

The Philosophy of the Single Tax  
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**No. IV The Heart of the Matter**

"The laws of distribution are obviously laws of proportion, and must be so related to each other that any two being given the third may be inferred." When it is known what the total value of a product, is, what portion of that value is taken as rent, and what as interest upon invested capital, it can readily be ascertained how much will remain to go in the shape of wages to those who engaged in the work of production. Presuming that the readers who have followed me up to this point have perfectly comprehended the differences between Henry George and the earlier teachers, and the important difference in conclusions which they must involve, I will now proceed to deal with a part of the question in which he is practically in accord with them—the law of Rent.

This, as stated by Ricardo, who more than any former writer devoted himself to the subject and who has been widely accepted as the standard authority, is as follows: — "The rent of land is determined by the excess of its produce over that which the same application of labor can secure from the least productive land in use." Here the definition of the word "land" must be borne in mind. It must be remembered that "land" means not only the surface of the earth but all natural agencies and means of production, such, for instance, as forests, mines, fisheries, &c. Rent is the advantage (expressed usually in money) which one natural avenue of production possesses over another, and can only refer to natural advantage. Rent is commonly and erroneously accepted as meaning payment for the use of buildings or improvements of any kind effected by labor or capital, but that error must be avoided. Such payment is wages or interest for the labor or capital expended in making the buildings or improvement, not rent. It must be remembered, too, that rent arises not only when the owner of land and the user of it are separate persons. If the owner and user are one and the same person, that portion of his income which he might obtain if he leased his land to a second party instead of putting it to use himself is rent. When land is purchased the purchase money — exclusive of any sum paid in consideration of improvements upon it — is simply rent capitalized. The purchaser pays in a lump sum what, if he leased the land, he would pay in rent. It must not be supposed that Ricardo's law assumed usefulness to be the basis of rent. No matter what especial advantages a piece of land possessed, rent could not attach to it while another piece, equal in every respect, was open to free use. And the expenditure of labor or capital upon such a piece of land would not in any way affect its rental. If improvements worth a million pounds stood upon it still not a single penny of rent could be obtained for it if a similar piece of land without any improvement were obtainable without paying rent. "Remember this: it is a truth you can verify by observation every day of your life, that land can yield no rent, and have no value until someone is willing to give labor or the results of labor for the privilege of using it, and what he will give depends, not upon the usefulness of the land, but upon its usefulness as compared with the usefulness of land that is not owned. Rent, therefore does not represent any help given to production, but simply the power of securing part

of the results of production."

This being so it becomes manifest that of all wealth produced, all over the amount which the labor and capital employed in its production could secure by applying themselves to free land is Rent. If a given amount of labor and capital applied to, say a coal mine, produced 100 tons of coal, while the same labor and capital applied to a second mine produced 150 tons, and to a third 200 tons, their providing the first mine were free to whoever chose to use it, the rental of the second would be the value of 50 tons of coal and the rental value of the third the value of 100 tons. In all three cases there would be but a hundred tons left for division between labor and capital to pay for the whole of their production. This illustration exactly fits every possible case that can arise where natural advantage is in question. And the meaning of it is that "Wages and interest do not depend upon the produce of labor and capital, but upon what is left after rent is taken out, or upon the produce which they could obtain from the poorest land in use." Rent, it will thus be seen is the key to the problem of industrial depression and social misery and misfortune. Wages and interest do not increase with increased productive power, for a very obvious reason. *Rent keeps up with every advance of science and invention.* As more is produced by improvement and development of productive power, Rent asks the whole of that "more" and contrives to get it. The effect of our advancement and progress has been to enhance the profits of the owner of the land, who has not only done nothing to help production, but whose especial province is to prevent it by only allowing those who will outbid all others in purchasing the privilege of producing to go to work. The working partners of production, labor and capital, have not had a rise of wages or interest.

Touching the law of interest, by which is determined the ratio between interest and wages or how the amount of their product left to capital and labor by the tender mercy of rent will be divided between them, Mr. George's verdict is that "the relation between wages and interest is determined by the average power of increase which attaches to capital from its use in reproductive modes. As rent rises interest will fall just as wages fall, or will be determined by the 'margin of cultivation.'" And although this appears to be strictly true and is accepted by the students of the new economy as proven, it involves the one point of difference between George and a large number of his followers. Many of these, having made close examination of his philosophy and endorsed every other part of it, oppose the conclusion that interest, in its sense being a premium paid by borrowers to lenders for the use of capital, is a natural law and continues to exist after opportunities of production have been placed upon equal conditions within the reach of all. But, as I have already said, no main issue is affected by this doubt. The term "the margin of cultivation" requires explanation here. It is "the rent line." The poorest land in use has no rental value. But if poorer land still is forced into use that which hitherto was poorest begins to command some rent. The forcing of such poorer land into use lowers interest, while it raises rent. Then it is said "the margin of cultivation falls." If, on the contrary, for any reason, the poorest land is thrown out of use and only better land is used "the margin of cultivation rises." With its rise interest rises and rent falls.