

A Sermon on the Genesis of Rent

THE discontent, class hatred, and poverty, which have increased steadily as wealth has accumulated, cannot reasonably be attributed either to envy or to lack of religion, or even to capitalistic methods of production. Nor are they fortuitous. Behind these things, and responsible for them, is some great wrong.

Were we to attempt to enumerate the many things that have influenced profoundly the social evolution of man at the head of the list we would put the institution of marriage, and next below it private property rights.

Labor constitutes the only valid basis for the private ownership of property. To the producer belongs the thing produced. He who owns a given thing may do with it as he pleases; use it, sell it, give it away, or bequeath it. If his right to do any of these things is abridged, to a corresponding degree are his private property rights infringed upon. If the principle is once admitted that the government may take for public use, without the individual's consent, any part of that individual's property, it follows as a matter of course that in the event of apparent need the government may take it all. Then of what value are labor-titles to property?

The fact that modern methods of production are complex and that it is difficult to determine how much of the total product a man's labor may actually have produced, affects not at all the fundamental proposition that he whose labor has produced a given thing may claim this as his own. There is a science of mathematics. That I personally am unable to solve a given problem in mathematics by no means reflects on this science; it evidences merely my personal incapacity.

Our present tax system is a denial of private property rights. It is socialistic. It is but the entering wedge of a socialistic commonwealth. A socialistic commonwealth is the antithesis of democracy.

While we are fully conscious of the many shortcomings of democracy and deplore its weaknesses, we yet believe that in it there is to be attained a degree of liberty and happiness that men have been unable to secure under other methods of government.

Either the individual owns property, or he does not. If he does own it the determination of the use that is to be made of it rests with him. If the government owns it the man, in using it, is but the agent of that government. The deprivation of property may be, sometimes really is, the deprivation of life. If we concede to the government the right to take and use the products of individual labor we virtually deny the *natural right* of the individual to life, liberty, and the pursuit of happiness; we subordinate the individual to the group.

But we must have government. Government must be supported. For the support of government revenue must be obtained. Private property rights must not be violated

by the government. But without such violation how can public revenue be secured? To answer this question let us picture to ourselves a small but growing settlement in and about which there are available for cultivation sections of agricultural land of different grades of fertility, and an annual demand for one hundred bushels of wheat.

Let us assume that at a labor cost—interest need not here be considered—of \$100 per section, there can be produced in one year, upon the first, one hundred bushels of wheat; upon the second, ninety bushels; and upon the third, only eighty.

The yearly demand being for but one hundred bushels of wheat, obviously but one section of land will be cultivated, and this the best of those that are available—that which may be termed “the one hundred bushel land.” Wheat will now sell for \$1.00 per bushel, and the crop for \$100.

When, owing to an increased population and a consequent increased demand for wheat, the price of this commodity advances to \$1.12 per bushel, the land of the second grade will be used. Ninety bushels, at this price, will bring \$100. But now the product obtained from the highest grade land will sell for \$112.—twelve dollars of which is “rent.”

The poorest land that is available will be used when its crop can be sold for \$100. This is, of course, when wheat brings \$1.25 per bushel. When this point has been reached eighty bushels of wheat will bring \$100; ninety bushels \$112.50; and one hundred bushels, \$125.

Three hundred dollars, and this only, out of the total \$337.50, represents individual earnings. The balance is “rent.” It is community-created. To whom does it belong? We may regard it as private property, if we choose. But the fact that we do so regard it doesn't alter facts. Let us not forget that as the population of this community of ours has grown the needs for government have increased. In virtue of the fact that the result of the growth of population has been to create this fund it would appear logical and quite in accordance with justice to regard it as public wealth. It can then be taken by the government without violation of private property rights. And if justice is to be done by the government *public wealth must be taken for public use*. If the government fails to exercise the property rights in community-created wealth private property must be taken. If private property is taken capital and labor must assume a double burden.: They must furnish money for governmental use and also support a privileged class.

The failure on the part of society to collect and use ground rent must ultimately divide the human family into two groups: A privileged class on the one side which reaps but which sows not, and on the other, a mass of men who sow but who partake not of the harvest. No democracy can endure if with it there exist two classes, one privileged, the other exploited. A privileged class is parasitic. A parasite can grow only at the expense of the host. Sooner or later the host must either do away with the parasite or be himself destroyed.

Wherever men live in contact with their fellows and cooperate in the production of wealth ground rent appears. This rent measures, with an approach to mathematical accuracy, the value of the advantages now accruing to some man or men by reason of ownership or control of certain tracts of land. Its natural function has been said to be "to equalize the natural opportunities available to men." But it can fulfill this function only if it falls into the hands of its rightful owners. But whatever the disposition made of it, it is produced without cost to either labor or capital.

In return for the ground rent which landowners receive they give nothing. This fact we would emphasize. Did they give in return for it an equivalent in labor they would add to the common store of wealth as much as they take out. There would then be no loss. But they give nothing; they produce nothing. Hence what they consume must be provided by the labor of others. The burden on labor and capital is not in producing ground rent but in supporting the government and in addition producing the real wealth which is consumed by the privileged classes and their multitude of personal servants, and in doing this under the poorest possible conditions.

As the wealth of the privileged classes increases, their holdings extend and come finally to include the most valuable of the earth's natural resources: its coal, its metals, its lumber, and its oil. When also there fall into the same hands the great industrial plants and the lines of transportation and communication, and the press, the subjugation of the small capitalists and of labor is practically complete.

Three factors are involved in the production of wealth. These are labor, land, and capital. Were the land free; were labor in a position to make use of the raw materials that exist in the mines and in the forests, it could not be exploited. But the land is not free. Labor is compelled to deal with a combination which includes both the land-and-resource-owning and the capital-owning classes. Great capitalists, now powerful by reason of their alliance with those who control the land and natural resources, reduce to a condition but little removed from that of servitude the masses of the world's workers. And labor is impoverished. And poverty increases. As poverty grows ignorance and prejudice increase and as ignorance and prejudice increase, the hope of solving our industrial problems by an appeal to reason grows steadily less.

For the prosperous and continuous operation of our complex systems of wealth production and exchange it is necessary that every productive worker receive for his labor approximately the equivalent of what he produces. If he does not, and if such failure is general, it necessarily follows that sooner or later the storehouses and markets will become choked with goods. This causes a cessation of manufacturing, a stoppage of wages, and stagnation of business. From this vicious circle, while underlying conditions remain the same, there is no way of escape. Periodic "hard times" become the rule.

If the domestic market cannot absorb the goods that are

produced the surplus must be disposed of abroad. While there is a China, a Russia, a South America, or an Africa to exploit, our manufacturing plants may continue to operate. But when other peoples reach a point in development where they too are producing a surplus of goods that must be disposed of in these same foreign markets, friction is sure to occur. Superior goods, lower selling prices, or superior salesmanship, may suffice for a time to keep for a given nation the markets that it must have. But when competition becomes too keen and peaceful methods fail, other practices must be resorted to; a show of force, perhaps, must needs be made. The "open door" must be maintained. The last act in the drama is war.

The tax burden imposed upon the workers in this country, even before the war, was so great as to so reduce the purchasing power of American workmen that they could not buy goods in sufficient quantities to keep clear our storehouses and our markets. Profiteering, if it occurred, may have made the matter worse, but the indirect taxation of the masses made impossible the continuous prosperity of American industries and trade. Today conditions are worse. Seriously handicapped by the smaller tax burden, our industries and our already impoverished masses must shoulder an even greater load. And lest the poor may somehow escape it is proposed that a sales tax be adopted. In defence of this proposal an economist explains that incomes are measured, not by receipts but by expenditures; expenditures being an index of consumption. And an especial merit attaches to the sales tax, we are told: It is a means whereby purchasers of goods can be relieved unconsciously of their wealth. Deceit, then, is the price of peace!

To palliate the many ills that are manifested in the body politic the government assumes a paternalistic role. This but adds fuel to the flames. To enter the field which properly belongs to private enterprise and to support the army of officials and assistants whose employment is made necessary by these undertakings, more and more revenue is required. As bureaucracy grows, and as the taxes mount, the dependence of the working classes increases, suspicion of government and antagonism to it develop, individual initiative and self respect decline, and political ideals become debased.

To return to our illustration, which is but a statement of the Ricardian Law of Rent, the poorest land at the time in use is known, in economic parlance, as "marginal land." The cost of production at the margin of cultivation determines the selling price of products.

If the current rate of interest is five per cent., and if land is regarded as a proper subject of investment, our "one hundred bushel land" should sell for \$500. and the "ninety bushel land" for \$250. Suppose we levy a tax of 5% on this capital value. This will reduce to nothing the selling price of land, but will not affect the price of wheat.

If a tax is levied on wheat there is nothing to prevent the addition of the amount of the tax to the price of this product. If a tax is levied on land, and this on the basis

of value, marginal land, as it produces no rent and therefore has no investment value, will not be affected. If, therefore, landlords, seeking to recover from tenants the amount of the tax, increase their rental charges, tenants may abandon if they choose, the rent-producing land and cultivate for themselves the free land at the margin. Here they will be as well off as before; their net returns will be the same. Being left without tenants landlords may pay their own taxes, or dispose of their holdings—or reduce their rental charges and again find tenants.

On marginal land wheat, in the illustration which we use, is produced at \$1.25 per bushel. Those who have wheat to sell must therefore meet this price. Consequently those having to sell wheat that is grown on taxed land cannot, by adding the tax to the selling price of this commodity, reimburse themselves for what they have been required to pay.

We would have the principle of property rights rigidly applied. We recognize fully the validity of the theory that "to the producer belongs the things produced." We would abolish all taxes with the exception of one that is to be levied upon land in accordance with its fair value, the rate of taxation to be such as to turn into the public purse the entire community-created increment. Such a tax on land values will make free marginal land; it will, in effect, create a public domain. In a public domain lies man's only way of escape from the house of bondage.

When marginal land is free it will be available for use without payment of purchase price or tax. When this condition applies, what men can earn for themselves upon land which costs them nothing will constitute *natural wages*. Upon natural wages the entire wage system should rest.

Where land is free there can be no exploitation of labor. The competition of free land, the fact that the free land always beckons to every worker, will compel those who would induce others to enter their employ to raise to the maximum the wages that they offer.

If nothing were accomplished by the reform which we advocate beyond creating a public domain much would yet be gained. Economic liberty would be established and wages would be much increased. But we shall accomplish even more: The untaxing of private property will indirectly still further increase real wages; this increase being proportionate to the taxes that are removed.

We desire and expect the government to make secure our possession of our private property. But except we insist that the government exercise its own property rights in community-created wealth we cannot expect that our private property rights will be preserved.

It should be superfluous to state that the law of rent, which we have sought to make clear, explains the origin of value not only of agricultural land but of all land, wherever situated and however used. Land values, of course, are greatest where population is most dense—in cities.

The natural order is not at fault. It is our failure to apprehend the natural order and our folly in ignoring the

ethical dictate in public affairs that has led us into the slough of despond in which we find ourselves.

Instead of trying to regulate by statute all the affairs of men, their comings and their goings, we should strive to discover the laws of life and to live in accordance with them. It is only by obeying such laws, it is only by adjusting ourselves to the natural order, that we can hope ever to see established upon the earth a peaceful human society.

Ground-rent is community created. This being the case, to whom does it belong? This question we must answer, and answer in accordance with justice or step aside and leave to another people with truer vision the task of carrying on to higher levels the civilization which we have been found unworthy further to develop.

In the genesis of ground rent lies the solution of the social problem which has so long vexed the hearts of men.

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Ignorance or Cowardice

THE most sinister feature of the "tax revision" campaign to secure the repeal of the surtax on incomes and the excess profits tax is the way in which it has been dealt with by the press. Backed up by the great bankers, financiers, advertising manufacturers and the National Retail Dry Goods Association, representing the leading department stores, it has been able to induce the newspapers liberally to give space to the one-sided and unfair statements that constitute the case for tax "revision" that means tax "shifting." It is possible that many editors who favor real tax reduction have been misled by the pretense that this is the object of the "revisers," but there is no such excuse for the editors of our great city dailies. They all know perfectly well that "tax revision" is a mask for "tax evasion," and that if the alleged "painless" sales tax is adopted, and the surtax on incomes and excess profits tax abolished, there will be no further propaganda for lighter tax burdens. On the contrary, as admitted by the advocates of the sales tax, the burden of that tax will be so cleverly covered up that it will not easily be felt, and Congress will go on in its big appropriation way with little effective public sentiment to check it.

I have read daily for the past year eight or nine New York newspapers, and frequently see those of Boston, Chicago, Philadelphia and other cities. While filling their columns with canned arguments sent out by the tax revisers, they have practically, with a very few exceptions, given nothing on the anti-tax-sales side. When at a Tax Conference at the Hotel Astor in this city a representative of 1,500,000 organized farmers denounced the sales tax as an iniquitous scheme for untaxing the rich, not one paper that I saw published anything material of his remarks, and most of them ignored them.

While the hearings on revision of the Internal Revenue laws were being held a few months ago by the Senate Committee on Finance, the newspapers of the country gave, as a rule, from three to seven times as much space to those