

## Is Rent Sufficient?

By JOHN S. CODMAN

“DOES increase of ground rent explain why wages and interest do not increase?” And if so, is high ground rent a social evil?

No! Ground rent is a fund that properly belongs to the people as a whole, and the higher it becomes, the greater is the common wealth of the people. There is no evil, therefore, in high ground rent, unless forced beyond the normal by the withholding of valuable land from use, made possible by the monopolistic effect of misappropriation of ground rent to private parties.

The concept that there are three factors in production, namely, labor, capital and land, between which the product must be divided, is not satisfactory, since it is this concept that leads to the thought that when ground rent increases, it does so at the expense of wages and interest.

There is really only one factor in production, namely, labor, but labor is unable to function without the use of land, and labor cannot function efficiently without the use of capital. When labor uses superior land and therefore pays ground rent, or uses capital and therefore pays interest, it does so in order to secure certain advantages which enable it to produce with greater efficiency. It is for this reason that the payment of true ground rent (that is non-speculative ground rent) does not increase cost. Unless such payments reduce cost, they will not be made.

It is a doctrine generally accepted by economists that a “land value tax” cannot be passed on to the consumer, as are other taxes. However, many have difficulty in seeing why this is true.

This difficulty arises because of the unfortunate practice of speaking of government collection of ground rent as a “tax.” When it is realized that this so-called “tax” is really a partial collection of *existing* ground rent by government, it is easily understood that the collection by government of a part or all of existing ground rent, is merely a matter of the division of the existing ground rent between the government and the title holder. It does not in any way affect the amount of the ground rent itself. That is determined by the bidding of prospective tenants.

There are many persons who maintain that ground rent can never be sufficient for the needs of our governments, municipal, state and federal. It is insufficient now, but need not be in the future, if proper steps are taken.

The idea that ground rent cannot fully meet the requirements of government, is due to the failure to consider an important factor in the problem, namely, that taxes have a depressing effect on ground rent. Title to land is an opportunity varying greatly in value, and the measure of its value is the ground rent. It surely is obvious that the value of such an opportunity must be decreased by taxes and other restrictions of government, and, if so, as these restrictions are removed, ground rent will rise.

The first step should be to collect all the existing ground rent into the local treasury and to reduce or abolish the local taxation. This will put an end to speculation in land titles, and will give a tremendous stimulus to business, which will tend still further to increase the ground rent, leaving a surplus available for state and federal revenue. Then it will become possible to reduce the state and federal taxes, and thus, step by step as taxes are removed, ground rent will continue to rise and will ultimately be sufficient for all the legitimate needs of government—local, state and federal.