

ason of our contribution to the public welfare and to public progress, whether these contributions be made commercially, industrially or professionally, and that it could likewise collect promptly and in full from each of the full amount that each of us owes society for what society has done for us?

Not only so; but all this would be done automatically, with unerring accuracy, so that each would get all he paid for and pay for all he gets.

L. D. BECKWITH.

WE have received the following letter from William H. Capen, of Stoughton, Mass.:

"Gentlemen: Noticing Mr. Harding's article in your recent issue I say that I cannot conceive a time when God's economic laws will be changed. I cannot conceive a time when increased population will increase rent which will justly be borne by the user at a price. I cannot conceive a time when rent will not be the determining factor in the distribution of the product (wealth) sold at a price. I cannot conceive a time when the items of rent and taxes will not appear in the overhead column and be included in the business man's cost of production to be borne by the ultimate consumer at a price (the fixed charge per unit) lessened by increased patronage.

One can observe the growth of overhead in the last twenty years in any business, and draw conclusions as to what effect fictitious land values have in increasing prices.

Are these thoughts contrary to Henry George's teachings? Justify the argument *that rent forms no part of purchasing price?*"

Reply to Beckwith and Capen

IN the above most kindly disposed defense of Jorgensen's position on the matter of "Rent entering into price," and in Capen's earnest query, I fear that both have lost sight of the fact that rent, so far as price is concerned, is merely a differential.

Production on low-rent land, or no-rent land, is no cheaper (so far as rent is concerned) than production on high-rent (or the highest-rent) land. Whatever advantages there are in location or natural fertility that press themselves in easier or in greater production, are absorbed by the higher rent, and conversely, the difficulties in production or the meagre rewards obtained on poorly situated or less fertile land are expressed in the lower rent that can be obtained for such sites or locations.

Where production is difficult or the product scarce, rent is low. Where production is easy or the product plentiful, rent is high. The producer on a site where rent is high cannot sell at a higher price than the producer on a low-rent or no-rent site because they are in competition in an open selling market; nor can he, the user of a high-rent site where production is easier (and therefore presumably lower in cost per unit of production), undersell his low-rent competitor whose unit of production cost is presumably higher, because the greater rent he pays consumes such advantages.

Thus in the matter of higher rent being expressed in

higher price of the product, all producers (other things being equal) are on a par. Economic rent absorbs the differential advantages rendered by nature or location, leaving all producers equal—equal at the point where individual service and exchange begin.

All commodities are labor products and their sale is but an exchange of service for service. Economic rent having been paid for the privilege of producing, the producer is free to sell his product, his services; and as it is only his services and not rent that he can sell, it is only services and not rent that the purchaser need or can buy. If there were any rent left to sell, or to put into the price, it would only mean that all the rent had not been collected, and this condition could not long obtain. If the producer could put any rent into the price of the commodity, the rent would soon go up.

Furthermore, if the rent-payer, the producer, could transfer the rent to the selling price of his product he would be getting back what he paid for the advantages that nature, location and the presence of the community gave him, and which, it should be remembered, he did not produce. He would then be receiving both payment for his services to individuals and the money advantage of superior location to which he is not entitled. In such case also the purchasers of the commodity would be paying for advantages they did not receive, the advantages of location and fertility. This they are spared, however, for they can buy in an open purchasing market. To express in the price of the product the higher rent of his land a producer would have to be free from the competition of other producers, both those on similar and those on lower land rent sites.

Economic rent is thus seen to be a price that producers are willing to pay for the privilege of using land, and especially so as it is nothing that they themselves produce; for even though the rent is expressed in the terms of their product, nature, location and community are the factors that really are responsible for the added production, the added value. The value of the privilege being determined by the use that can be made of the land, rent is obviously an *effect* and not a *cause*, high rent being an indication that the advantages are great; low rent, that the advantages are poor.

Viewed in this light let us again read Ricardo's statement in his "Principles of Political Economy and Taxation," that "corn is not high because rent is paid, but a rent is paid because corn is high." With due apologies, may we not paraphrase Ricardo's statement to read: "Price is not high because rent is paid, but rent is paid because price is high."

What seems to be really troubling our friends Jorgensen, Beckwith and Capen is that the rent fund, seemingly produced by the user of the site, should be exclusively borne by him and not shared in by the entire community which

benefits by the expenditure of this fund in the communal services that the fund secures for all.

The fallacy in this is two-fold. First, it is not labor or the producer who occupies the site that produces the rent. In a very real sense Nature or Society produces it. The user of the site, or the producer of wealth on that site, merely translates the value of the rent into tangible service, and that without any additional effort on his part. The same amount of labor or effort expended in a poorer community or on a poorer site in the same community would produce less. Thus the site itself produces; and thus the rent is not the product of the user of the site, and he is not deprived of anything that he has made by being forced to pay it.

If the rent could be transferred to the price it would give the producer the advantage of recouping for the payment of a privilege that is peculiarly his and that only he should pay for. Also, if the rent could be transferred to the price, the user of the site would be paid for what he did not produce, he would be paid for what the community produced, and thus there would be established and maintained another form of unearned increment. But Nature is wiser than its creatures, and rent cannot be transferred to price.

The second fallacy is that as all receive the benefits of society, all should *as consumers* pay their share of the total economic rent of the community by paying their share of the rent which, according to this fallacy, is expressed in the selling prices of the various commodities.

True, we are all consumers and our potential needs are the incentives that start the wheels of progress moving; but we are equally producers, unless we are minors or paupers, or come by our wealth unethically or unjustly (as under our present system many do), and it is as producers that our potential demands are made effective, and as producers that the private ownership of land robs us of our product by restricting the area open to our use and making us compete against each other for the limited opportunities that are thus left us, and in the scramble for which our needs and necessities compel us to take whatever we can get either in wages or in the price of our products.

Thus Nature in an economic sense deals with us as producers and not as consumers, and it is in our relationship to her as producers that our welfare is secured or imperiled.

Henry George saw and taught us this if only we would read him and understand him:

"The reason why, in spite of the increase of productive power, wages constantly tend to a minimum which will give but a bare living, is that, with increase in productive power, rent tends to even greater increase, thus producing a constant tendency to the forcing down of wages."—("Progress and Poverty," Book V, Chap. II, p. 282.)

OSCAR H. GEIGER.

[Mr. Geiger has here confined his argument to the economics of the case. A somewhat more historical and statistical handling of the matter will be found in Mr. Geiger's review of Jorgensen's book in the Sept.-Oct., 1931, number of LAND AND FREEDOM.—EDITOR.]

Impolicy of the Income Tax

AT the solicitation of an old subscriber we are reprinting extracts from an article on the Income Tax by Joseph Dana Miller, originally published in *Belford's Magazine*, and later (1892) reprinted by G. P. Putnam's Son in a volume entitled "Who Pays Your Taxes?"—one of the "Questions of the Day" series issued from the publishing house. In this book are articles on taxation from David A. Welles, Thomas G. Shearman, Julien T. Davies, Bolton Hall and others.

The article by Mr. Miller, entitled "Taxing Honest and Thrift," is a serious attempt to show the impolicy of income taxation. In the early '90s a number of so-called radicals and many Socialists, from various viewpoints were urging this form of taxation. Even a few Single Taxers were not unfriendly to it, for it seemed to offer a substitute for tariff taxes. In this article it was sought to submit the claims for this form of taxation to a searching analysis and it is perhaps the most elaborate attack upon the Income Tax made up to that time.

The extracts presented are worthy of careful reading:

TAXING HONESTY AND THRIFT

Many persons who see the folly of the listing system believe an income tax offers the best substitute for present methods of taxation. Mr. Joseph Dana Miller published in *Belford's Magazine* for November, 1891, an article admirably demonstrating the folly and injustice of income tax. Mr. Miller writes from the point of view of the absolute free trader, and would substitute for all present taxes a single tax on land values. Mr. Miller's article is valuable as an argument against an income tax, and it is reprinted here. Says Mr. Miller:

"The total abolition of the tariff, and the necessity of resorting to some other method of raising revenue, is not a remote contingency. The reduction of the tariff to a point yielding insufficient revenue, when other methods of taxation must be considered, may engage the attention of the next Congress. At all events, the question of direct taxation is fast impending; and it is important to know what is offered as a substitute for the imposts upon commerce which have hitherto yielded the greater portion of our national revenues.

"It is true that commerce may to a great extent be freed without diminishing, nay, with even increasing revenues; that in many instances the placing of what are known as 'raw materials' upon the free list, enlarging trade and increasing the volume of imports, will increase rather than diminish the amounts raised by customs duties; that, in brief, a tariff may be so adjusted as to yield the maximum of revenue with the minimum of duties.

"But such a tariff would still be a burden upon commerce; would still bear with unequal weight upon the poor, being as it is a tax not upon wealth but upon consumption; would still leave open doors for protectionist schemes for raising needed revenue, for in all the world there is not a so-called protective tariff but was born of a revenue-monger into the hands of a protection accoucheur. * * * Abolition of the tariff makes the question of direct taxation inevitable before many years. And such taxation must be of a kind to leave labor and capital the freest. Is the income tax such a tax?

"The kind of income tax most likely to be imposed is one exempting incomes below a certain fixed sum. It will be assumed that incomes below \$1,000 per annum represent actual necessities, and upon all that comes in excess of that sum government may levy at discretion. Let us consider, first, the impolicy of such a discriminating income tax.

"A tax exempting incomes below a certain fixed sum intensifies the