

## BOOK REVIEWS

**THEORY AND MEASUREMENT OF RENT** by Joseph S. Keiper, Ernest Kurnow, Clifford D. Clark and Harvey H. Segal. Chilton Co., Philadelphia, 1961. 194 pp. \$6.

Reviewed by ROBERT CLANCY

THIS book is an elaboration of the studies made on the subject by Professors Kurnow and Segal (who presented summaries of their findings at the 1959 Henry George School Conference). These, and the other two professors who collaborated on the present book, are with the Graduate School of Business Administration of New York University, and their work was made possible by a grant from the Lincoln Foundation.

A foreword by Raymond Moley, adviser to the Lincoln Foundation, notes that the subject of land-rent has been neglected by economists and that this work shows rent to be more significant than they have supposed. "It is not so large as some Georgists have claimed," he says, "nor so small as most recent economists have asserted, but it is considerable and deserves a great deal more attention by those lawmakers who are seeking to find new sources of taxation and to shift some of the great burden on productive enterprise."

The book includes a historical survey of the theory of rent. Not widely known is the fact that the law of rent was first formulated by a Scottish economist, James Anderson, contemporary with Adam Smith and several years before Ricardo.

There is a chapter on Henry George in which he is praised as a tax and land-tenure reformer, but the authors do not think George succeeded in explaining poverty and depressions. They admit that his logic in explaining depressions is sound, but they dispute what they say are his assumptions, one of which is "that all economic activity involves the use of land in relatively

inflexible proportions." This is an incorrect statement of George's premise, and the authors would do well to re-examine the question. (One is reminded of the story of Tom L. Johnson who gave *Progress and Poverty* to his lawyer to check its logic. The lawyer reported that "the logic is sound but the facts are wrong." "Never mind the facts," Johnson replied, "I am a businessman and I know they're right. I only wanted the logic checked by an expert.")

The authors proceed to the more difficult job of estimating the total rent of land in the United States. They do a conscientious job and use what available evidence there is, including assessment data, Census Bureau figures and studies made by the National Bureau of Economic Research. They come up with a figure of \$249 billion for taxable land in 1956. (More than \$100 billion would be added to include the value of tax-exempt land, public land, subsoil assets and public utility land.)

The authors hold no hope that a single tax on land could cover all expenses of government, but they think that it might cover about 20 per cent of such expenses.

This is indeed a long step in the right direction, as rent is at least discussed as a source of public revenue, and rent is shown to be more significant than has been supposed by economists. Much more work is needed, however, in order to reveal the full extent and scope of land values and land rent in our economy, in all its ramifications; and such further studies would, I am sure, show the figures to be much higher.

But even apart from that, the authors tend to be a little too static in their estimation and do not take sufficient note of what happens to the economy and to land rent as rent is taxed higher and other taxes lowered or abolished. Such studies as Rolland O'Regan made in New Zealand indi-

cate that rent actually increases as it is tapped for public revenue.

We can conclude by agreeing that *Theory and Measurement of Rent* is an important scholarly contribution to the study of rent; and we look forward to more such serious discussions by the academic world.

### **New Book on Liberation of the German Economy**

Reviewed by PAVLOS GIANNELIAS

*Liberation of the Economy (Die Entfesselung der Wirtschaft)* is the title of an important Georgist work by Heinrich Richard just published in Germany. In a preface to this book Count Schwerin von Krosigk refers to it as a contribution worthy of consideration by all German taxpayers, and states that even a partial application of the land value tax reform, accompanied by abolition of taxes detrimental to the economy, would in a sensible way, simplify the tax system.

Taxes must unite the right of the state with the rights of citizens without causing damage, writes the author. He does not criticize the amount of the taxes nor their use, but limits his study to the most useful way of raising them. Unlike most of the economists and legislators he distinguishes between land and capital and says this is the unavoidable condition for understanding the precept contained in one single phrase epitomizing the economic philosophy of Henry George, "abolish all taxation save that upon land values." This principle which runs all through the book, must, he says, be followed literally.

The land is essential for the existence of every creature as a dwelling place and means of livelihood, he points out, while capital is the purveyor of material goods. The capitalist is a benefactor insofar as he is not a land monopolist, and, echoing George, he states that everyone may be allowed

to get rich so long as others are not deterred from doing the same.

The science of the single tax on land values is presented clearly, and for added emphasis, diagrams and the statements and criticisms of numerous influential economists are included. Insofar as the government holds onto present taxes, it must suffer the consequences. Insofar as it takes in taxes a part of the property its citizens have acquired by their own labor, it cannot estimate the full value of properties, since repressive measures keep down the value of land.

Another aspect that is often neglected, although it seems quite obvious, is the distinction between the full rent that could be earned on a parcel of land owing to its fertility, use conditions, location and other advantages, if there were no restrictions; and the net rent that the landowner keeps after a part has been removed by obvious and disguised taxes, and after a part of the possible full land rent has been hampered by the threat of higher taxes.

The full land rent determines the real value of the land, but the part remaining to the landowner determines the price of land. The land rent created by the activity of society would naturally furnish the revenue that society needs. Among the most important economists the term "value" is used for two things as different as value and price. The proposed tax reform would cause land *value* to increase, but the *price* would tend to fall until a minimum was reached.

Mr. Richard presents mathematical evidence to prove the failure of all such misguided reforms as price ceilings, redistribution of land, and even land value taxation without abolition of other taxes; whereas the successes attending the true Georgist tax reform are likewise proven. In the final chapter he gives directives for the application of this reform in the German Federal Republic.