

## RENT, PRICE AND MR. WOODLOCK

EDITORS LAND AND FREEDOM:

The articles by Thomas F. Woodlock appearing in the *Wall Street Journal* on May 22, June 3 and 17, have greatly stirred the interest of Georgeists. Mr. Woodlock has asked questions of them and has received, according to LAND AND FREEDOM, a deluge of replies from which he assumes that his condensation of the George philosophy is basically correct. Is his assumption a proper one? Are those who really understand the principles enunciated by George, prepared to accept Mr. Woodlock's condensation? This writer thinks they will not do so and that Mr. Woodlock should make further study before arriving at a conclusion.

Mr. Woodlock's condensation consists of a series of syllogisms, four in number, which are well worth careful study. This writer is ready to accept in the main the first, third and fourth of these syllogisms, although he feels that the wording of them should be modified. He does, however, take very definite objection to the minor premise of the second syllogism and therefore also to its conclusion. This second syllogism reads as follows:

"Major: Every man has complete and exclusive rights to the product of his own labor exercised upon the land, and to the value of that product: Minor: But that value may be and in fact is increased by community life; Conclusion: Therefore that the increased value belongs of right to the community which creates it."

Let us consider this minor premise. Is it true that community life increases the value of the products of labor? If we take "value" as meaning "use value," it may be said that complicated machinery has use value only in a civilized society and has none in a society of barbarians incapable of operating it. This is true, but it does not seem that this is the meaning that Mr. Woodlock has in mind. There may be some doubt as to just what he does mean by "value," but it seems likely that he refers to "value in exchange" as indicated by the price of the product and, therefore, that his minor premise undertakes to affirm that the price of a product is increased because of community life. But is not this directly contrary to fact? Is it not true that community life has the effect of making most labor products much cheaper in the sense that they can be obtained with much less labor?

The writer is of course reluctant to attribute to Mr. Woodlock any ideas that he does not hold, but it does seem that perhaps his idea is that, since the community as a whole contributes to the production of labor products, it is entitled to compensation for its contribution. This is true, but is it not also true that the community does receive full compensation for its contribution provided it collects in full the rental value of land? Call it what you will, "economic rent," "ground rent," "location rent," "public service rent" or "co-service," this rental value of land is the true measure of the community's contribution to production. For the community to go beyond this so as to take directly any part of the value of the product either by taxation or otherwise is, therefore, contrary to Mr. Woodlock's major premise and so his conclusion is invalidated.

But it has been said that since rent paid for a location on which to produce is a part of the price of any product, then that part of the price belongs to the community because the community created it. This brings up an old, old discussion among Georgeists as to whether "rent enters into price." To the writer this discussion has always been a fruitless one because, so it seems to him, there has never been any real difference of opinion among Georgeists on this question, but merely a different interpretation of the words "rent enters into price."

From one point of view it is elementary that rent does enter into price, since every producer in fixing his price must take rent into

consideration as a part of his cost. But the phrase "rent enters into price" means something quite different from this to those who maintain that rent does not enter into price. To them it means that the price of goods is not increased because of the payment of rent, and it requires only a little consideration of the nature of rent to see that this is true.

Why after all does a manufacturer or a merchant pay rent? He does so to secure certain advantages which he obtains from the use of a certain location. His payment is voluntary and whether he chooses to pay high rent or low rent depends on the nature of his business. In any case his object in paying rent is to reduce his cost of production, not to increase it. Should any automobile manufacturer or any owner of a department store attempt to secure results on a location for which little or no rent had to be paid and consequently was quite unsuitable for the purpose, he would thereby so increase his cost of production that he would not be able to stay in business. Since, therefore, the payment of rent has for its purpose the reduction of cost, it is clear that it does not increase price.

The fact is that a producer pays rent and also interest solely because he secures certain advantages by doing so, namely a superior location and the use of capital. These advantages enable him to produce at higher efficiency, that is, to increase the efficiency of labor, so that the amount of labor required to produce the article is decreased, or in other words the wage portion of the cost is reduced. In fact, unless the payment of rent and interest results in reduced wage cost, there can be no reason for the payment. Furthermore, if the wage cost is not reduced to such an extent that the total cost is also reduced, there can be no reason for the payment of rent and interest. Therefore, when rent and interest enter into the cost, the wage cost is reduced and the total cost (rent, interest and wages) is less than if the article were produced inefficiently, that is, at an unsatisfactory location, and without the use of capital. Hence it is true that, although both rent and interest are a part of cost, nevertheless their payment does not add to cost, but on the contrary reduces it.

Returning now to the contention that because rent is a part of price, in the sense above explained, therefore that part of the price belongs to the community, it appears to be quite illogical. After all, it is the producer who has paid the rent for the advantages conferred on the location by community life. If the community has failed to collect the rent, but instead has allowed it to be collected by the holder of the title to the location, that fact appears to be no reason for attempting to cure the deficit by forcing the producer to pay again what he has already paid for the advantages of community life. No, the producer is entitled to the whole of his product, and the community is entitled only to the rent which the producer has paid.

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