

Rent Theory as a Teaching Problem on the Undergraduate Level

By HARRY GUNNISON BROWN

SOME TEACHERS OF ECONOMICS on the undergraduate level, and perhaps even many of them, may lose any initial interest they may have thought they had in this article as soon as they realize what it is driving at. They may admit that it is worthwhile to ponder how to make college students understand the operation of the law of rent, although certain of the teachers have now twisted the very word "rent" out of all semblance to its earlier—indeed, its traditional—meaning among economists. But toward any special inquiry into how to make students really understand wherein the rent of natural resources, sites and tracts differs from the interest yielded by constructed capital, and, especially, into how to make students understand the analyses involved in the case for appropriating rent by taxation, if one may judge by past attitudes, a considerable number of economists will be altogether indifferent and some will even be antagonistic.

For the fact is that in a large number of our colleges and universities, students in the beginning course in economics—indeed, often, in all the courses in economics put together—learn nothing at all about the subject. No effort is made to explain it. Even when the textbook used mentions the land-value tax proposal, its exposition is usually extremely brief, perhaps only a page or half a page. And this page or half-page is followed by a stereotyped adverse criticism that takes no account at all of important considerations in rebuttal which have been emphasized over and over again by those of us who believe this reform to be an essential one. Especially is one of the stereotyped objections to this reform, as presented in antagonistic texts, viz., that it involves unjustifiable infringement of vested rights, presented *always* with no accompanying mention of the most cogent and impressive points which have been made in reply.¹

For on such subjects the masses of men cannot safely trust authority. Given a wrong which affects the distribution of wealth and differentiates society into the rich and the poor, and the recognized organs of education, since they are dominated by the wealthy class, must necessarily represent the views of those who profit or imagine they profit by the wrong.

¹ Henry George replied, for example, and very fully and effectively, in "A Perplexed Philosopher," Chapter XI. Compare my own discussion in "Basic Principles of Economics," Columbia, Mo., Lucas Brothers, 1942, pp. 459-468; and relevant sections in "The Economic Basis of Tax Reform," *ib.*, 1932.

That thought on social questions is so confused and perplexed, that the aspirations of great bodies of men, deeply though vaguely conscious of injustice, are in all civilized countries being diverted to futile and dangerous remedies, is largely due to the fact that those who assume and are credited with superior knowledge of social and economic laws have devoted their powers, not to showing where the injustice lies but to hiding it; not to clearing common thought but to confusing it.

It is idle to quarrel with this fact, for it is of the nature of things, and is shown in the history of every great movement against social wrong, from that which startled the House of Haves in the Roman world by its proclamation of the equal fatherhood of God and the equal brotherhood of men, to that which in our own time broke the shackles of the chattel slave. But it is well to recognize it, that those who would know the truth on social and economic subjects may not blindly accept what at the time passes for authority, but may think for themselves.

The paragraphs quoted above are taken from Henry George's "A Perplexed Philosopher," published in 1892.² Perhaps a more "modern" and sophisticated explanation of the opposition that still exists to the reform George advocated would refer to a variety of motives, and not merely to the property interests of some teachers and to the possible fear of others of criticism from students and from administrative officers of their colleges or universities and to their fear of losing their institutional jobs. Such an explanation might refer also to the fact that each generation of teachers is largely fixed in its viewpoint by the training received from the previous generation of teachers. Thus, a teacher of economics may not know about or even think it worth while to inquire about a viewpoint his teachers have not discussed except for a few caustically critical sentences. And reference might be made, too, in such an explanation, to the feeling that this particular viewpoint is not, in general, favorably regarded in the intellectual "best circles." Dr. George Raymond Geiger refers, in his book on "The Theory of the Land Question,"³ to "the wall of indifference and misrepresentation that so effectively surrounds this reform." But we should be altogether naïve did we not recognize that, in the last analysis, such intellectual disfavor stems mainly from a dominant pecuniary interest. This is the chief and fundamental reason why the socialization of land rent has been so discredited among the more ambitious members of the academic world, why there is no intellectual prestige to be gained by supporting it. Without, perhaps, being conscious of any bias, the ambitious young economist vaguely senses that the way to academic distinction is not through a favorable interest in and openly published support of the social ap-

² In the "Conclusion."

³ New York, Macmillan, 1936, p. 205.

propriation of rent. And the more economists there are who thus turn their attention away from the land-value tax proposal, the larger is the proportion of graduate students of economics—the academic economists of the next generation—who are almost or entirely unaware that such a proposal has ever been seriously made.

In this connection it may be well to quote from a letter written to me recently by a university teacher of economics. "The thing that is both curious and amazing to me", says this teacher, "is that I could have attained a Ph. D., having gone among others to two state universities, without having been subjected to more than a few pages of literature, mostly derogatory, and without having spent more than five minutes of class time on Henry George's philosophy. Sometimes I wonder what else I might be lacking because of the influence of vested interests, custom and neglect."

Yet surely, if there is any use at all in teaching the subject of economics, there is good reason for including in it a thorough exposition of the problem of land rent. For in every so-called capitalistic country the landlord class are—despite all excuses, "defense" and qualifications—essentially parasites on the landless. In every such country non-landowners must pay those who own the land, tremendous sums every year, merely for *permission* to work on and to live on the earth, in those locations which geological forces and community development have made relatively productive and livable. On the face of it, the proposition that the payments made for such permission—and certainly for the enjoyment of community-produced advantages—should go to the community, seems altogether reasonable. On the face of it, allowing some men to charge others for such permission seems like allowing some to charge others *for permission to sail boats on the ocean, swim in the lakes and rivers, breathe the air or enjoy the sunshine*. Through what legerdemain of rationalization do our teachers of economics—or most of them—manage to persuade themselves that here is no problem of import to the common welfare? Economics without serious consideration of the land rent problem *as such* is indeed like the play, *Hamlet*, with Hamlet left out. Yet this is the kind of economics which college students usually get⁴ and, naturally enough, high school students get no better!

⁴ But there is an occasional noteworthy exception. For example, the very well written "Applied Economics" by Professors Raymond T. Bye and William H. Hewett, which has had considerable use as a college textbook, gives appreciable—and definitely favorable—attention to this reform. (See third edition, New York, Crofts, 1938, pp. 470-6 and 535.) Professor Bye is the author also (with Professor Ralph H. Blodgett) of "Getting and Earning" (New York, Crofts, 1937), in which an entire chapter (Chapter IV) is devoted to a careful and clear analysis of the rent of land and of its taxation.

To leave out consideration of this problem—with a fair and full presentation of the reasons favoring the appropriation of rent by taxation—is to leave out a topic which arouses more interest, at least among a good many students, than any other. There will be student objection to this proposed reform, of course, just as there is student objection to the removal of protective tariff duties and student support of the idea that we should always "buy in the home town." But such objection by some students serves to stimulate class discussion and to whet the interest of other students all the more.

For all practical purposes, and with a few exceptions such as the traditional criticism of protective tariffs, the ordinary course in beginning economics is a description of and a mild-defense of the price system ("capitalism") as it is. Although, in some cases, the textbook used in this course has a chapter on socialism so written as to appear to give a reasonable presentation of the socialist viewpoint and plan, the reader is left with the feeling that, after all, the writer believes the system we now have—and with no very fundamental reforms—is much to be preferred. As said above, there is no serious thought given to the abolition of land rent exploitation as an important reform in the existing system of "capitalism."

If really serious attention were given to this reform, the general course in economics could become a most interesting—indeed, a dramatic—story. Even the more involved theoretical aspects of the course, such as the theory of interest on capital, would then take on a new appeal, since the student could be made to see their importance in contributing to a thorough understanding of this basically dramatic subject.

But a theory of economics which does not give the student the picture—so that he realizes its truth—of some men charging others to use the earth, necessarily loses a large part of its vital appeal. To illustrate the present teaching situation, let us suppose that, in a society where the majority were slaves and many of the others, the free, were owners of slaves, economics were taught so as to ignore slavery except as slaves were classed with cattle, buildings and machinery as "capital." Suppose, thus, that the issue of whether slavery was or was not conducive to the common welfare were entirely ignored. Suppose that, while slaves were classed with cattle, planted trees, buildings, machinery and ships as capital "investments," as "aids to labor," as "invested savings," every device of terminology were used to blur any distinction between property in slaves and other property. Such a situation would be comparable to the situation we now actually have (in most cases) as regards land and land rent in university and college teaching of economics.

Any teaching of economics which soft-pedals the issue of parasitism is a teaching that is relatively inconsequential, insignificant and—of course—relatively dry and uninteresting. Exploitation by monopoly in all its industrial and commercial forms, by unfair competition, by protective tariffs, and by the pressure groups organized to secure economic benefits for some at the expense of the rest of the people, and, even more, that which arises from control by the few of sites and natural resources all must use, needs to be analyzed and explained in any economics "principles" course that can be fairly regarded as adequate. However fully other and *relatively inconsequential* topics may be treated, if full and fair presentation of the land rent problem is missing, any claim of real adequacy is, in effect, either confession of utter unawareness of what is truly most significant or is pretense and deception.

Of course our ideals and emotions must not be allowed to sway our reasoning on matters of cause and effect. But they may and should make us eager to do the reasoning. They may and should set the problems, so that our reasoning shall be about the important ones and not about those of no appreciable consequence for human welfare. If, thus, the student is inspired, if he is driven by a powerful inner urge to seek understanding because understanding is here so overwhelmingly important for the wise ordering of our economic life, and if, having attained or begun to attain understanding, he is not satisfied to keep his new-found knowledge to himself but wants to talk about it and to share it with others,—surely, then, the teacher may hope that his work has not been entirely futile.

No mere "teaching devices" or tricks of language or smart techniques of choosing illustrations from the coke-drinking, movie-attending leisure time of students (a technique stressed in their advertising by the publishers of at least one widely-adopted text) can arouse a similar interest. No doubt such techniques have their useful place and can help to give even essentially dull and uninteresting subject matter a sparkle of superficial appeal. But such superficial appeal is utterly different from the intellectual ferment and the ~~high~~ sense of its import for the establishment of a more equitable economic order and for the welfare of common folks and the eagerness to talk about its problems and, even, do something about them, which economics can and should arouse.

II

BUT WHEN THE LAST WORD has been said on the significance of and the teaching appeal in the land rent problem, and on the importance of a full and fair presentation, there still remains the question of just how—through

what mechanism of analysis and illustration—a reasonably complete grasp of the principles involved can be assured.

Of one thing we can be certain and that is that economics students cannot possibly get any such grasp from the half page or the one or two or three pages—ten or twenty per cent of just one class-period assignment—which is commonly all the study required of it in our colleges and universities (when any at all is required). Especially in view of the fact that the prejudice on this matter, of many interested persons and of not a few writers and publicists, leads to the propounding of many sophistical arguments, is it necessary that students be well enough trained in it so as not to be thus too easily imposed on. And so, even economics teachers who agree that the land-value-tax question is important and who do give it some brief favorable consideration, may accomplish practically nothing because they do not devote enough class time to it or assign enough reading to bring about real comprehension.

Some, of course, among the student bodies of our colleges and universities will be influenced, initially at least, by the conservative prejudices of the possessing classes. For this reason, among others, it may be advantageous to build up a clear understanding of various facts and principles of economics, a knowledge of which will help in understanding the subject of the rent of land and its taxation, before this subject is brought directly into view.

My own practice is to take up the subject of interest on capital some time before attempting any intensive study of the rent of land. In presenting interest, I endeavor to make as clear as possible the nature of capital, the fact that capital can come into existence only by work and saving and the fact that the sale value of capital cannot, in general, greatly exceed its cost of construction or, in the long run, be greatly less. Opportunity is taken at this point to note the fact that land does not depend on men's work or saving and that, even though the *location advantages* of land do owe something to human activities, they are rather, in the main, a by-product of the activities of many men, each following his individual purposes without special thought of any incidental consequences to the advantages or value of various pieces of land. The fact is carefully noted, too, that the value of land is arrived at solely by capitalizing at the current interest rate the anticipated annual rental value of the land; and that land value is not determined by any "cost" of "producing" land.

Then the forces determining interest and the rate of interest are explained at length and a basis is laid for making clear later, even to those

who may not want to see, how the rent of land differs from the interest on capital. A simple arithmetical illustration is presented, based on the supposition of a miniature world, which shows how the general rate of interest is fixed. The class is then given a similar illustrative problem to work on during an hour's practice exercise, with chances for any student to ask questions about any part he does not understand. At the next class meeting, or at an early one, there is a general discussion hour in which there are further opportunities for questions. And a particular stimulus to the student's desire to understand is the probability that some such problem will be propounded in one or more written examinations.

In teaching the class how wages are determined, I follow a like method. The relation of wages to the productivity of labor is made clear in illustrative problems on which members of the class have an opportunity to ask any number of questions.

Due allowance is made, here as elsewhere, for such lack of correspondence between the precise "theory" and the unprecise "practice" as is inevitable when competition is "imperfect"; but the student is nevertheless impressed with the fact that, without an understanding of the basic influences determining wage rates, he cannot understand the actual economic world.

In a similar way, the geographer helps us to visualize the real globe on which we live, with its oceans, continental land masses, islands, rivers and mountains, by exhibiting a card-board globe rotating on a wire. What if, during his geography lesson, a critical student were to say: "Your globe doesn't show the grass in my uncle's yard or the big elm tree in front of my dad's house or even the ice pond on my cousin's farm; therefore, you're just a theorist—an impractical theorist—and there's no use studying your globe or your maps"! He would then be talking as some critics talk about the simple illustrations which we need to use in economics to make its major facts and laws comprehensible. These simple illustrations do not and cannot include every minor detail and qualification. They do help very greatly in making the major forces and their operation meaningful to the student and they do give a point of departure for such qualifications as may be called for in varying circumstances.

In the appendix of my book, "Basic Principles of Economics and Their Significance for Public Policy,"⁵ along with the various other arithmetical problems on which my class is asked to work and on which, usually, they are later examined, there is one dealing with net interest, wages, land rent and the sale price of land under two contrasting conditions. In the one

⁵ Columbia, Mo., Lucas Brothers, 1942.

case, the tax system is like the one we now have in the United States and most other countries. In the other, government takes, for public purposes, nearly all of the annual rental value of land. This problem and the comment that goes along with it in the appendix of my book, follow:⁶

In the country of New Atlantis, the marginal rate of productivity of capital in the various industries averages 6 per cent. There is a general tax on all property of 2 per cent (1/3 of the average income from it). There are also special taxes on cigars, cigarettes, gasoline, soft drinks and moving pictures, as well as other indirect taxes. Carter owns a building and lot from which he receives (in excess of annual repairs and depreciation on the building) \$450 a year. The cost of construction of such a building (his being new) is \$5,000, and \$300 of Carter's annual income is really interest on this capital investment. The remaining \$150 is properly to be regarded as rent on the lot. The taxes on building and lot are, respectively, \$100 and \$50, leaving net returns to Carter, on the building, of \$200, only 4 per cent, and on the land, of \$100. (This, of course, does not include any income Carter may earn by working.)

Assuming a general belief that the rent of the lot and the tax rate will remain the same, *what do you find for the sale price of the lot?*

(Answer: \$2,500, the sum of which \$100, the net rent, is 4 per cent. For no one, when he can invest his savings in capital construction at 4 per cent, will knowingly buy land at a price so high as to yield him a lower return and no owner of land will intentionally sell at a lower price, unless under unusual circumstances. Since, in New Atlantis, the tax rate on land and capital is the same, the answer can be found likewise by capitalizing the gross land rent, \$150, at 6 per cent. But the same answer would not be thus secured if the tax rate on land and capital were not precisely the same.)

In the country of Utopia, most of the revenues required is secured by a tax on land values. Utopia has none of the indirect taxes levied in New Atlantis and no tax on capital. In Utopia, as in New Atlantis, the marginal productivity rate on capital in the various industries averages 6 per cent. Matthews owns a building and lot in Utopia. His building is the twin of Carter's and its cost of construction is also \$5,000. His lot is equally good as regards location. The total income from his building and lot is \$432, of which \$300 is really interest on Matthews' capital investment in his building and \$132 is properly to be regarded as rent on the lot. *Why is this rent assumed to be lower than the rent of the lot of similar location advantages in New Atlantis? Would wages, then, be any higher in Utopia?*

(Hint: Consider the holding of land out of use and the effect of the tax on such holding.)

Assuming the land-value tax rate in Utopia to be 10/11 of the annual rental value of land, there would be a tax of \$120 on Matthews' lot. There is, however, no tax on his building. *What is Matthews' net rent from his lot? What do you find for the sale price of the lot?*

⁶ Reprinted by permission of the publishers.

(Answer: \$200, the sum of which \$12, the net rent, is 6 per cent. Note again that the sale price of Carter's lot, in New Atlantis, was \$2,500, more than 12 times as high. Of course, a flow of capital from New Atlantis to Utopia would, if at all rapid, tend to bring closer their rates of interest and so to lessen somewhat this difference in the sale price of land.)

In answering the questions below, refer to the relevant facts and figures given in the preceding paragraphs and in your calculations above.

Which country would be better for a workingman, starting at the bottom of the economic ladder with no property at all but with the ambition to

- (a) secure the largest possible wages?
- (b) suffer the least subtraction from his wages?
- (c) save and invest?
- (d) acquire ownership of an unmortgaged home? In this connection suppose that Carter in New Atlantis and Matthews in Utopia do not yet own the property above referred to as theirs, but that each has saved \$5,000 intending to purchase the building and lot we have described in each of the two countries, respectively. Each must borrow and pay interest on the remaining money needed for his purchase. Which must borrow the more and how much more? Which one, in case of economic reverses, would be the more likely to lose his newly acquired property?
- (e) Antagonistic economists have said that the system of Utopia is of no benefit to the poor man anxious to save for the purchase of farm, home or land for a business, for the lower price of the land is offset by the greater tax on it. On the basis of your figures, what do you say?
- (f) If you were saving something each year, into which country would you prefer to send your savings for investment? Why? What country benefits? Why?

It is unnecessary to go further here into the solutions and their explanation. I do want to comment, however, on how, in my opinion, such a method of teaching can be most effective in promoting understanding. In my own use of it there are prior assignments in the textbook which explain carefully the nature and the law of rent, the relation of rent to community growth, etc., and which explain, with a few illustrative figures but as simply as possible, the various relations indicated above. Also, a problem very similar to the one just quoted is set forth in lectures. The quoted problem, as given in the appendix of the text, is assigned as a lesson to be prepared. Then a class hour is devoted to a similar problem—preferably with somewhat different figures—as a practice exercise. During this hour, questions are invited, and each student, as he works out the problem, can have all the help and explanation he needs. Students are told that merely memorizing the process won't do; that they must *understand*;

that in the examination soon to come, questions will be asked which will trip the mere memorizer of a process.

It is important, for example, that the student understand the logic of the capitalization of rent to find the sale price of a piece of land. Thus, in the problem above, the student may correctly capitalize the \$12 annual rent of Matthews' lot in Utopia at 6 per cent, arriving at a sale price of \$200, just because he has been told that this is the right process to follow. Yet he may not have the slightest idea—and his questions frequently show this—why the lot, expected to yield only \$12 a year to the owner, should not be worth far more than \$200. The problem should be personalized for him. It is my own practice to ask him, for example, whether *he* would give (say) \$500 for such a lot, in a country where he could use his savings for the construction of capital which would yield him 6 per cent or where he could loan them to someone else at a 6 per cent interest rate. The student then sees that \$500 so invested or loaned would yield him \$30 a year and realizes—unless he is exceptionally uncomprehending—that no one with ordinary business sense would pay as much as \$500 for a lot from which he could expect only \$12 a year. In like manner he can be made to see why, in real life, such a building lot would not normally be sold for as little as (say) \$50.

The next exercise, following this practice problem, or one very soon after, is given to the class divided into relatively small discussion groups. Here the student who still does not understand the arithmetic of the problem or its significance can raise any questions he wishes to on any aspect of it.

Add to this the very strong suspicion on the part of each student that such a problem—of course with different figures and, perhaps, various questions suggested by it—is likely to constitute part of an imminent written examination, and there is a reasonable probability that a large proportion of the class will come to understand (at least temporarily!) the major facts which the problem illustrates. They will see that forcing good land into use tends to reduce the rent of land and to raise the productivity of and the wages of labor (now better provided with land—more good land per person). They will see that taking taxes off commodities makes for larger real wages. They will see that the worker who wishes to save can save faster for these reasons and that his saving is still more facilitated if the income on capital he saves is also untaxed. They will see that capital is likely to be invested in the jurisdiction (Utopia) where it is not taxed rather than in the jurisdiction (New Atlantis) where it is,

and that the consequent increase of capital in the former makes labor more productive there—because it is better equipped—and tends further to increase wages. They will see that the increased tax on the rental value of land lowers its sale value for three reasons: (1) because preventing (by the tax) the artificial scarcity for which speculative holding of vacant (and greatly underimproved) land is responsible, makes rent lower; (2) because most of this somewhat reduced rent thereafter actually charged is taken in taxation by government and the sale price of land depends on the net rent anticipated by private owners; (3) because the net interest rate (after subtracting taxes on capital) which is used in capitalizing the rent of land into a sale price, is higher when capital is taxed less or not at all. They will see that, for all of these reasons, it is definitely easier for a worker to acquire title to a farm or home in Utopia than in New Atlantis. They will not—certainly they should not—be deceived by the confused contention of some professional economists who argue that there is *not* any greater ease in acquiring ownership in such a country as Utopia, claiming that the lower sale price of land is offset by the higher tax which the new owner must pay on it.¹ And not only does the sale price of land fall by a greater proportion than the increase of tax on it can offset (see the three points listed above) but, too, there has to be reckoned the great reduction—even the abolition—of the tax on improvements in and on the land, already made or to be made, as well as the greater productivity of labor and the lower or no tax on goods wage earners consume.

That many professional economists do not understand at all the principles requisite to the solution of such a problem as that presented above—though it is presumably understanding of the relevant relations that is

¹ An especially frank and striking presentation of this fallacious view is to be found in Prof. Lewis H. Haney's "Value and Distribution," New York, Appleton-Century, 1939, pp. 706-7. For Professor Haney is not satisfied merely to state the fallacy in general terms but even gives it *arithmetical precision* by the use of hypothetical figures. Here is what he says: "But the cheap land of early days no longer exists. Land could formerly be secured at a capital value of \$1.25 an acre; but now the mere annual rent is several times that sum, and would be so whether paid to an individual or to the government as a tax. The capital needed to pay that rent (or tax) would be as great under the Single Tax as it is now. Let it be supposed that the rent of a given farm is \$1,000 a year and that at 10 per cent the capital value of the farm is \$10,000. Under existing conditions, a man, if he be efficient and trustworthy, can borrow the purchase price (\$10,000), paying interest (\$1,000) on the sum. Under the Single Tax, would he be any better off in paying a \$1,000 tax to the government? It must be remembered that, with the coming of a 120,000,000 population, the day of cheap land is forever gone; that today any capable man can get the use of all the land he can pay rent for; and that, as no government can make land, it is not going to mend matters merely to put the government in the position of landlord, and to call the rent a tax."

lacking rather than the ability to go through the simple arithmetical calculations—is not really to be wondered at.⁸ Too often such understanding is not, like understanding of various inconsequential things, a prerequisite for the doctorate in economics. Indeed, it is doubtful whether, in more than a small minority of degree-granting institutions of higher learning, any question involving understanding of such a problem is ever asked of any candidate for an advanced degree.⁹ And one would judge from the current writings of many economists, including most of the current widely-used textbooks, that the "best academic circles" consider the present system of land and resource tenure and exploitation to be perfectly flawless and beyond the power of science to improve.

But undergraduate students who have been led through such an arithmetical illustration of the land rent question, and those on interest and on wages which precede it, who have had the practice of themselves working out such problems to a solution, together with opportunity for extended

⁸ The following passage appeared in an article in *The Atlantic Monthly*, November, 1939, entitled "Business Looks Ahead," by Professor Sumner H. Slichter of Harvard University: "High real estate taxes are the next most important obstacle to cheap housing. The Detroit Bureau of Governmental Research estimates that the average tax rate based on true values in 274 cities in 1937 was \$26.90 per thousand, or about 25 per cent of rent or rental value. This means that the present real estate taxes are equivalent to a 25 per cent sales tax on shelter. Everyone knows what an outcry would be provoked by a 25 per cent sales tax on food, fuel or clothing. When shelter is burdened with a sales tax of 25 per cent, is it surprising that people put up with old shelter and avoid heavy new tax liabilities by refusing to spend money on new housing? Surely there is no reason why sources of local revenue should not be broadened to make it possible to cut real estate taxes in half" (p. 197). Since Professor Slichter here makes no distinction between land and improvements (both being included under the term "real estate") he seems to be telling us that a tax on land or site values, even if buildings and other improvements are entirely exempt, would be "an obstacle to cheap housing"! If he does not mean this, then *what does he mean?*

⁹ A strikingly interesting illustration of how little likelihood there is, in the case of many colleges and universities, including some of the highest prestige, that the student will learn anything at all about this subject, is to be found by examining a widely known text in the specific field of taxation and public finance. This is "Public Finance" by Prof. Harley L. Lutz of Princeton University. In the second edition of this book (New York, Appleton, 1929), a volume of about 770 pages, Professor Lutz devoted a page to the land-value-tax proposal. However, in 1936 he brought out a new and considerably enlarged edition (the third) of this work. This new edition contains not just 770 pages, but 940 pages, covering numerous and varied ideas and practices in government finance and taxation. Here, one might suppose, space could be spared for a somewhat fuller treatment of this important topic. But, in truth, even the brief comment given to it in the earlier edition has been dropped in the later one; and I have been able to find, in this now massive text, not a single reference to the land-value-tax program as such, or to Henry George who pleaded so eloquently for this reform, or to the various steps which have been taken towards it in New Zealand, Northwestern Canada, Denmark and elsewhere. And so the university or college student whose course in public finance is based on this textbook, in all probability, however faithfully he works at his assigned lessons, will come out at the end utterly unaware that anyone, anywhere, has ever urged land-value taxes much higher than those now customarily levied.

classroom discussion and the prospect of the inclusion of one or more such problems on the final examination, do, ordinarily, get a very good understanding of the significance of land rent and its taxation for the most successful and beneficent functioning of the system of free markets and free enterprise.

There is no intention to say here that, important as this method of illustration is, nothing else is required. Not only must there be ample time given to discussion of the arithmetical land rent problem itself and to discussing fully and fairly and understandingly each objection that may seem important to any student; but there must also be some effort made to contrast the system of free enterprise as thus reformed—and with due regard, also, to other desirable reforms—with socialism or communism.

The subject of the rent of land and its relation to public policy is advantageously presented in conjunction with a study of the economic system as a whole; and, therefore, the broad general course in the "principles" of economics, which aims to give the student an idea of the operation of the economic system as a whole and of its virtues and shortcomings, is most certainly an appropriate course in which to include a full and fair and careful consideration of it. This is the more important since many students take no other course in economics than this one; it seems at least unfortunate—perhaps, indeed, it is ominous—that from this course which reaches the largest number of students such a consideration should be so often omitted.

University of Missouri