

annual rent of land for public purposes, thus preventing speculation in land, opening up the earth and getting millions back to work. It is so simple that some distrust it who want complex solutions of simple problems. It can be done tomorrow, not without a shock, they tell us. But if it be just we can risk a shock. Perhaps the Communists will get in ahead of us. That would be somewhat more of a shock.

I SAY if it be just. Land is as necessary to life as air. It is impossible to argue that one man has more right to air than another. It is equally impossible to argue that he has more right to land than another. Land differs from air only in this particular—some of it is occupied or appropriated to exclusive use. How shall the right of every man to the land be established? Happily we are provided with a solution. Land has value as population arises. This value is known as economic rent, and is in proportion to the demand for the use of land. And as it increases with every social service it yields itself admirably to the needs of revenue. Its appropriateness for revenue is obvious from many angles.

AND this revenue would enable us to abolish all taxes. Every piece of land having value would then be available for use. And under such conditions there would be no such thing as unemployment. Improvements being exempt from taxation nearly every citizen would benefit, for he would have less taxes to pay. Those who are holders of large tracts of unimproved land, even though their taxes would be increased, would benefit by living in a better civilization where they and their children would no longer be threatened by insecurity, and in which men and women would be free from want and the fear of want. It would make every other reform easier. Disease and crime would be sensibly diminished; government would be simplified and its cost reduced. In every way society would benefit and forces be unloosed for social advance. And then "My Country, 'tis of Thee" would be a truism and not a stupid lie!

JOSEPH DANA MILLER.

ANNUAL taxes of \$13,000,000,000 are crushing industry. Even some Congressmen and Senators see that. But the effect on industry of \$13,000,000,000 of economic rent is such that not a single Congressman or Senator considers it worth mentioning. Could there be more eloquent testimony that taking economic rent for public use in lieu of taxes would be an enormous improvement? Why should not the biggest ignoramuses concerning taxation principles—there are over 400 of these in the House, over 90 in the Senate—see that much? Now let those who have been bearing witness so long by their silence prove by their votes that they have the courage of their convictions.

HE [Henry George] was as guileless as a child and as earnest as a martyr.—WILLIAM JENNINGS BRYAN.

An Economist's Perplexities

THE world has lost a great teacher. The man who doubtless has succeeded more than any political economist of the century to spread a knowledge of the science of political economy was Charles Gide of France. This famous economist died in March of this year. He was an honorary professor at the Paris Law School and professor at the College of France at the time of his death. His principal work was his "Principles of Political Economy," which has been very widely used in France, England and America as a college text-book. It was first published about half a century ago and has gone through at least eight editions in the original French and has been translated into the Russian, Swedish, Dutch, Finnish, Polish, Spanish, Bohemian and English languages.

In commenting on his death, one of the leading financial and political dailies of Paris, *L'Informateur*, remarked that this work was "an authority in the economic world as a model of clearness of method and easy, agreeable and captivating reading." Gide himself wrote in the preface to the eighth edition: "What I have endeavored is to give a general description rather than an analysis of the economic world—of the vast domain in which we live and move without knowing very well whither we are going. I have sought to arouse curiosity and interest in economic problems rather than always to furnish cut-and-dried solutions. I have tried not so much to convey absolute conviction based on scientific laws that are still imperfectly understood, as to impart a sincere and fervid desire to discover the truth. I have, moreover, tried to make political economy, which France has long borne (without much protestation) the name of tedious literature, appear to the beginner as an attractive and captivating subject."

The science of political economy, after having lain almost as a dead thing for probably half a century, has now showing signs of taking a new lease on life. The reason for it is not hard to find. It touches the life of every man, woman and child. The larger part of our time is taken up with efforts to make a living. Economics is the very foundation of our lives. It treats of the nature of wealth and the laws governing its production and distribution. These laws are not made by man, but by nature, and we must for our own benefit seek these laws. Since 1929, interest has been revived in the science, due to the disruption of the economic system, previously deemed impregnable, which has made men realize that their contempt of economic science was a result of their own ignorance.

It is appropriate, therefore, at this time, that attention should be directed to a man who has held a position of prominence in the economic world and who has impressed so many people with his views. Then again, it was the countrymen of this man, the Physiocrats, who first founded the science in the middle of the eighteenth century. He owed a great deal to Quesnay, Turgot and

that school. Mistakes they made, but a braver and more honest set of economists the world has never known. While there is little doubt that Gide succeeded in inspiring a sincere desire to discover the truth, there is no question that he did not succeed entirely in his attempt to provide an analysis of economic problems and convey absolute convictions. In his "Principles of Political Economy," and also in "History of Economic Doctrines," the latter work written by him in collaboration with Charles Rist, he analyzed the various theories and in a number of cases admitted definite opinions. With his convictions in connection with principles that have been generally accepted are not concerned. It is his analyses and positive conclusions dealing with disputed questions which mainly interest us.

The cause of crises and the cause of poverty are the burning questions of the day and should be found in a study of the distribution of wealth. We have economists springing up among us at the present time, who are agitating for a planned economy. Their energies are concentrated entirely on the production of wealth, ignoring the problem of its distribution, or believing in some vague way that if production is planned properly, an equitable distribution will naturally follow.

Gide said that economic crises varied in length and intensity, and while there might be various reasons ascribed to them, it was possible to find a common fundamental cause, such as the sudden disturbance of the economic equilibrium, either in production of many commodities or in the production of a single very important commodity, such as wheat, capital, metallic money or credit instruments. In each of these cases the disturbance is due to a glut or scarcity of goods. Now, he stated that while it would seem that a scarcity of goods was much more dangerous than a superabundance, the latter was more dreaded, except in the case of a superabundance of money. He went on to say that development of large-scale production, modern inventions and means of transportation have enabled industry to produce now such a large supply of products on the market that consumption cannot always keep pace with production. He did not mean that more things were produced than people could afford, but that more were produced than people were able to buy. This is difficult to understand when we know that consumers are also producers. As people produce, they can consume. Their consuming or purchasing power springs from their ability to produce. Charles Rist, Gide's collaborator, held this view in "History of Economic Doctrines." He wrote therein that the growth of production created demand and did not agree with the general overproduction theory.

Overproduction can exist only in a relative sense. There is relative overproduction when the production of certain commodities is in excess of their proper proportion to the production of other commodities. This may occur either through an increase in production of those commodities or through a decrease in production of the other commodities. If there

was an increase in production of some commodities, Gide claimed, producers would be obliged to lower their prices and to reduce their output for a while. This fall in prices would mean lower profits or failures for the employers and lower wages or loss of work for the laborers. He overlooked the fact that, in a free market, the prices of those commodities could fall without decreasing production. If prices fell, consumers could buy more of those commodities and more of other commodities. This would stimulate production of the other commodities, resulting in an increased demand for the first group of commodities. Thus, production would be increased in all directions and the equilibrium between the production of the first group and the production of the second group would be re-established.

Gide agreed that the proportionate increase in the production of the other commodities would re-establish the equilibrium between supply and demand, but he believed that this had to take place simultaneously in all branches of industry. The fact of the matter is that it does take place simultaneously if no restrictions are placed on the production of the other commodities. No matter how much production increases in some industries, if production in other industries decreases in even greater ratio, demand for the commodities produced by the first group of industries would be lessened and there would be relative overproduction. As I said before, relative overproduction can take place either by an increase in production or a decrease in production; but while these causes might produce similar effects to a limited extent and only in particular industries, the general effects will be entirely different. For instance, let us suppose that the automobile manufacturers, in order to raise prices, agreed among themselves to reduce production. Many men immediately would be thrown out of work. Their demand for other commodities would fall off, resulting in a decrease in production in other industries, more unemployment and reduced purchasing power. As a result of this reduced purchasing power, the check in production at this point would be transmitted to all industries and culminate in a general stagnation of business, unemployment, poverty, crime and vice. When the equilibrium had again been established, it would be on a lower level of production. Thus, we see that an increase in production of any commodity tends to stimulate trade in all industries, while a decrease in production of any commodity tends to diminish trade in all industries.

Even though a proportionate increase may take place in production in all branches of industry, if money is scarce prices will fall. However, as Gide pointed out, an increase in the supply of money will restore the equilibrium. While money panics are to be greatly feared, Gide admitted that there were always definite signs that heralded their approach and enabled us to avert them.

He believed that a proportionate increase would not always take place simultaneously in all industries. While he did not appear fully to realize that this was due to obstructions being placed in the path of free competition,

precluding a more or less smooth return to stability, he pointed out, in the case of the international exchange of goods, that a tariff would act as an impediment to a proportionate increase in foreign goods that would prevent a re-establishment of the equilibrium. If we realize that there are just as serious impediments to domestic trade as there are to foreign trade, we can see that the cause of crises is due not to an abnormal increase in production of some commodities but to a decrease in production of other commodities in even greater proportion.

We have never enjoyed really free competition because of the unnatural restrictions on trade. While some industries are enjoying comparatively unrestricted production, other industries are burdened by cartels, combines, labor unions, price agreements and heavy taxation. While Gide recognized the benefits of competition, he considered them as being greatly outweighed by the evils. According to him, competition was a kind of warfare which meant the triumph of the strong and the ruin of the weak, and did not necessarily cause an equalization of profits and of wealth. It tended to destroy itself by giving rise to monopolies, and then the government would step in to regulate them by laws and taxes. This would lead, he said, to collectivism or state socialism. "We can very well conceive," he concluded, "and we are already beginning to realize a system in which mutual agreement—between workmen and employers through the medium of organizations of both and between producers and consumers by means of co-operative associations—will do away with most of the evils of competition without placing free enterprise under the yoke of governmental regulation."

Gide was the promoter of the co-operative movement in France. The work he has left in connection with it is considerable. He has written theoretical works on the subject, pamphlets of propaganda, and books and articles to diffuse knowledge relating to it.

When Gide claimed that competition did not necessarily cause an equalization of profits and of wealth, he betrayed a false conception of equality. Equality does not mean a term applied to a condition in which men share more or less alike, in which the strong and able are penalized in favor of the weak. Equality is the term applied to a condition in which all men have the same opportunity, limited only by their own defections, to gratify their desires. If one man possesses powers superior to those of other men, the principle of equal rights demands that he be permitted the full use of those powers provided he does not infringe the equal right of other men to the full use of their powers. Only in free competition, allowing men to satisfy their desires with the least expenditure of exertion, can these rights be maintained. This is the only basis of true capitalism.

The object of co-operation, it appears, is not to abolish private property but to make it more general by facilitating the acquisition of private capital either by saving or bor-

rowing and to create co-operative property or collective ownership of stores, banks, factories and houses. It aims to withhold that part of the product that capital appropriates in the form of profits and dividends. Many co-operative associations are expressly forbidden by their constitutions to make any profits or are compelled to place them into a reserve fund. The co-operative theory is based on the false assumption that inequalities are due to competition. Curiously enough, those supporting co-operation use the same means to gain their end as men who, desiring to profit at the expense of others, strive in every way possible to restrict competition by gaining some privileged monopoly. The mercantile system in England during the eighteenth century is an example of how economic laws were violated for selfish reasons. Practically the same system exists today in almost every country under the name of protectionism.

Co-operation, as proposed by Gide and others, means simply taking the line of least resistance and is almost identical to economic planning that seems to be the rage nowadays. Instead of fighting restrictions on economic laws, which many people evidently seems a hopeless task, the idea is to swing along with the tide and add even more restrictions. It amounts to a mild form of socialism, and that is what it would probably end up, if applied generally.

Men cannot utilize their powers to the highest possible degree, where intelligence is required, if they are subject to the will of others. There is bound to be loss of productive power. When intelligence or directing ability is not required of the many, co-operation is necessary whereby many are subject to the will of one, as in the case of an army. The production of wealth, however, requires that many. A large part, be permitted individual thought and action. There is a tendency throughout the entire world today, even though remote, toward the dissipation of productive power and efficiency. As society progressed, specialization and division of labor steadily increased so that each man has learned to do one thing well, thus increasing the aggregate productive power. In this way, too, each nation has confined its activities to the particular lines of endeavor in which it has been best fitted, so that through the exchange of services and goods with one another they have all been able to satisfy their desires to much better advantage than when they were self-supporting and absolutely independent of each other. However, the steady and persistent erection of tariff barriers that we see going on all over the world today, that prevent the free exchange of goods, is compelling all countries to diversify their activities and to become dependent on each other. To such an extent has this movement been proceeding, that some of the States in this country have caught the fever and are striving to isolate themselves. They are forbidden by the Constitution to erect tariff laws, but they have been showing marked preference for goods produced by their own industries in various ways such as placing high taxes on goods from other States.

within their borders. It may be beyond the realms of imagination to conceive that, if this sort of thing continues far enough and long enough, modern civilization will be returned to a primitive condition in which each man is a jack-of-all-trades, satisfying all of his wants himself; but, nevertheless, there is a tendency in that direction.

Co-operative systems and economic planning, by their violation of natural laws, are definitely contributing to this backward movement. It is the inability or unwillingness on the part of so many economists to probe deeply enough in their analyses of causes that weakens their faith in the laws of their own science and moves them to propose all sorts of schemes to prevent their natural operation. If restrictions on competition prevent a proportionate increase in production taking place in some industries to offset an abnormal increase in production in other industries and to restore the equilibrium, the logical remedy is not further to stifle competition but to lift all restrictions and to permit the free interplay of supply and demand.

Gide said that crises of a more serious nature were caused by a scarcity or glut in the factors of production rather than by a scarcity or glut of commodities. The three factors of production, we know, are land, labor and capital. Sometimes there is not enough labor or capital for the land that is available, or not enough land to afford employment to labor and capital. Now, while he seemed to stress the overabundance of capital as causing disturbances, this does not seem possible if there is sufficient land available upon which this capital can be applied. Land cannot be decreased or increased by man. Its quantity is fixed. It is the most important factor in production because man depends on it for his very existence. Everything he has came from the land. Not only is it essential to the farmer, but it is essential to every business man in the towns and cities who requires locations for his factories, offices and salesrooms. Too much land is not disturbing, but too little is. If there is not enough available for the needs of man, he suffers, and this suffering in organized society is called a business depression.

Although a good deal of land in the world is still unappropriated, most of the desirable land is privately owned. Especially is this true in highly civilized, progressive countries. The institution of private property in land has existed for centuries and centuries, almost from the beginning of civilization. While land today is considered wealth, it is not wealth in the economic sense. Economic wealth means natural products or products from land that have been removed or modified by labor. Land is not created by labor. It differs from wealth, according to Gide, in three ways: (1) It provides for the satisfaction of human wants that are essential and permanent. (2) It is limited in quantity. (3) It lasts forever.

Land yields rent. According to Gide, the law of rent has been one of the most disturbing problems to economists,

and it was not until Ricardo invented his famous theory of land-rent in the early part of the nineteenth century that political economy was able to throw any real light on the subject. His theory gave rise to many discussions and controversies, however. Some economists deny that land yields a return. They claim that the revenue from land is nothing but the product of capital put into the land by its owner or his predecessors. Gide said this idea was not generally accepted, and seemed to be inspired really by a desire to justify and defend property in land.

The law of rent, as laid down by Ricardo, is this: Rent is the excess of the produce of land over that which the same application of labor and capital can secure from the least productive land in use. When a country is first settled, there is an abundance of rich and fertile land. Only a small part of it is needed in the beginning for the satisfaction of the wants of the few settlers. Land then will yield no rent until population increases which will require the cultivating of land of inferior quality, that is, land on which the cost of production is higher. As population continues to increase, the margin of cultivation is lowered, more inferior land being brought into use, and rent rises. Rent, then, is the expression of the advantage that land possesses over land that is least productive. While Ricardo had in mind agricultural land when he discovered this law, it can be and is applied to industrial land also. Rent on the latter actually increases in greater proportion.

The ownership of land, therefore, gives the power of appropriating that part of the wealth produced by capital and labor that exceeds the return which an equal amount of capital and labor could obtain on the least productive land or, what amounts to the same thing, in the least productive occupation. Gide considered land-rent the result of a monopoly and that this rent was bound to increase in consequence of social forces entirely beyond the influence of the landlord. He expressed the opinion that, in strict justice, society as a whole should own all the land, but that society could not promote the interests of all better than by delegating this right to those who could make the best use of the land. In other words, in spite of the injustice done to the many, social utility or expediency demanded that there should be private ownership of land. What kind of political economy is it that cannot be reconciled with ethics? Was Gide not somewhat confused as to the real meaning of social expediency? Does not the best kind of expediency lie in justice? Certain philosophers and economists persist in the intentional misuse of the term with a definite purpose in mind. They attempt to justify the existence and continuance of unjust institutions on the ground of social expediency, when it is apparent to all thoughtful people that they are maintained for the few and not for the many. This may have led to Gide's misconception of the term and caused him to link it carelessly with injustice.

Gide recognized the equal right of all men to the use of

the earth, the principle so ably expounded by Herbert Spencer, but was puzzled as to how this right could be secured. He said that if property in land be based only on reasons of social utility, it would have been sufficient to confine the right of property to the land to which labor had really been applied. Two-fifths of the area of France is uncultivated, he pointed out, but two-thirds of this land is privately owned. Gide was strongly against land owners who did not use the land themselves but merely played a passive part and collected the rent. Moreover, he was not in favor of the tenant system, because he felt that private property in land was necessary for the best utilization of the land. He believed that tenancy would gradually disappear and that owners themselves would eventually cultivate the land either individually or through partnerships or co-operation. That prediction is not finding realization in the United States. Each year sees the number of tenant farmers growing. Today, half of the farmers are tenants. Most economists believe in the private ownership of land and deplore this trend toward tenancy.

Gide held the view that private ownership naturally carried with it the private appropriation of land-rent, just as the legitimacy of interest was inseparable from that of private property in capital. This is inconsistent with his statement that land and capital are not at all similar. Capital is wealth that is used in the production of more wealth. Furthermore, he had ridiculed as childish the argument that because land has been bought, the rent of land was simply the interest on money thus invested. He said in his "Principles of Political Economy," "A piece of land does not yield a rent of \$4,000 because it was bought for \$100,000, but it sells for \$100,000 because it will yield \$4,000 rent independently of any labor on the part of the owner." Yet, strangely, he fell into the same "childish" error in the very same chapter.

In spite of occasional lapses in his reasoning, there is no doubt as to the definite trend his thoughts took. He put to rout the optimistic school that claimed the value of land and its growing surplus value were sufficiently explained by the improvements made in the land and the expenditure incurred by its owners. He pointed out very clearly that land was not valueless because it was uncultivated and unimproved, but because it was situated in a wild and uninhabited section. In some of the large cities in this country there is unused land, uncultivated, unimproved, that is worth millions of dollars. It is the presence and activities of the people that create this value.

If private ownership of land is unjust, it cannot be socially expedient. However, the best interests of society demand the private ownership of land so that users of the land will enjoy undisturbed possession of it. Therefore, the injustice must lie not in the private ownership of land but in the private ownership of land value. Gide did not recognize this distinction, because he believed that private

ownership should include the private appropriation of ground-rent. Some economists insist that land would not be properly improved by the owners if they were not permitted to appropriate the land-rent or unearned increment. This view is false in theory and in practice. The private appropriation of land-rent does not encourage the improvement of land. On the contrary, we see that it leads to the temptation to hold land out of use for speculative purposes. The claim that people would not have taken possession of land under the Homestead laws and cultivated it if they had not been permitted to realize on the unearned increment is absurd. The incentive to cultivate and improve the land was the opportunity to gain possession of it free from the government for the purpose of making a living on it. We must not lose sight of the fact that land is absolutely essential to the existence of the human race. It is not necessary to reward people for using land. The incentive to use it is the will to live. Everyone needs it, whether he be owner, tenant or laborer.

Gide said the surplus value of land was most striking in new countries, such as the United States, and that many of the great fortunes were largely due to the unearned increment from land. He felt that something should be done to bring about a more equitable condition and showed an inclination for the schemes of land nationalization. In an article that he wrote for the *Journal des Economistes* in July, 1883, he suggested that the State offer to buy the land and pay for it on the basis of ninety-nine years' purchase. This differed only slightly from John Stuart Mill's plan. Mill suggested that the State appropriate future rents of land, the rents paid after the reform had been accomplished. A general tax would effect this, but if a proprietor considered himself unfairly treated, the State would give him the option of paying the new tax or selling the land to the State at the price obtainable for it at the time of the reform. Like Mill, Gossen, Walras and Herbert Spencer, Gide knew he was on uncertain ground. In spite of the fact that he considered it unjust that the ownership of land permitted owners to reap an unearned benefit at the expense of the community, he regarded land nationalization as impracticable, particularly in respect of property in land already established. In sparsely settled countries, he thought it might be a comparatively simple matter for the State to establish its dominion over the land, but when population became dense and most of the land came under private ownership, private ownership became a monopoly. It was then, he said, too late to buy back the land.

Gide's attitude toward what he termed an injustice seemed to be one of futility and hopelessness. He shrank from the idea of public appropriation of land-rent by means of taxation and the abolition of all other taxes which was suggested by Patrick Edward Dove, the Scottish philosopher, in his book, "The Theory of Human Progression," published in 1850, and later explained more scientifically by Henry George in "Progress and Poverty

It was George, according to Gide, who developed the law of rent so "eloquently." George did not hold with Ricardo's pessimistic theory that rent was caused by the inability of increasing population of procuring more subsistence except at a greater cost which forced producers to lower and lower points of production. He pointed out that increase of population increased rent rather by increasing the productiveness of labor than by decreasing it. He showed that increasing population caused rent to rise not only by lowering the margin of cultivation but also by increasing the productiveness of particular lands—productiveness not in the sense of superior fertility but in the sense of superior utility given to these lands by good local government, transportation facilities, schools, colleges, libraries, museums, churches, art, music and the drama. Gide erred when he said that George held the theory that the "economic rent of land was due entirely to the growth of population." George showed that, irrespective of the increase in population, the effect of improvements in methods of production and exchange was to increase rent.

George claimed that as the production of wealth increased, rent increased, but wages due to labor and interest due to capital fell as a proportion of the whole produce. Incidentally, showing that, irrespective of the increase in population, the tendency of material progress was to lower wages and cause poverty, he completely discovered the Malthusian doctrine which attempted to explain poverty by claiming it was due to the increasing pressure of population against the means of subsistence. Wages and interest would not necessarily fall as a quantity but might even rise as a quantity. This accords with the natural growth of society. However, under the present system of private ownership of land which permits the private appropriation of land-rent, speculation in land values is encouraged. Thus land is continually being held out of use in expectation of a rise in value, and producers are therefore forced to lower and lower levels of production more quickly than are demanded by the natural needs of society. In this way, rent increases in greater ratio than the increase in productive power, and wages and interest not only fall as a proportion but as a quantity. We see this condition demonstrated most vividly in large cities. Then manufacturers, jobbers and retailers enjoy a readily increasing volume of business and become more prosperous, their rent is raised.

Now, the rent they are charged is of a dual nature. Part of it is for the building they occupy, but from the economic standpoint this merely comprises interest on the investment in the building. The other part is the rent for the land on which the building stands. It is this part that increases. This increase tends to swallow up the whole increase in production, so that these manufacturers, jobbers and retailers can receive no greater return for their investment and labor than can be obtained at the margin of production or in the least productive enterprise in which

they can freely engage. If rent swallows up more than the increase in production, producers are finally compelled to stop producing, and this culminates in industrial crises. Speculation in land, then, appears to be the greatest restriction on free competition that creates the phenomena commonly characterized as "overproduction."

Frequently we observe that real wages and the return on capital do increase as a quantity as productive power increases. George explained this by stating that it was due to rent increasing in a smaller ratio than the increase in productive power. In other words, the lowering of the margin of cultivation lags behind the increase in productive power, depending on the area of productiveness that can be utilized before producers are forced to the next lower level. However, in a period of intense speculation in land the tendency is not to lag behind. While we notice occasionally, as the wealth of the country grows, that a good part of it falls into the hands of individuals who are not land owners, the general return to capital and labor is not increased. It does not seem to occur to business men to wonder why, in spite of the numerous inventions and improvements that have taken place during the past fifty years, immeasurably increasing productive power, the return to capital has made no material advance.

As a result of his explanation of poverty, George recommended the encouragement of the production of wealth by abolishing all taxes that bore on production and placing taxes solely on the value of land. By removing taxes from the product of labor and capital and preventing the private appropriation of land-rent, he contended that a more equitable distribution of wealth would be effected. Gide's countrymen, the Physiocrats, proposed the same thing about a hundred and fifty years ago. Gide's chief objection to it lay in his assertion that the value of land was due not only to social causes but to improvement of the land by the land owner. He felt that in taxing the value due to social causes, the value due to improvements might also be taxed. This would not be just and would discourage private initiative and enterprise. He considered the separation of these two elements impossible. Anticipating such an objection, George wrote: "Admitting that it is impossible invariably to separate the value of land from the value of improvements, is this necessity of continuing to tax some improvements any reason why we should continue to tax all improvements? If it discourage production to tax values which labor and capital have intimately combined with that of land, how much greater discouragement is involved in taxing not only these but all the clearly distinguishable values which labor and capital create?"

We are not at all certain, however, that the value of land cannot always be distinguished from the value of the improvements. Usually, in assessing real estate, these values are separated. If improvements had been made on land many years ago and had become so blended with the land

as to be considered a part of it, to tax them now would not discourage future improvements. Today, improvements made on land, leased for that purpose, revert to the land owner on the expiration of the lease.

Another objection made by Gide was that if society profited by all gains in the value of land, on the ground that they were due to no exertion or sacrifice on the part of the owner, it should, in justice to him, make good all losses arising from the decreased value due to social causes. This hardly seems worthy of Gide's analytical abilities. If the owner used the land he would not suffer, because then his tax would be smaller. However, if he speculated in land he would lose. We know that Gide was unalterably opposed to land owners who did not use their land themselves for productive purposes. His defense of land speculators, then, indicates how badly muddled he was at this point in his analysis. It is evident that he did not realize fully to what extent the speculation in land held land out of use. He believed that the present popular and legal conception of land as property permitted the easy transferability of land which he considered beneficial to society. He thought that when millions of people, as in the United States, had the opportunity of sharing in this monopoly of land, the evils were minimized. On the contrary, they are intensified. This easy transferability has led to terrific speculation, sending land values to abnormal heights and making it difficult for producers to obtain access to land.

Gide claimed that taxation of rent would amount to confiscation of the land itself, and that owners should be compensated. While it appears unfair that people who were permitted to buy land in good faith should suffer, it would not be practical to compensate them for more than the amount of money they had invested in improving the land. If the State bought the land, the value of which in the United States amounts close to two hundred billion dollars, the burden on labor and capital would be greater than it was before until it had all been paid for. In other words, the injustice to the many would be perpetuated.

To conclude, then: Gide admitted that the private appropriation of land-rent was unjust. However, because it is impractical to compensate the few for the injustice to them, the injustice to the many must be perpetuated and labor and capital continue to suffer. This is rather weird reasoning, to say the least. If the people in this country had been guilty of such reasoning in connection with the slavery question, negroes today would be held as slaves on the Southern plantations. Once they were enlightened, they did not believe in temporizing with injustice.

I have shown that Gide could not avoid definite convictions on disputed questions in the science of political economy, and I believe I have succeeded in proving that they were not the logical conclusions of his analyses. This is not to say that his analyses were entirely correct. What

I mean is that, like a motorist, he came to certain cross-roads and, falling into confusion at these points, chose the wrong direction. This caused him to lose faith in the power of natural laws to produce economic and social equality. It is to be hoped that some of his pupils at least, inspired by the very interest and curiosity he unquestionably aroused, have avoided the wrong road and pressed onward in a determined effort to seek the truth.

RAYMOND V. McNALLY.

Rent and Price

CONCLUDING ARGUMENTS ON THE SUBJECT BY L. D.
BECKWITH AND OSCAR H. GEIGER

WHATEVER contributes to a clear comprehension of economic principles contributes to harmony in our ranks.

It was to clear away a misunderstanding regarding Emil Jorgensen's book, "The Road to Better Business and Plentiful Employment," that I contributed to the last issue of LAND AND FREEDOM. My purpose was to show how the conflicting opinions regarding that book are reconciled once certain economic principles are comprehended.

In that article, which will be found on page 116, I argued that 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.

The weakness of the reply made by Oscar H. Geiger (page 119) is two-fold. First, he begins with a conclusion and seeks to justify his position by arguing back to the premises. Secondly, he confines himself almost wholly, if not exclusively, to a consideration of rent paid on the bounty of Nature, which is not an item of cost and can never be a part of rent, and ignores correspondingly that rent which is paid on the bounty of Society and is an item of cost and may be a part of price.

It is the failure to keep these two kinds of rent in mind that has made this controversy possible. We are all in agreement regarding rent paid on the bounty of Nature. The trouble arises because some of us overlook the fact that only part of the rent is paid on the bounty of Nature and that the rest of the rent is very different in certain vital respects.

In my article I argued that, in the case of a merchant, some of the rent should be paid by the customers and is passed on to them in price. Mr. Geiger argued in his reply that rent is a joint creation of the members of Society who, by their presence and by activities inseparable from their membership in the community, make sites in that locality valuable, and that every member of the community has by that presence and those activities paid in full and in