

discriminating between land and capital, and for differentiating rent from interest.

Permit me, by way of conclusion, to present a brief summary of the results of the preceding discussion. The annual value of land depends upon the conditions of demand and supply. The demand price varies according to the advantages which land offers for production, and will tend to increase with every increase of population. The supply of land is not produced by man and does not need to be renewed by a constant expenditure of human labor. The quantity of land in the market is not, however, always a fixed quantity; since, if the prospective demand warrants it, regions now unoccupied can, for some time to come, be made available for human uses. But land once brought into the market will command such prices as its natural resources or situation will induce producers to pay. Unlike capital, its value will not be influenced by the cost of keeping up the existing stock. For this reason I contend that rent is widely different from interest, and that the ground of difference is to be found in the peculiar conditions that govern the supply of land.

#### COMMENTARY BY PROFESSOR G. S. CALLENDER, BOWDOIN COLLEGE.

##### THE NATURE OF GROUND RENT.

There are two questions involved in the subject we are considering to-night. The first is whether or no an income derived from the ownership of the natural agents of production is the same kind of income as that derived from the ownership of capital. In other words, is ground rent the same thing as interest? The second question is whether an income derived from the ownership of the natural agents of production is an earned or an unearned income? That is to say, does the person who derives an income from such a source perform any service in production, such as is performed, for instance, by those who supply by means of saving the capital of the community? It is this second question which alone gives practical interest and importance to our subject. The first is important only so far as it helps to answer the second. To show that rent and interest are the same is to prove that the income derived from the one is no more unearned than that derived from the other.

To my mind, Professor Bullock has answered the first question satisfactorily. Barring the inevitable exceptions, it seems to me impossible to deny these propositions: first, that the supply of the natural agents is limited, and cannot be increased by man's efforts; second, that the demand for the natural agents increases along with the increase of population. It follows from this that the value of the natural agents of production is determined in a different way from that of capital, and the income derived from their ownership is a different kind of income from that derived from the possession of capital. Accepting this conclusion, however, does not help us very much in answering the second, and more important question, of whether the landlord's income is an earned or unearned one. It proves that the rent receivers as a class do not perform the same kind of service in production on that is performed by the savers of capital; but it does not prove that they perform no service whatever. To those of us, therefore, who believe with Professor Bullock that land is not capital, and that rent and interest are distinct and different kinds of income, the important thing to find out about ground rent is not so much its origin or the forces which give rise

to it, as the nature of the services to production, if there are any, which are rendered by those who receive it as income.

Looking at the matter from this point of view, there is one remark which I wish to make concerning rent in relation to taxation. It is practically impossible to make any general statements concerning the justice of expediency of public appropriation of ground rent, which shall be applicable to the rent of all kinds of natural agents in all situations. Whether or no an income based upon ground rent be an earned or unearned income, that is, whether the person receiving it performs any service in production in return for it, depends entirely upon the nature of the natural resource or agent from which the rent is drawn. Each separate case has to be considered on its own merits, and the conclusion reached regarding one case is not necessarily applicable to any other. Thus it may not be difficult to show that certain kinds of natural agents in certain situations can be made to yield the largest return to the community, when private individuals are allowed to possess them and to appropriate their value. It is easy to see, that in case of the mines of the precious metals which a country may possess, the best way of securing their discovery and exploitation is to allow private individuals to appropriate their value. Only by allowing the great prizes, when discovered, to be appropriated can men be induced to incur the risks necessary to discover and develop them. There is good ground also for thinking that the agricultural lands of a country will be made to yield their largest returns to the community if individuals are allowed to appropriate the rent of them. President Hadley pointed out that the private ownership of the oyster beds of Chesapeake Bay caused them to be much more productive to the community than they were before private ownership was introduced. In all these cases and in many more it may doubtless be shown that private appropriation of ground rent is not an unearned income. When, however, we turn to such cases as the water front of a great city like New York, or Chicago, or Boston, or to the building sites along the principal business streets of those cities, or to the right of running street cars through their principal streets, it is not obvious, to say the least, that the utility of these particular natural resources to the community is rendered greater by allowing private individuals to appropriate the value which continually increases with the growth of population; and the fact that such a policy has proven beneficial in the case of mines and agricultural lands and certain kinds of fisheries, furnishes no ground for concluding that it is beneficial in these cases. The payments made for the use of a mine or a farm or of a piece of water front or a building lot on Tremont St. are all rent; they may all arise in the same way, and be determined by the same law; but the question of whether or not they are earned by those who received them must be determined from the conditions existing in each industry and these may vary in every case. What we need, therefore, as a guide in taxing incomes derived from ground rent is, not so much a study of the nature of rent in general, as a study of particular kinds of rent with a view of showing the effect of its private appropriation upon production in each industry. It is not in my opinion the fact that the value of land and other natural agents is determined in a somewhat different way from most other commodities, that is to justify the public appropriation, though taxation, of ground rent. If such appropriation is to be made its expediency will have to be determined separately for each different kind of natural agent in the way I have indicated. Already the public has come to recognize that certain rights, such as those granted to street-car, gas and electric light companies, acquire additional value simply by the increase of population in the cities where they are situated, and it is beginning to be a wise policy to

secure for the public a part at least of this increase of value. If this policy proves to have no bad effects upon the industries concerned, it may be extended to others and the same test applied. It is not easy to see why the right to occupy the space along the streets of a city, which must inevitably become more valuable as the population of the city increases, may not wisely be dealt with in the same way as the right to run cars through the streets or to lay gas mains along them. At any rate, the nature of the rent of agricultural lands, or of mines of the precious metals, affords us no aid whatever in determining whether it should be so dealt with or not.

COMMENTARY BY PROFESSOR WILLARD C. FISHER OF WESLEYAN UNIVERSITY.

For the most part, I should accept Mr. Bullock's statements as to the nature of ground rent. Indeed, it is probably true that we differ in no important particular. Only at some few points should I be inclined to modify or develop what he has said.

It might, perhaps, even be worth while to make formal note of the truth that rent comes not alone from "natural agents of production," but from any unproduced or nature-given good, whether it be used productively or in unproductive consumption. But with this much once expressly understood, it may be more convenient to discuss the rents as if they arose only from agents of production.

If there is one part of the topic in which Mr. Bullock's exposition really needs a closer statement than he has had time to give, I should say that it is, after all, in the direct, formal definition of rent. Rent is not exactly the income from nature-given agents of production, or payment for the use of such agents, for it does not arise from all such agents. Rent is, rather, income from natural agents superior to the poorest which are actually forced into use in order to meet the demand of the market; or, more briefly, it is income from superiority of indestructible natural agents.

And in this alternative form of statement it appears more clearly why the adverse criticisms of the classical theory of rent are, after all, of only minor importance. It is, no doubt, true that "land" can be produced." It is true that by filling and blasting building sites may be prepared; as it is true that by clearing and draining farm lands may be made ready for tillage. But it is also true, as Mr. Bullock has pointed out, that such additions to the supply of land are, comparatively, very small indeed. And, in my view, far more pertinent for the defense of the Ricardian theory is the obvious truth that superior land is not so produced; indeed, I think we may say that, in the nature of the case, it cannot be produced thus, at least in amounts large enough to affect the classical theory. When land is thus "produced," we must start either with or without an original, unproduced value in the area under treatment. If we assume an original, nature-given value, to which the capital used in the "production" of the land merely adds more value, the case of the Ricardians is won, or rather it is conceded at the start. And, on the other hand, if there be no original value in the area, capital will, under competition at once free and intelligent, work itself into the area just as rapidly and just as far as the yield from the new land can be made to equal the yield from the poorest of the lands already in use. In the technical phraseology of our discussion, produced lands regularly appear first upon the margin of cultivation, and only as the margin moves out, do they yield a true rent. They may, to be sure, after they are once successfully produced, yield a return greater than the amount of normal interest upon the capital used in producing them, but not, as I think, a return greater than is