

The Natural Distribution of Wealth

IT NEEDS little imagination to see that if each of the factors of production had its way each would seek to gain for itself as reward for its part in production all the wealth produced by their combined efforts.

Is the amount each receives therefore based simply upon bargaining between the three factors, land, labour and capital? In this present age anyone could be forgiven for thinking that the distribution of wealth is determined by bargaining between the two big and seemingly opposed camps of organised labour and equally organised capital. The share of wealth that goes to the so-called landowners is so generally disregarded that anyone could be pardoned for thinking that it is insignificant.

There is good reason, however, to consider first the share that goes to the "owners" for permitting wealth-producing activities to take place on "their" land.

We have already noted earlier in this series that all wealth consists of natural resources (land) adapted to suit the requirements of man. We must note further now that before any economic activity can take place at all as society is now organised, rent must be paid for the privilege of using a part of the earth's natural resources. This rent may be either commuted into the form of a purchase price or paid annually under a lease. The important point is that the rent is a prior charge. This must be paid before labour and capital can apportion the remaining wealth between themselves. It should therefore repay us to examine in some detail the factors determining the amount of wealth that is distributed as rent.

It may seem like stating the obvious to remark that nobody will pay for something that he can get as easily for nothing. Nevertheless that simple statement gives the clue to the Law of Rent. If there is in a particular society land of a certain quality available freely without the need to pay rent, then all land of similar quality in that community will be incapable of commanding rent. What a man can earn on this "no-rent" land will incidentally tend to fix the general, or basic, level of wages in the community.

Now, how much rent will land superior in quality to the freely available land command? Surely, no more and no less than the difference between the amount of wealth that can be produced on that superior land as compared with what can be produced on the free land.

However fertile the soil, however desirable the position, however rich the mineral or other deposits, however great the amount of commerce, rent will be determined by the simple law given.

And the return to wages and capital? Only what is left after the rent charge has been met. As production increases, so does rent. As population increases, so does rent. Meanwhile, the returns to capital and labour remain inexorably fixed by what they can gain on any 'no-rent' land that may be available.

The position of a society wherein there is no such land available needs no description—it is there for all to see in all of the 'advanced' countries of our age.

SHORTER NOTES — CONTINUED

ceiling of £2,300 million in an Order subject to affirmative Resolution by the House. The same principle applies to the Scottish boards, although the figures are different. Mr. Maudling said that the Government would be glad to consider the suggestion (made by Mr. Nigel Birch and others that the Select Committee should be provided with an officer analogous to the Comptroller and Auditor General to help them in their investigations into expenditure. But that could not be done under the present Bill. The Bill was given Third Reading and passed on February 17.

MARILYN — A dress so tight that she could not sit down in it saved Marilyn Monroe from paying tax on it as, according to American tax laws, such a handicap makes the garment a costume (tax free), and not a dress (taxed). When shall we hear of some organisation agitating for relief on teddy boys' trousers? asks The Income Tax Payer, February issue.

POLAND — Farm land prices have risen considerably as a result of the Government's agricultural policy, according to Polish Facts and Figures, published by the Embassy in London. Surely that is no cause for rejoicing? The Embassy has been asked for further information.

POWER — Twelve new British electric power stations are to be coal fired. Four other coal burning stations are to be extended. Nuclear power is no longer all the rage.

With coal, gas and electricity each a state monopoly it is impossible to judge whether the decision is right. The free market is the only test.

TOMATOES — More than 200 growers have demanded a poll, likely to be held this month, to decide the future of the Tomato and Cucumber Board.

T.U.C. — The General Council in its annual pre-Budget representations to the Chancellor again neglects to mention the taxation of land values. Since, presumably, these trade unionists are not consciously pro-land speculator and slum-landlord, ignorance or prejudice seem the only possible explanation. The Council calls for expansion of investment, particularly in the public sector; cuts in purchase tax on essential articles; reduction of income tax for lower paid family men and women.

The Effective Answer To Communism

and Why You Don't Get it in College

By Harry G. and Elizabeth R. Brown
100 pp 35 Cents

Robert Schalkenbach Foundation
50 East 69th Street, New York, 21, N.Y.
And from Land & Liberty - Price 2s. 6d.