

Is the Real Estate Market Voluntary?

By Fred E. Foldvary

Some critics of the use of rent for public finance claim that real estate transactions are voluntary, so no damage is done when the land rent is kept by the owner instead of being shared by the community. So let's examine the question, is the rent paid voluntarily?

Critics of community rent claim that the payment of rent by a tenant is a voluntary payment for the service of finding tenants and allocating the best use of land. There are two issues involved in the issue of whether this is truly voluntary.

- First, is it voluntary not just for the agents involved, but for all society?
- Second, is it in fact voluntary for the agents?

Take the example of pollution. If Bob the buyer pays Peter the polluter for a product Peter makes, this is voluntary between Bob and Peter. But in making the product, Peter has polluted the neighborhood, something that is not voluntary for the residents. Economists call this a "negative externality" as a cost imposed on others, not compensated by the polluter.

The basic question here is, who is the morally proper owner of the land rent? If we agree that human beings are morally equal as persons and have equal natural rights, then the proper owner of natural land rent is all humanity in equal shares. In that case, when the landowner keeps all the land rent, he is stealing property that belongs to others, even if it is done legally. It is involuntary even if the members of the community do not claim this as their legitimate property, just as if a thief steals my radio and I don't know it is missing, the theft is still involuntary to me, as I did not consent to this taking.

The second moral question is whether a land transaction is voluntary even for the landlord and the buyer or renter. It is true that nobody is pointing a gun at them and ordering them to rent the land from the landlord. But suppose someone put you in prison and there were several empty cells you could be put into. The guard says, choose one of the cells. Is this choice voluntary? Relative to the cells, yes, you choose one. But the greater context of being in prison is involuntary, so the choice of cells is also involuntary. The higher-level coercion flows down to the lower-level choices. It is like asking you, if you are to be executed, whether you would prefer to be hanged, shot, gassed, or electrocuted. If your higher-level preference is to live rather than die, these choices are coerced, since you would rather not make such choices in the first place.

All land is monopolized, since new land cannot be created or imported. The landlords give you choice: which plot of land do you wish to be located in? You the tenant have no choice as to having to live on *some* land. **Your only choice is which monopolist will take the rent that naturally and properly belongs to you in the first place as a member of the community.** It is similar to the choice of prison cells. It is only superficially and by appearance a free choice, but

the higher-level context of landlordism, of the landlords keeping rentals that do not properly belong to them, is mandated by the legal system imposed by government. So long as you are subject to that regime, you the tenant or buyer of land have no choice in substance.

The slave trade was also a voluntary transaction between a seller and buyer of slaves, but it was not voluntary to the slave, who morally was the proper owner of his own labor. It may not have been even voluntary to the buyer of slaves if everyone else in the neighborhood owns slaves and it is impossible to compete with them unless you too are a slave owner.

So only the overthrow of landlordism, the land tenure system where the title holder keeps all the natural rent, will make real-estate transactions truly voluntary. When the natural rent, due to the natural resource value, is shared by the community, including by using it for public revenue, then when a landlord rents to a tenant, this is truly voluntary, because the landowner is not taking what belongs to others. Then when a buyer purchases land, the purchase price is voluntary and also lower, because the rents belonging to others are not capitalized in the purchase price.

Don't blame all the landlords. Most are locked into the prison system just as much as the tenants. Blame the system. Blame the ignorance of the public, the greed of politicians and the landed interests who actively prevent rent sharing, and the apathy of voters who don't want to be bothered to improve their knowledge of ethics, economics, and government.

-- Fred Foldvary

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