per year on a piece of land, the purchaser would be willing to pay about 20 times the yearly income for the land. The capital value of a good bond paying \$500 per year would be about 20 times \$500, or about \$10,000.

The writer owns stocks in three companies owning buildings built on land that pays ground rent. The buildings belong to the companies, the land belongs to someone else. The company pays ground rent quarterly for the use of the land. I understand that the habit of building houses on land that pays ground rent is much more common in England than in the United States.

Ground rent is due to the presence and activity of the community. Whether the ground rent is collected at one time as the purchase price when the land was sold, or whether it is paid several times a year, it is clear that this *ground rent belongs to*

*the community.* The fact that our man-made land laws foolishly give this ground rent to the ground owner instead of to the community does not alter the fact that ground rent, by the nature of things, belongs to the community that creates it.

Land value is artificial, unnatural, and would not exist if justice were done. Land value is the legal privilege given by our man-made land laws to the landowner to collect the ground rent on a piece of land for all time. This ground rent is produced by the community and, therefore, belongs to the community, and should be collected for government expenses. *Land value is the value of the privilege of appropriating by the landowner the ground rent that belongs to the community.*

A hundred years ago in the South our man-made laws permitted the master to appropriate what the slaves produced. In this way slave value appeared.

We are so used to land having selling value that we regard it as natural and right. Most of my readers will have to think about it for quite a while before they could accept the statement as true that land value is as unnatural, artificial, unjust and wrong as slave value.

Land value rises as population increases, because the increased population provides a market for the products of the fishermen, farmers and manufacturers. This increased population increases the demand for the fish, food, and manufactured articles, and they sell at higher prices than they would bring if they had to be shipped to distant markets. These increased prices of products of the land appear as land values when the landowners are allowed to collect the ground rent that the presence and activity of the community creates in the piece of land. It should be kept in mind that production is not complete until the product is in the hands of the final consumer. In other words, the cost of selling is part of the cost of production.

In any community there is a best location for supermarkets, and a best location for a large dry-goods store. These best locations for selling are best because the cost of selling in these lo-

cations is less than in other locations and, therefore, the total cost of production is less.

This advantage in location appears as land value when the landowner collects the ground rent that the presence and activity of the community create and would show up as increased ground rent for the community if the community collected what belongs to it.

The best location for an office building in a large city may be worth nearly as much as the cost to put up the building.

For thousands of years, governments have provided roads for the movement of persons and goods. Suppose the government collected toll from all these roads? Suppose further the government, instead of using these tolls for part or all the cost of government, should allow part of the community the privilege of keeping these tolls for itself.

The privilege of collecting the tolls from any particular mile of road would be valuable. The privilege of collecting the tolls on a mile of road with heavy traffic would be worth more than one with light traffic. Suppose further that our man-made law gave the privilege of collecting these tolls to the ablest five percent of the population. This privilege of collecting the tolls from any particular mile of road would be property which could be bought and sold. The privilege of collecting the tolls from many miles of very heavy traffic would be worth millions of dollars.

The community provides many valuable services to the landowner. If the landowner is a farmer, the community provides him with roads, usually free of toll charges. It provides him with free schooling for his children. It provides free transportation for his children, to and from school. It provides him with expert advice on the best seed to plant. It tells him the best way to get rid of insect pests. It provides him with more or less accurate weather forecasting. It is beginning to tell the farmer how to control hail and rain. It provides mail service, which is worth many times its cost. It provides protection from cattle rustling. In short, it provides the civilization to which he is accustomed.

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Important as these things are, the community provides the farmer with something of even greater importance. The community provides a market for the food the farmer produces. Vast as this market is, it is reasonable to expect a market twice as great in fifty years, as the population increases.

If the landowner lives in the city, the community provides him with even greater service than it does the farmer. To the landowner who lives in the city, the community provides water for a small fraction of what it would cost to provide it himself. It provides sewage, which, in most cases, he could not provide for himself. It provides theatres, churches, libraries, museums and baseball parks. The city provides the best restaurants, the best music, the best preachers, the best sports and the best theatres. What the community provides is the reason why an increasing number of people live in cities.

Experience shows that most manufacturing and business are done in cities. When the city community attracts manufacturing and business for the city landowner it is of great importance for him. The manufacturer has to go to the city landowner for a site for his factory. The employees of the manufacturer and all his salaried help have to go to the city landowner for land on which to build their houses. The businessman has to go to the city landowner to provide a place to put up an office building. The grocer has to go to the city landowner to find a place for his supermarket. The services rendered by the community to the city landowner—or, to put it another way—the benefits rendered by the city community to the city landowner are of controlling importance.

These services or benefits are measured by the yearly ground rent people are willing to pay for the use of any particular piece of land. When a landowner is allowed to collect this ground rent for himself, as he is by our present man-made laws, the benefits are measured by ground rent capitalized, or by the selling value of the land.

It is easy for us to see that tolls on toll roads should be collected by the government, because we are accustomed to this

practice. If we think about it, it is just as clear that the charges for the services rendered or the benefits provided by the community for the city landowner should be collected by the community. Is it not clear that the community is defrauded when anyone else gets ground rent the city community produces on the piece of land, just as much as the government would be defrauded when a toll collector pocketed the tolls instead of turning them over to the government?

Is it not clear that what a man produces by the application of his labor and capital to land is his, and no one, not even the government, has any right to it; and is it not equally clear that ground rent belongs to the community, because the community created it, and no one, not even the landowner, has any right to it?

The fact that the government at the present time takes part of the ground rent from the landowner by taxes on the value of his land, simply demonstrates that the government had taken only part of the ground rent the landowner has taken from the community. If the government had taken all the ground rent, there would be no ground rent left for the landowner to capitalize and, therefore, no selling value of the land.

This analogy between collecting tolls on roads and collecting community-created ground rent is not perfect, but it is clear that the ground rent produced by the presence and activity of the community belongs to the community just as much as the tolls on a road provided by the community belong to the community.

It is clear that tolls on a toll road belong to the government as representing the community that furnishes the roads. If the collector pocketed the tolls, that would be stealing. It would be stealing even if our man-made laws made it legal to keep the tolls they collected. Slavery was wrong. Slavery in the South was just as wrong a hundred years ago, when it was legal, as it is now.

Natural law declares that what a man produces on his land is his because he produced it. It is stealing for someone else to take it. It is stealing for a master to take what the slave produces even if our man-made laws declare that it is legal. It is steal-

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ing even if the master has been taking what the slave produces for thousands of years so that everyone is used to the practice, and regards it as natural. The damage to the slaves is the natural result of making something legal that from the nature of things is wrong.

Our present man-made laws make the landowner the collector of ground rent. They also allow the landowner to keep what he collects. Are not laws that allow the landowner to keep the ground rent he collects just as unreasonable and wrong as laws which would allow the collector of tolls on toll roads to keep what he collects?

There are many places in New York City where the ground rent is \$100,000 per acre a year. Such land would have a selling value of approximately \$2,000,000 per acre. We would all agree that the land value is due to the presence of business of the ten million people that live in New York City. Is it not equally clear that the \$100,000-a-year ground rent belongs to the people of New York City, and not to the landowner who has the legal privilege of collecting it?

In a country where toll roads were built by the government, the tolls should be used to pay for all or part of the expense of the government.

The ground rent is produced by the community and, therefore, should be collected by the government and used to pay all or part of the expense of the government.

The privilege of collecting ground rent is unnatural property made possible by man-made laws, making it legal for the landowner to collect what is produced by the presence and activity of the community and which, therefore, belongs to the community. This ground rent is the natural source of revenue for the community.

It is evident to all of us that tolls on a road built by the government belong to the government, and that the government would be defrauded if they were collected by someone else.

For thousands of years our man-made law has given the

ground rent to the landowner, and we are so used to it that we look upon this practice as natural. At the present time it is radical to suggest that the ground rent the community produces belongs to the community, and should be collected by the government for community expenses.

Is it not as clear that ground rent belongs to the community as it is that the tolls on the road built by the community belong to the community?

In a civilization where all the roads were toll roads, let us suppose that the tolls on the road are great enough to pay all the expense of the government. If the government allowed a minority of its citizens who have very little interest in the goods being transported on the road to collect all the tolls for the benefit of the collectors, the government would have no income from the tolls. Would the fact that the government has no income from the tolls justify the government in covering its expense by taxing the goods being moved over the roads?

At the present time something very nearly like this is part of the law of the United States—our government allows landowners, a small minority, to collect ground rent and levies heavy taxes on that part of the wealth of its citizens which remains after the ground rent has been paid to a minority which does nothing to produce it.

In a civilization where all the roads were toll roads and a small minority of its ablest citizens were allowed to collect these tolls, there would arise an unnatural property. The value of the toll collected on a mile of road would be many thousands of dollars every day if the traffic were heavy. The selling value of the privilege of collecting the tolls on a certain mile of frontage for all future time would be worth about twenty times the amount collected annually. This might be thought of as mile value.

Consider our present society, where a landowner is allowed to collect community-created ground rent. The value of the privilege of collecting ground rent for all future time results in land value.



## HOW DOES LAND VALUE ARISE?

Our man-made land laws, descended from the dawn of history, give the ground rent to the landowner. This seems natural to us because it has continued for thousands of years and because we are used to it. We have seen that ground rent is created by the community. If so, it belongs to the community, and if collected by the community, land values would disappear, for land value is the value of the legal privilege given by our man-made laws to the landowner to appropriate for himself that which by the nature of things belongs to the community. The air, land, and sunshine were provided by the Creator for all of His children. Why should anyone have to pay for the use of land? If the community that owns ground rent collected it for the expenses of government, the land would be free of purchase price, as air and sunshine are now.

If some man would propose to charge other men for the use of the air we would instantly recognize the proposal as unjust and wrong. Land is just as much a gift of the Creator to His children as air is. Man cannot live without land any more than he can live without air, and when land has high selling value as it has now, the non-landowner is compelled to pay the landowner a considerable part of the wealth he produces for the use of the land. In this way one of the most important rights of the individual is denied. That is the right of the individual to the wealth he produces by his labor. In a later chapter I have estimated the ground rent of the United States at seventy-five billions of dollars a year. If this estimate is correct, and the population of the United States is 160,000,000, ground rent costs each individual in the United States \$1.29 per day. This ground rent belongs to the community, not to the landowners.

Our man-made land laws compel the non-landowner to pay \$2,340 per year for a family of five. Not only does the landowner take a large part of what the ordinary worker produces, but the government levies taxes on its citizens. A substantial part of these taxes are excise and sales taxes that everyone pays. A tax on gaso-

line costs a poor man just as much as it costs the richest man. In the next chapter I hope to show that the government has a natural source of revenue which makes it unnecessary to levy taxes on the wealth of its citizens.

*If the ordinary worker could buy land for practically nothing, as he could do if the community collected its ground rent, and kept what the government now takes from him in taxes, his net income would be much greater than it is now.*

Ordinary house rent is partly ground rent and partly interest. If a house costing \$10,000 is put up on a lot costing \$2,500, one-fifth of the rent is ground rent and four-fifths interest. Over the world, as a whole, there are many more tenant farmers than farmers who own the land they use. In the United States a tenant farmer pays about one-third of the crop for the use of the land. In many places in the world this proportion is as much as 75 per cent. What the tenant farmer pays for the use of the land is "ground rent."

A hundred years ago when 80 per cent, or more, of us were farmers, it was obvious we had to have land in order to live. At the present time, when only 13 per cent of us are farmers and, therefore, only 13 per cent have to have land directly to live, the necessity for paying people to use land is not so obvious—but is just as real as it was a hundred years ago. Most of the people in our manufacturing establishments do not work on land directly. They work on partly finished products of the land to make them more valuable.

Men are born with certain natural rights. Our laws should make these natural rights legal rights. We are born with lungs and stomachs. The Creator has provided air for our lungs and land from which, by labor, we can produce the food our stomachs require. Everyone has a natural right to air and sunshine and land—all are free gifts of the Creator to His children. The legal right to air and sunshine is acknowledged by our man-made laws. No one has to pay for the use of air and sunshine.

The legal right of everyone to use the surface of the earth is recognized as applying to the three-fourths of the surface of

the earth covered by water, but it is denied over most of the dry surface of the earth. Someone owns the land and we have to pay some man for its use. We are so used to land having selling value, and having to buy and rent it at high prices, that we do not recognize the injustice of laws which make this possible.

If someone should propose that a minority should own the air, and the majority pay the minority billions of dollars a year for the use of the air, everyone would appreciate the horrible injustice of the proposition. Is not land just as much a free gift of the Creator to His children as air and sunshine?

*If this is so, are not land laws unjust that make it possible for a minority, viz., the landowners, to compel the non-landowners (which is most of us) to pay billions of dollars a year for land that the Creator provided free?*

If my reader has agreed with what he has read so far, he will have reached a conclusion that our land laws are open to serious question. Our present land laws are descended from the dawn of history, and contain some of the injustices of these ancient laws. The ancient land laws did not recognize that land, like air, is a free gift of the Creator to His children and that everyone born into the world has an equal right to it.

Our present land laws do not recognize the fact that, since no man made the land, no one can have a good natural title to it. A man can have a good natural title to what he has produced by his labor from land or its products. He cannot have a natural title to what the Creator has provided for all men any greater than that of every other man.

Land is a part of the surface of the earth. The earth is part of the solar system. Therefore, any part of the earth is part of the solar system. Everyone who owns land owns part of the surface of the earth and, therefore, part of the solar system. Can anyone claim the same sort of ownership to part of the solar system that he can claim to wealth he has created by labor on land or its products? Yet our man-made land laws pretend to give him such rights.