

pensions, unemployment insurance (it is impossible for a Socialist to conceive that in a normal state of society there would be no unemployment), is purely a middle-class, bourgeois reform. This is proven by the acceptance of so many "parts of its programme" by the well-to-do among the privileged and aristocratic members of society. "We are all Socialists now," said the late Lord Salisbury. Certainly. The class he represented are for everything but a free earth; and socialism offers nothing that goes to the roots of privilege.

ITS philosophy, we repeat, touches only the surface of things. It not only fails to go far enough—it merely tinkers with the flood of evils which spring from one fundamental injustice. Its philosophy is purely a superficial one; most of its recommendations are the veriest palliatives. Here at least the philosophy of anarchism is superior to it, for anarchism does imply a natural order; it is ready to leave much to natural law; it distrusts, and rightly, most artificial restraints. If it errs in advocating the abolition of government, it is at least nearer right than those who would substitute the rigors of government for those voluntary and involuntary group activities which operate in a free society. Henry George men are not Anarchists since they recognize both the needs and functions of government. But even more emphatically they reject a system which would replace the natural order with the artificial, and leave little or nothing to those natural laws of production and distribution which, the freedom of the earth secured, operate to the fullest satisfaction and efficiency where they are unimpeded. To this from the very nature of its philosophy socialism is a denial.

## Fears for Future

WE think of Europe as able to recover from any crisis. The Thirty Years' War wiped out more than half the population of the region affected, yet Central Europe survived, but on a much lower plane. Much of the older culture never returned, or was delayed for centuries, and a vigorous and promising intellectual and political liberalism was done to death. If the present problem is rightly solved, there may be a new lease of life. Otherwise, dark days are just ahead.—ARTHUR E. MORGAN, Antioch College, Ohio.

THE great growth of land values in New York City is to be accounted for by innumerable factors, but when you say "people" you have said it all. The activities of its people are responsible for the tremendous development in real-estate values. The tunnels driven under the rivers, the bridges flung across those rivers, the policemen, firemen, school-teachers, health officers, aye, and the street cleaners, all contribute to those values.—JOSEPH V. MCKEE, President of Board of Aldermen, New York City, in *Saturday Evening Post*.

## Rent as a Part of Price

EVER since the appearance of Emil Jorgensen's book "The Road to Better Business and Plentiful Employment," it has been a source of confusion. This does not seem to be the fault of the book, but it is clear that the confusion is dangerous to the Georgist cause and that as attacks upon the book continue.

It is imperative that this confusion be cleared away for we Georgists cannot afford to have our ranks divided unnecessarily when all our man power and all our resources are needed "at the front." Dissension in the rear is especially unfortunate at a time like this, when the world is in the throes of distress that threatens the collapse of civilization and needs more than ever the relief our Georgist programme offers.

The surest way to secure harmony in our ranks is to settle once and for all time such questions so that no man may have the authority of natural law for their course. So long as we deal with the opinions of men we are men of many minds; but we bow submissively to the decrees of Nature. Men do not quarrel over the multiplication tables.

Let us see, then, what this controversy is about, and if we can, whether it can be settled upon the authority of science rather than by the say-so of a man.

Here, then, is what Jorgensen set out to prove:

- (1) That industry is inactive and millions of men are out of work because we have a state of underconsumption.
- (2) That a state of underconsumption exists because the average price of goods is too high.
- (3) That the average price of goods is too high because our (ground) rent is privately appropriated.
- (4) That were all taxes abolished and the rent that is paid for access to publicly provided service and betterments taken in lieu of taxes for public use, the average price of goods would fall because the economies of improved production facilities and methods would then go to the public, consumption would increase, industry would revive, and the jobless millions would go back to work.

In a word, he claims that the private appropriation of rent induces high land prices that absorb the benefit of whatever economies in production may result from invention and efficiency and thus nullifies progress, stifles business, causes unemployment, poverty, misdeeds, crime and despair.

In this Jorgensen is but following the lead of Henry George himself, who held that the benefits of scientific invention, labor-saving equipment and methods are absorbed in rent. (See "Progress and Poverty," pp. 42 to 52.)

It would seem that no one could successfully attack Jorgensen's reasoning, and that no Georgist would think of doing so, nor have any of the critics of Jorgensen attacked it.

Instead, all who have attacked the book, "The Road to Better Business and Plentiful Employment," have assumed that Jorgensen has said something different.

om what he has said and have then attacked that assumed teaching; for all have attacked, not Jorgensen's proposition that rent absorbs the fruits of progress as George taught, and so keeps prices from falling (as Jorgensen translates the statement of George), but have argued that rent does not and cannot raise prices.

This misinterpretation of Jorgensen's argument has grown like the proverbial "snowball" of scandal as the discussion has continued since Stoughton Cooley began the attack on the book in July of 1931.

By the time of the last issue of LAND AND FREEDOM, this came, in the article by Edwin I. S. Hardinge, of Australia, the blunt assumption that Jorgensen contends that the payer of rent can recoup himself by adding the rent he pays his landlord to the price of the goods he produces." Whether he can or not, that is a gross misrepresentation of Jorgensen's position. The seriousness of this misrepresentation is not much, if any, lessened by the implied admission of Hardinge that he has not read the book.

The wry faces these critics make over what they imagine Jorgensen has said remind one of the wry faces made by the members of a certain chemistry class when they tasted a concoction offered them by their chemistry professor, who, after ostentatiously putting a finger in the mixture and then just as ostentatiously putting a finger in his mouth, invited them to taste the stuff.

They did, much to their distress.

Then they wanted to know how the professor could bear that vile taste. He laughingly chided them for being poor observers and failing to notice that he had not put his mouth the same finger he put in the mixture.

So here. These critics were not careful to notice which "finger" Jorgensen used. Jorgensen says nothing about not raising prices; but he has written a book proving by statistics not available to Henry George that George is right in saying that the financial benefits of progress are absorbed in rent. Being absorbed in rent, they are, of course, prevented from going to the public in reduced prices; or, differently stated, rent keeps the price from falling as they should fall, that is in proportion to these economies in production.

This is just what George says in "Progress and Poverty" (page 247): that any increase in the power of labor, the demand for wealth being unsatisfied, will increase the demand for land; and what he says (page 249): that as invention pushes the margin of cultivation down it increases rent, even though population remains stationary. It is certain that the benefits of invention and efficiency cannot go to the public in lower prices if they go to the land-holders in higher rent. The same dollar cannot be in two different pockets at one and the same time.

Careless observation regarding the "finger" Jorgensen used has created all this confusion; and, as stated, the confusion grows, and it is dangerous.

This has now become such a serious matter that it is

imperative it be cleared up; not as a matter of justice to Jorgensen, although that is involved, but because of the dangerous situation to which it is leading.

Here we have Emil Jorgensen, a staunch Georgist, writing a book to prove George right; and we have Stoughton Cooley and other Georgist leaders attacking Jorgensen and attempting to prove him wrong for the same laudable purpose of proving George right!

It is easy to imagine the delight of the enemy at witnessing such a spectacle in the Georgist camp.

If the only issue here were what Jorgensen really said, or whether he has been unjustly treated by his critics, the matter would not be so serious.

That is by no means the issue with which we are now confronted. For not only do we find Georgists appealing to George to prove Jorgensen wrong in his proof that George was right; but we have one of these critics declaring that the whole Georgist philosophy collapses if Jorgensen is right!

This critic sees that if Jorgensen proves that the economies of progress are absorbed in rent, as George himself taught, and if Jorgensen is right in translating that into the statement that rent keeps prices from falling, then rent is a part of price; and he is alarmed because he says that our whole Georgist philosophy and all we have accomplished or hope to accomplish must stand or fall with the truth or falsity of our claim that one's debt to society cannot be passed on to another in the rent that is to be collected in lieu of taxes.

This is the crux of the discussion. Suppose we examine it carefully; for we must do that, and we must settle that issue, if we are not to be driven rudderless before every wind of debate that arises over this point.

It is true that we Georgists purpose to take the rent in lieu of taxes. It is likewise true that the total of all rent would then become the total of all revenue—we cannot say the total of all taxes, for taxes would be abolished.

And it is true that our whole Georgist philosophy, all our progress to date, and all we hope to make in years to come, will stand or fall with the truth of the Georgist dictum that one's own debt to society cannot be shifted under our system to another—not to any other.

But it does not follow that because one's own debt to society cannot be shifted that rent cannot be shifted and passed on to the purchaser in the cost of his living.

What can Stoughton Cooley and George White and Oscar Geiger and Edwin I. S. Hardinge mean by their insistence that rent is no part of price and cannot be passed on in the cost of living? Do they mean to say that, under the Georgist system, no one would contribute to the maintenance of schools, and police and fire service, the post office and other public service except those who hold land? Is that their conception of the system for which George lived and died? Do they think that the justice which inspired him with such devotion? Is that their idea of civic responsibility? Is that an ideal that is



likely to fire the souls of men as the soul of Henry George was fired? It is unthinkable.

And yet, if rent cannot be passed on, if rent is no part of price, that is exactly what would result from taking the rent in lieu of taxes as we purpose doing.

What then? Was George wrong? And must we Georgists admit that we have been following a phantom? And is our revenue system that we have so boastfully called scientific a delusion and a snare like all the others? And is the world to be left desolate after all and without even the hope of finding a scientific revenue system?

Or!

Is it possible to reconcile the two statements that rent is passed on and that one's debt to society (which would be paid in rent) cannot be passed on?

If these two statements can be reconciled, this reconciliation will not only clear away the confusion resulting from the debate that has arisen over the "straw man" in this case and which threatens to set these leaders at loggerheads.

We have heard ever since we were children that, while all dogs are quadrupeds, all quadrupeds are not dogs.

What is needed here is more alert observation than we have been exercising, that we may see more clearly than we have in the past that, while rent can be passed on and become a part of price, and that this must be so if justice is to be done, all rent cannot be passed on; that the rent that represents any given man's debt to society cannot be passed on and written into the cost of another man's living.

It is true that Merchant John Doe's rent would be taken in lieu of taxes. All of it would be a debt owing to society. But whether Merchant John Doe himself owes that much to society is quite another question.

It is not clear how any one could seriously believe that John Doe personally owes society that much and that none of his non-land-holding customers owe society anything for the protection they receive from our fire and police departments, for the schools provided them, for the health and sanitation service rendered them, and for the thousand and one other benefits they enjoy at so much cost to society.

To be consistent, Georgists must agree that rent (but not all rent) is passed on, does become a part of price, and is an item in the cost of living of us all. This must be so, or ours is not a democratic system, not a just system.

But saying this is not saying that Merchant John Doe can pass all his rent on to his patrons; for that would be permitting him to evade his own just debt to society. Just as his patrons must pay in their purchases at his store their part of the cost of their protection while in the store shopping, and on the street going and coming, and for the guarding of their cars while they are left parked on the street, so must he pay his part of the cost of protecting his person while he is in the store and his part of the cost of guarding his store at night when he is at home asleep as well as during shopping hours.

Now, the only possible way these separate and distinct obligations can be apportioned is by a division of the rent into two parts, one of which he can pass on to his patrons in the cost of their purchases, and another part which he cannot evade but must pay himself.

It is readily granted that such an apportionment is beyond our human capacity. The man or men do not live who could even divide that rent between John Doe and his patrons, to say nothing of apportioning the patron's portion among the hundreds or thousands who shop in his store.

Here is where the efficacy of natural law comes in, and the sublime beauty of the Georgist system; for, in a free market, all this would be automatically adjusted, accurately and with exact justice.

In his attack upon what he mistakenly supposed Jorgensen to have said, Edwin I. S. Hardinge says very truthfully that the expenditure of labor and capital is the cost of production; and George White, another of Jorgensen's critics, says truthfully that rent measures the advantage which attaches to a location because the cost of production there is less than it would be at an inferior location.

If now these advantages are the result of railways, dock ship canals, markets, sewers, garbage systems, highway and other things that cost us an expenditure of labor and capital, why is not the added rent we pay because of these things as much an item of cost as our expenses were before the installation of these facilities? Why is not the labor and capital expended in the provision of these facilities a cost?

What, after all, is our rent but our wages and interest in process of collection and transmittal to us in service dividends? And if labor and capital expended constitute a cost item, why are we not to count as a cost the labor and capital expended on river and harbor improvement, railways, docks, highways and the like that give to certain places their advantage over others in the matter of production and so create rent?

And if rent paid on account of these improvements is our wages and interest in process of collection for us and transmittal to us in service dividends on our citizenship, why is not that rent an item of cost and a part of the cost of living of those who pay it, especially as it is paid on certain of the processes of that production involved in their livings, notably upon the transportation involved?

How can this rent be anything but a cost and a part of price?

And why should Georgists be disturbed that this is so? Or reluctant to admit it?

Could anything show more clearly and convincingly the scientific character of our proposed revenue system than this fact that the collection of rent in lieu of taxes would not only provide amply for the public need without taxing either Labor or Capital; but it would also collect for each of us our share of the wages and interest owing to us by

ason of our contribution to the public welfare and to public progress, whether these contributions be made commercially, industrially or professionally, and that it could likewise collect promptly and in full from each of the full amount that each of us owes society for what society has done for us?

Not only so; but all this would be done automatically, with unerring accuracy, so that each would get all he paid for and pay for all he gets.

L. D. BECKWITH.

WE have received the following letter from William H. Capen, of Stoughton, Mass.:

"Gentlemen: Noticing Mr. Harding's article in your recent issue I say that I cannot conceive a time when God's economic laws will be changed. I cannot conceive a time when increased population will increase rent which will justly be borne by the user at a price. I cannot conceive a time when rent will not be the determining factor in the distribution of the product (wealth) sold at a price. I cannot conceive a time when the items of rent and taxes will not appear in the overhead column and be included in the business man's cost of production to be borne by the ultimate consumer at a price (the fixed charge per unit) lessened by increased patronage.

One can observe the growth of overhead in the last twenty years in any business, and draw conclusions as to what effect fictitious land values have in increasing prices.

Are these thoughts contrary to Henry George's teachings? Justify the argument *that rent forms no part of purchasing price?*"

## Reply to Beckwith and Capen

IN the above most kindly disposed defense of Jorgensen's position on the matter of "Rent entering into price," and in Capen's earnest query, I fear that both have lost sight of the fact that rent, so far as price is concerned, is merely a differential.

Production on low-rent land, or no-rent land, is no cheaper (so far as rent is concerned) than production on high-rent (or the highest-rent) land. Whatever advantages there are in location or natural fertility that press themselves in easier or in greater production, are absorbed by the higher rent, and conversely, the difficulties in production or the meagre rewards obtained on poorly situated or less fertile land are expressed in the lower rent that can be obtained for such sites or locations.

Where production is difficult or the product scarce, rent is low. Where production is easy or the product plentiful, rent is high. The producer on a site where rent is high cannot sell at a higher price than the producer on a low-rent or no-rent site because they are in competition in an open selling market; nor can he, the user of a high-rent site where production is easier (and therefore presumably lower in cost per unit of production), undersell his low-rent competitor whose unit of production cost is presumably higher, because the greater rent he pays consumes such advantages.

Thus in the matter of higher rent being expressed in

higher price of the product, all producers (other things being equal) are on a par. Economic rent absorbs the differential advantages rendered by nature or location, leaving all producers equal—equal at the point where individual service and exchange begin.

All commodities are labor products and their sale is but an exchange of service for service. Economic rent having been paid for the privilege of producing, the producer is free to sell his product, his services; and as it is only his services and not rent that he can sell, it is only services and not rent that the purchaser need or can buy. If there were any rent left to sell, or to put into the price, it would only mean that all the rent had not been collected, and this condition could not long obtain. If the producer could put any rent into the price of the commodity, the rent would soon go up.

Furthermore, if the rent-payer, the producer, could transfer the rent to the selling price of his product he would be getting back what he paid for the advantages that nature, location and the presence of the community gave him, and which, it should be remembered, he did not produce. He would then be receiving both payment for his services to individuals and the money advantage of superior location to which he is not entitled. In such case also the purchasers of the commodity would be paying for advantages they did not receive, the advantages of location and fertility. This they are spared, however, for they can buy in an open purchasing market. To express in the price of the product the higher rent of his land a producer would have to be free from the competition of other producers, both those on similar and those on lower land rent sites.

Economic rent is thus seen to be a price that producers are willing to pay for the privilege of using land, and especially so as it is nothing that they themselves produce; for even though the rent is expressed in the terms of their product, nature, location and community are the factors that really are responsible for the added production, the added value. The value of the privilege being determined by the use that can be made of the land, rent is obviously an *effect* and not a *cause*, high rent being an indication that the advantages are great; low rent, that the advantages are poor.

Viewed in this light let us again read Ricardo's statement in his "Principles of Political Economy and Taxation," that "corn is not high because rent is paid, but a rent is paid because corn is high." With due apologies, may we not paraphrase Ricardo's statement to read: "Price is not high because rent is paid, but rent is paid because price is high."

What seems to be really troubling our friends Jorgensen, Beckwith and Capen is that the rent fund, seemingly produced by the user of the site, should be exclusively borne by him and not shared in by the entire community which