

EDITORIAL COMMENTS OF BOSTON PAPERS ON THE FOREGOING SPEECHES

GROUND RENT AND SINGLE TAX.

(*Boston Transcript.*)

The second dinner to professional economists, given last evening by the Massachusetts Single Tax League, brought together a noteworthy group of speakers representing leading universities from Maine to California. The primary object of these gatherings is, of course, to advertise the Single Tax; but this particular method of advertising is broadly educational. It is the hope of President Fillebrown of the League, in arranging these gatherings, to promote agreement among leading teachers of political economy regarding definitions and principles that bear on the problem of taxation. The discussions may also be expected to have the desirable effect of leading the economists to give more attention to urban rents and land taxation in their textbooks and college lectures. In contributing toward these ends the Single Tax League is performing a real public service.

Upon the subject of discussion at last evening's dinner, "The Nature of Ground Rent," the participants seemed to be in substantial agreement. The statement of the nature of ground rent formulated by Professor Bullock commanded general assent. According to this commonly accepted view, ground rent, "what land is worth for use," differs essentially from interest on capital. The fact that the supply of land is practically fixed once for all and cannot be increased at will by human effort confers on the owner of land the power to command for its use a differential return. This return, moreover, goes on increasing as the community advances in population and wealth. The ownership of capital confers no such power. A vital distinction is thus to be drawn between land and capital, rent and interest.

This view of ground rent is not, to be sure, accepted by all economists. In last evening's discussion Professor Plehn contended that "Land when appropriated and in use is simply one form of capital, and ground rent is in every essential particular a form of interest." He argued that the fact that land surface is geographically limited has nothing to do with the economic supply of land in the market. "The economic supply of land," he maintained, "is not on this account limited any more than the supply of other forms of capital may be; land capital is produced or fashioned by human labor out of land surface and other things which nature affords, just in the same manner as other forms of capital are produced out of other materials nature affords." But in this argument, as was pointed out by another speaker, Professor Plehn overlooks the inconvenient fact that the economic supply of "land capital," as he puts it, is at all times and in all places inseparably bound up with the geographical supply of land surface, which is practically fixed in quantity. In other words, land capital stays put in land surface. It cannot be torn loose, split up and carted about at will. It is upon this concrete condition of limited supply of land that the classical doctrine of ground rent as a differential gain, unlike interest, rests.

When it comes to the practical application of this doctrine of ground rent, a difficulty arises. The crucial question whether ground rent is an unearned or undeserved income cannot be answered offhand for all cases. In the first place, it is to be observed that ground rent, interest on capital and profits of management are often inextricably entangled in the actual earnings of business men. Profits and interest are commonly earned in connection with the rent

of land. As Dr. Mixer observed in his comments on the practical bearing of the rent doctrine, "In many instances those who own land and apparently obtain a pure economic rent are in fact merely taking with one hand what they have made with the other; they are getting in connection with a piece of land the profits of their business management. In short, in the case of any specific income obtained in connection with land (the land itself makes nothing) it is desirable that we examine closely to see if any part of it corresponds, in view of the whole industrial situation, with the concept of rent."

Furthermore, whether ground rent, considered entirely apart from interest and profits, be an unearned income, depends, as Professor Callender well showed, entirely upon the nature of the natural resource or agent from which the rent is drawn. Each case has to be considered on its own merits. It is not difficult to show that certain kinds of natural agents in certain situations can be made to yield the largest returns to the community when private individuals are allowed to possess them and to appropriate their value; for example, mines, fisheries and agricultural lands. The private appropriation of ground rent is in some cases clearly justifiable, as on the whole socially beneficial.

But although not all income based on ground rent is to be regarded as unearned, it is tolerably clear that income accruing to the owners of city building sites is largely of this character. Urban growth unquestionably creates enormous land values which individual owners have no claim to appropriate in full. That is, rising land values represent in large part a social product which may rightly be levied upon by the community to meet the increasing expenses of municipal administration. A land tax, moreover, has the especial advantage that it exerts little, if any, repressive effect on industry. It seems, accordingly, equitable and expedient that an increasing share of the burden of taxation in cities should be placed upon land. So much would probably be conceded by nearly all economists. The same policy applied to franchise values would also be approved. But economists dissent from a proposal that all expenses of government should be met by a single tax on land, chiefly for the reason that any single tax is inevitably unjust. Single Taxers are right in pointing to land values, including franchises, as the main source to which municipalities should look for the additional revenues necessitated by urban growth; they are wrong in denying the necessity and the expediency of preserving other forms of taxation.

TAXES ON LAND VALUES.

(Boston Herald.)

The recent meeting of the Massachusetts Single Tax League, at which the question of the nature, operation and office of ground rent was discussed by several professors of political economy from different colleges and universities, furnished an illustration of the value of an organization such as the league as a means by which professional opinion can be concentrated, crystallized and, to some extent at least, popularized. Of course no one needs to be told that the laws bearing upon questions of trade, finance and taxation are rarely, if ever, the direct outcome of professional, scientific advice. The owner of a mining property if he possesses sound business sagacity, employs the ablest talent he can find in the work of developing his property. A railroad company intending to build a line of track through a country presenting many topographical difficulties will employ the ablest civil engineers to advise on the best means of overcoming the difficulties that have to be encountered. But a government, whether of city, state or nation, at least under a democratic