

CHAPTER IV

Amount of Ground Rent Available for Government Support

IT IS GENERALLY admitted that there are three factors in the cost of producing wealth:

1. What has to be paid for the use of land. This is ground rent.
2. What has to be paid for labor, either of hand or brain. This is wages and salary.
3. What has to be paid for the use of capital. This is called interest, and includes more than what has to be paid to the bank for the use of money.

Interest in this sense is paid for the use of tools, houses and other forms of capital (or stored-up wealth). If we look at it a little closer, we will see that there are really only two factors in the cost of production:

1. Cost of the natural factor, namely, of land and its products—and this is ground rent.
2. The cost of the human factor, which includes wages and salary for active labor, and interest for the use of capital (which is stored-up labor).

For most of us, the cost of shelter and food are the largest items in our cost of living. House rent is most of the cost of shelter. House rent is made up of two items: ground rent paid for the use of the land on which the house stands, and interest on the capital used in building the house itself.

Suppose the house and lot are worth \$12,500 when the house is new, and suppose the lot is worth \$2,500. Then one-fifth of the rent is ground rent and four-fifths is interest. Houses depreciate about 5 per cent each year. At the end of ten years the house would be worth only \$5,000 instead of \$10,000. If the total rent remains the same, one-third of the rental would be ground rent

and two-thirds interest. In ten more years the house would be worth nothing, and all the rent would be ground rent.

To get an average, take New York City. In New York the total assessment of building and land is twenty billion dollars. Twelve billion is building value and eight billion is land value—therefore, in *New York City 40 per cent of the rent is ground rent*. The same ratio prevails over the country as a whole.

It is more difficult to get reliable figures on the cost of the food we eat than it is on rent. When a farmer sells a bushel of wheat for two dollars, part of that two dollars helps to pay for the labor used in raising the wheat, part for machinery he has to use, and probably two-thirds to pay for the use of the land on which the wheat was raised—because most of the cost of the farm is the cost of the land.

Before the wheat is eaten as part of a loaf of bread, the wheat has to be ground to flour by the miller. It has to be baked into bread by the baker. It has to be stored in the grocery for the final use of the consumer. The miller, baker and grocer all have plants that are located on land, and part of the cost of each operation is ground rent for the use of land. But the proportion of ground rent to the cost of labor is less in the case of the miller, baker and grocer than it is in the case of the farmer.

The cost of meat we eat is largely the ground rent for the land that raised the cattle, and the feed that the cattle eat. If we combined the labor in raising the cattle, packing house charges, freight from packing house to the butcher, and charges of the butcher in handling the meat, it would probably be less than the ground rent for the use of the land necessary to raise the cattle. If this is so, over half the cost of the meat we eat is ground rent.

Since 1941, the cost of Federal Government, with two world wars, has been thirty or forty times what it was before. We have invaded Europe twice and our relations with Europe are, if anything, worse than before our invasions. Some of these days we are going to learn that enormous military expenditures are not the best way to have satisfactory foreign relations and our federal

expense can be reduced to normal. Our expenditures for our forty-eight-states government amount to eleven and a half billion dollars per year. The expenditures for education and hospitals, especially hospitals for the mentally ill, should be considerably increased.

If one parks a car in a parking lot, over half the charge is ground rent.

If one buys a vacant lot, all the charge is ground rent capitalized.

On the other hand, the cost of an automobile is mostly wages for labor, salaries for office workers, and interest to pay for the use of the very expensive machinery required. Probably less than 10 per cent of the cost of an automobile is ground rent.

The cost of ground rent in the clothes we wear is hard to determine. The cost of ground rent in the cost of cotton and wool, from which the clothes are made, is high; but the cost of ground rent in the mill weaving the cloth, and of the tailor shop which makes a suit of clothes, is low.

The cost of gasoline is dependent on the cost of crude oil. The cost of crude oil is almost all ground rent. A large part of the income of Venezuela, Arabia, and Iran is ground rent from the production of crude oil in these countries.

Probably 25 per cent of the cost of natural gas is ground rent paid to the owner of the gas well and for the right-of-way of the thousands of miles of gas lines.

Since statistics of the cost of what we produce are not kept, the ratio of ground rent, labor and interest cannot be determined. When it is generally realized that the natural source of income for the government is ground rent, statistics will be kept so that fundamental information can be obtained from them.

Considering what has been shown in the foregoing, would it not be reasonable to put the cost of the natural element in production at not less than 25 per cent, leaving 75 per cent to divide between wages and salaries for the worker and interest for the capitalist?

It has been shown that 40 per cent of ordinary rent is ground

rent. It has been indicated that probably as much as 35 per cent of what is paid for food is ground rent. It has been indicated that probably 20 or 25 per cent of the cost of clothes is ground rent. Is it not reasonable to conclude that at least 25 per cent of what it costs to live is ground rent?

In a recent issue of *Time* magazine, it was stated that the total personal income of the people of the United States is three hundred billions of dollars a year. If that is so, and if the estimate made above is reasonable, the total ground rent is seventy-five billion dollars per year for the people of the United States.

Ground rent appears in the cost of everything we buy. It might seem that the value of fish caught on the ocean will carry no ground rent. But fish are not eaten on the ocean. As soon as the fish get to land and are sold, part of the price is required to pay for the use of land for the port, part for the use of land for the canning plant, part for the use of the railroads that carry the fish to market, part for the ground rent of the land of the grocer who sells the fish to the final consumer. The use of land is just as necessary to life as the use of air. When anyone buys land, the only cost is ground rent capitalized. It is the only kind of property that the writer can think of, the cost of which is not made up partly of wages for labor and interest for the use of machinery. We must realize that the cost of everything we buy is divided into the cost of the natural elements of production (the land) and the cost of the human element in production (labor and capital). Ground rent pays for the use of the natural element in production. Wages and interest together pay for the human element in production. When we consider the fact that 25 per cent of what it costs to live is required to pay for the use of land, leaving 75 per cent to pay for wages and interest, the estimate, if anything, looks low rather than high.

Some day we will recognize natural relations and will change our land laws to allow the community to collect the ground rent it produces. When this happens, land will be very easy to acquire. Everyone will tend to become a landowner. The demand for land will be much greater than it is now. Ground rent will go

up because many more will be demanding it. If 25 per cent is a reasonable estimate for the present amount of ground rent, it is reasonable to expect that ground rent will increase 10 to 20 per cent when ground rent is collected for community expenses. If seventy-five billion dollars is a fair estimate of ground rent at the present time, ninety billion dollars would be a fair estimate after the community collects the ground rent that belongs to it.

This sum is ample to support a reasonable government in all of its activities. Anyone who tries to find out how much is spent for ground rent will come to the conclusion that the amount is a vast sum, whether he agrees with the foregoing calculations or not. This writer believes that the Creator is intelligent as well as beneficent, that the ground rent provided by the Creator for the expenses of the government will be found to be ample for such purpose. Our land laws prevent the community from collecting this natural source of revenue, and they compel the government to collect from its citizens taxes on wealth to which the government has no natural or moral right. *Our land laws enable landowners to appropriate what belongs to the community, thereby compelling the government to appropriate what belongs to its individual citizens.* When this double misappropriation of wealth is corrected—as it would be if the community collected its natural source of revenue—the effect on distribution of wealth would be enormous.

Some readers may not agree with my calculations that ground rent in the United States today amounts to seventy-five billions of dollars a year. They may think it amounts to a little more than half of this sum. Those who do not believe that ground rent would pay all of the reasonable expense of economic government would have to admit that all ground rent should be collected, and only then should the government have any right to collect any part of the wealth of its citizens. If this were done, land values would disappear, and the worker would not have to pay someone else for getting at the land he has to use to produce his food and clothing.

Our man-made laws prevent the community from collecting

ground rent for community expenses, but the laws give this vast sum to landowners who do nothing to produce it. If my calculations are correct, our man-made land laws compel our land-users to pay seventy-five billions of dollars a year to landowners *who do nothing to produce it*. The surprising thing is that we are as well off as we are, considering the vast misappropriations our land laws make possible.