

ance for all service rendered him at the expense of the fund; so there is nothing more for him to pay.

Mr. Geiger could show that the entire value of the site is due to the presence of the population and to actions which are inseparable from their membership in the community, and not to any special relationships distinct from and additional to those unavoidable relationships of citizenship (or residence), then he would be correct. But he cannot do that.

Regarding the establishment of homes, the maintenance of these homes and the raising of families are instinctive. Responding to this instinct a member of Society contributes unavoidably to the community rent fund, even though he may have no interest in that fund and knowing of its existence and be unaware of his contribution; for he does what he does as an individual, without a partnership arrangement expressed or implied.

Neither the State nor the neighbors participate in the establishment of homes, nor in their maintenance. But something very different from this is necessary, if we have stores, banks, newspaper offices, hospitals, churches, for all these depend upon a partnership arrangement between those who establish these institutions and those who patronize them.

The public gets the land value and the rent resulting from the establishment of homes without having to contribute directly to their support; but not so in the case of the rent on these other institutions. This obligation on the public to support these institutions is not, of course, a legal obligation; but it is something even more binding than that, for it is a decree of Nature herself. Her decree is blunt and quite pitiless. It is, too, as curt as brusque and merely: No patronage, no store!

And this support must be rendered consciously, deliberately and additionally to that which Mr. Geiger described, as a service separate and distinct from it. Our financial, scientific and professional institutions are partnership arrangements between those setting them up and those patronizing them. And the patrons are held to the strict fulfillment of their obligation by the natural laws of economics. Mr. Geiger is correct in saying that each member of the community makes an unavoidable contribution to the community rent fund, and thus pays in advance and in full for service; but this service is the service financed by the rent that is unavoidably engendered. It does not include the service of stores, banks, professional offices, which is a service special, separate and distinct from and additional to the service unavoidably involved in residence and citizenship.

The conduct of stores is not an act unavoidably connected with residence in a community. Nor is the patronage of any given store, if indeed any patronage is unavoidable. This is additional, special, contractual and optional.

One may fulfill all the conditions of unavoidable relationships of residence and citizenship of which Mr. Geiger speaks and yet find ourselves on Nature's C. O. D. list

and compelled to pay more rent, cash on delivery of the service if we would enjoy the advantage of these stores and other institutions of that character. Our unavoidable participation in the life of the community does not pay that bill.

The question here is not whether the patrons should pay all of the merchant's rent, but whether they should pay their own partnership proportion of the rent expense of the service they receive.

It is understood and agreed that the merchant cannot evade his part. The question is whether the non-landowning patrons can evade theirs.

I hold that, in a free market, neither party can evade his proper share of that rent; that the merchant could not pass his portion on to his customers in price, and that the customers could not avoid paying their portion in the price of their purchases.

Nor do I see why any Georgist should hesitate to admit that this is so. Suppose a community without sewers or garbage disposal service, in which residents were put to personal inconvenience and expense to provide this necessary service. What that service cost them would, of course, be an expense. Suppose now that the community installs sewers and an effective garbage disposal system. Immediately the place is more desirable as a place of residence and land value and rent rise. Residents are saved the inconvenience and expense of providing their own sewer and garbage service, and pay for that advantage in increased rent. By what logic can it be maintained that the expenditures that formerly appeared on the books as sewer and garbage outlay but which now appear there as rent have ceased to be an expense and a part of the price of living? How can this item be in any way an exception to the usual rules governing costs of operation?

To sum up: The controversy over Jorgensen's book results from a lack of clearness in economical vision. It will subside as we see more clearly. Some rent is paid on the bounty of Nature; it is not an expense and cannot be a part of price. Some rent is paid on the bounty of Society; this is always an expense and may be a part of price. In a free market no one can pass to another his own obligation to Society, nor evade payment of his own obligation when it is passed to him. A storekeeper must pay his part of the store rent, and so must his patrons pay their part; for the conduct of a store is not one of those instinctive acts inseparable from membership in a community, but is a special act distinct from and additional to the unavoidable relationships of membership in the community.

L. D. BECKWITH.

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#### REPLY

In the foregoing contribution Mr. Beckwith says: "While it is true that such rent as may represent one's own obligation to Society—that is, one's tax—cannot be passed on and so can never be a part of price, still it is

also true that some rent can be passed on and is a part of price. In other words, both parties to the controversy can be right."

If confusion can become more confounded, such statements surely will make it so.

Beckwith assumes a "rent paid on the bounty of Nature which is not an item of cost and never can be a part of price,"—by the "bounty of Nature" I assume Beckwith means natural productivity—and a "rent which is paid on the bounty of Society and is an item of cost and may be part of price." How he arrives at this differentiation of rent and still be talking of Economic Rent—the rent of land—is beyond me to understand. Here we have an entirely new thesis in economics, and as Beckwith does not divulge the secret, we shall have to wait until some future time when—if LAND AND FREEDOM's editor permits—he will show us how the two can be differentiated and assessed.

The rent of land in the City of New York is approximately \$675,000,000 a year (including what the government collects in taxes and what the land owners retain as evidenced by the assessed valuation of their land). There probably would be no difference of opinion among economists that the entire \$675,000,000 of New York City rent falls into the category that Beckwith calls "the bounty of Society," and as he holds that such rent "is an item of cost and may be part of price," then the only logical deduction we can make of his thesis is that the Economic Rent of New York City can be and is expressed in the prices of commodities produced or sold in New York. And what is true of New York would be equally true of any and all lands that depend for their value on the presence and activities of the community.

Beckwith has lightened the burden of an answer to his argument in saying that "If Mr. Geiger could show that the entire value of the store site is due to the presence of the population and to their activities which are inseparable from their membership in the community and not to any special relations distinct from and additional to those unavoidable relationships of citizenship (or residence), then he would be correct."

He then speaks of "mating, the establishment of homes, the maintenance of those homes and the raising of families" as instinctive, and evidently advances these "instinctive" activities as the "special relations distinct from and additional to those unavoidable relationships of citizenship" which give value to the store site.

As already pointed out, the distinction Beckwith is trying to draw here is indefinite and presents a phase of value-establishing characteristics in human nature that are entirely new and novel in the science of political economy. Also Beckwith shirks the burden of establishing either quantitatively or qualitatively the differentiation of that rent which is due to Society in its capacity of citizenry and that which is due to individuals expressing their natural impulses and desires.

However, as he places on me the burden of showing

that "the entire value of the store site is due to the presence of the population and to their activities which are inseparable from their membership in the community" I will start by saying that population is an aggregation of human beings, that human beings are creatures of Nature—God's handiwork—and that at no point can they be separated from their qualities, their characteristics, their impulses, their wants, their needs, their desires, and from their efforts to satisfy and gratify these human attributes—all of these are Man. Population is distinct from the individual only in that it is an aggregation of individuals; and the only reason that individuals constitute themselves into social organisms and form populations is that they thus can better express their nature and more easily satisfy their needs and desires. "Mating, the establishment of homes, the maintenance of those homes and the raising of families" are gratifications of desire no different in essence from the individual acquirement of food, clothing, shelter, education, comfort and luxuries, the companionship of other individuals and the security of person and property, all of which are more easily obtained inside of communities than outside of them, and all of which add value to the site of the store. Economic "mating," which Beckwith places at the head of "special relationships," is made easier in communities than out of them.

Not only, therefore, does the presence of the population and its activities make the entire value of the store site, but they make this value before there is a store on the site. The store comes to the site *because the value is already there*. The storekeeper and all his wares add nothing to its value; they merely avail themselves of the advantages that value already there represents.

Which brings me to what really troubles Beckwith and all other proponents of the belief or hypothesis that Economic Rent is in any way or manner transferable to the product. Economic Rent finds its way, in whole or in part, into the prices of commodities. What troubles them is that the price of the commodity bears within itself all the costs of production and production, all the money value of the wealth produced, and that still their opponents (and these include all political economists, fundamental or otherwise) claim that "rent does not enter into price."

First let me repeat what I have already explained in the last issue of LAND AND FREEDOM: that what is meant by this statement in economics is that, whatever the rent, whether high or low, it cannot and it does not affect the prices of the commodities made or sold on those high- or low-rent sites; that the greater rent cannot be expressed in higher prices, and that lower rent cannot be expressed in lower prices. That is what the statement means and claims, and it means and claims nothing else. A reading of any of the good standard works on economics or of now unfortunately outmoded classical economists will make this point clear.

Economic Rent (Economic Rent) is a differential expressing

greater ease with which the desires can be satisfied, or the greater return that a given effort will obtain. It has nothing to do with price (excepting only the price that governmentally uncollected rent makes it possible for the land owner to ask for his land), and indicates only the advantages of one site over another—not advantages that can be created, but advantages that already exist.

Rent is higher because the product is greater, and this is not because of the greater efforts of the producer, but because of the site, the location—population. Price is high or low only in response to the supply of and the demand for the commodity. It is governed by the law of supply and demand only; and the rent of the land which it is made or sold has no more to do with it than is the wealth or poverty or any other personal quality of the purchaser or seller.

A somewhat analogous relationship may be found in high tariffs and high or low wages. The tariff is theoretically supposed to find its way into the wages of the worker, but unfortunately the wages of labor are determined by the number of men out of employment and the price at which the employer can hire labor and not on the greater profits that the tariff puts into the employer's pocket. Thus tariffs may be high yet wages low—as rent may be high yet prices low, or rent low yet prices high.

To attempt to establish a relationship between rent and price is about the same as trying to ascribe lifting supporting qualities to the color blue because a man wears blue suspenders.

And now just a word as to price being the all-including measure that expresses the return to all the factors in production, namely, the return to land, labor and capital in rent, wages and interest; and yet the existence of the phenomenon that rent does not enter into price!

Production on no-rent land which obtains the same price for the product as does production on high-rent land involves one of two concomitants—either smaller production (or sales) or greater expenditure of labor and capital. Production on high-rent land which also obtains the same price as production on low-rent (or no-rent) land also involves two concomitants, either greater production (or sales) or lower expenditure of labor and capital.

What is paid in rent (land rent) is saved in effort. What is saved in rent is expended in effort; thus, although prices include the return to land as well as to labor and to capital, rent yet does not enter into price.

To illustrate more graphically: On no-rent land a market-fixed price of 100 may be arrived at by an expenditure of, say, wages 75, interest 25, while on low-rent land it might be arrived at by an expenditure of, say, labor 80, interest 20, rent 15, and on high-rent land by an expenditure of wages 50, interest 15, rent 35. In these cases the price is the same and the rent is compensated for by a saving of both wages and interest. Thus the differential, rent, does not appear in the price.

Land values in the United States, according to Eugene

W. Way in his valuable treatise, "Taxation and Starvation," rose from \$160,000,000,000 in 1920 to about \$181,000,000,000 in 1930, a rise of over \$20,000,000,000; and yet, according to data compiled by the Bureau of Labor Statistics, the average price of the 784 commodities used in their computation fell during the same period with a consistent and very slight interrupted drop from about 155 in 1920 to 85 in 1930, taking the average price of 1926 as 100. Thus while land values rose 12½ per cent, the average price of all commodities dropped over 45 per cent.

Land values in 1865, at the end of the Civil War, were about \$10,000,000,000; in 1896 they were about \$38,000,000,000, a rise of 280 per cent. In that same period there was a steady and persistent decline of prices, with almost no interruption whatever, from 132 in 1865 to 48 in 1896, a drop of over 63 per cent.

Land values are predicated on the rent of land. It seems that economic history doesn't support the "rent-into-pricers" or the "high-rent-high-pricers."

But we must be fair. Prices rose from 48 in 1896 to 155 in 1920, a rise of 107 points, or 223 per cent, and during this period land values rose from about \$38,000,000,000 in 1896 to \$160,000,000,000 in 1920, a rise of \$122,000,000,000, or 321 per cent.

Thus, since the Civil War we have had one continued rise in land values and commodity prices and two continued declines in commodity prices with continued increases in land values. All of which proves, if it proves anything, that land values, or rent, have nothing to do with commodity prices.

OSCAR H. GEIGER.

## Civilization?

The third degree.

The sweat box.

The whipping post.

Overcrowded prisons.

Prison riots and fires.

Excessive penalties.

Capital punishment.

Idle land.

Idle labor.

Idle capital.

Poverty.

Ignorance.

Too many laws.

Too little justice.

So this is civilization, or is it?

—JOHN J. EGAN in *N. Y. World-Telegram*.

WHEN we put our tariff up, thirty other countries followed suit, and world trade was cut in half. Economic war is sometimes more destructive than actual war, though it isn't so spectacular and doesn't kill so many people. It is going on all the time, and we're now in a state of actual war.—REAR-ADMIRAL SIMS.