

properly to be accounted for by a reference to the capital and the labors, hardships, and risks of the production.

No reference, therefore, to the phenomena of "produced" land can affect the truth that there are differences in the productivity of the lands of various sorts upon which society depends. And it is upon this great and simple truth—obvious enough, too, in the facts of every-day life—that the whole Ricardian theory depends.

The narrow limits which have been so properly set upon our time by the Single Tax League, and which I have already transgressed, has made it necessary for me to take for granted a great deal in my statements. I assume, what we always assume in economic discussion, the possibility of mis-calculations, the occasional, perhaps the frequent operation of other than the narrowest economic motives, the possibility of temporary reactions from the normal tendency of forces, and the possibility of a great many other things. Moreover, I have expressed myself very briefly, even elliptically. But all that will be understood here; and here a speaker is as certain as anywhere to be interpreted reasonably, even charitably.

COMMENTARY BY DR. C. W. MIXTER, HARVARD UNIVERSITY.

GROUND RENT—HOW MUCH IS THERE OF IT?

Men form instruments from materials with which they control the forces of nature to the end of supplying their wants. For example, agricultural land is one of the materials necessary for the formation of a farm, and, through that, the attainment of food. In other words, all production is instrumental, and land being a material doesn't produce anything. Man and the instrument (capital) produce all wealth. Under the existing high development of successive division of employments, moreover, each individual producer is commonly under the necessity of marketing his product. Those who produce and market in any industry, (the marketing being a continuation of the process of production), are again divided into economic classes receiving profits proper, interest, and wages, according to the nature of the part they play. But this does not exhaust the list of classes of participants and sorts of income. There are those who own the means of access to materials for the purpose of forming instruments, and those who own means of access to society—to the general concourse of people—for the purpose of marketing products; and both these sorts of owners receive, according to the classic theory, when their "means of access" is superior to the marginal means in competition, an income called the rent of land (or ground rent) for simply allowing others to enter into possession and use of their property. The typical bonus paid to landlords for access to materials is agricultural rent; and the typical bonus paid for access to society, is situation rent in the trade centre of a city. In short, according to the received concept, the rent of land is a matter of distribution on the basis of legal institutions, not a matter of production on the basis of the economic nature of things. The landlord, as such, whether simply owner, or owner and occupier, it is held, participates in the sharing of wealth, but not in the creation of it. Therefore, though expressing myself differently, I am at one with Professor Bullock in his statement of the nature of rent.

Now let us pass to the discussion of its quantity.

If we had what may be called a "static" world, that is, a state of society in which population increased and capital increased, but there was no advance of the arts, no new ways of doing business, and consequently, the economic corpus grew simply, as a pile of brick grows through the addi-

tion of more bricks of the same sort as were in the pile before, then, indeed, there would be a steady pushing forward of the margin of labor and waiting in every branch of industry and commerce, and back of this margin would rise a regular series of differential gains (rents) like the steps of a flight of stairs, each corresponding to the natural advantage which that grade of land had over the no-rent, marginal land. Such was Ricardo's world—agricultural England during the Napoleonic wars—which furnished the basis of his one-sided theory of rent. But we have, in fact, a "dynamic" world, a world in which there are epoch making inventions and new ways of doing business; a world where, in consequence, some men and trades, and some of the different localities of a given trade, are rising and others falling; in short, we live in a world of change and progress, and this immensely complicates the task of ascertaining how much there is of ground rent. There are differential losses to be taken account of as well as differential gains; the margin of an industry is here to-day, and there to-morrow. It is impossible to calculate rent—impossible for the landlords themselves to do so—without reference to the margin; and if the margin is variable, the rent accordingly becomes highly indeterminate, and in practice under a landlord and tenant system land is "over" or under-rented."

Not only is it difficult, because of progress, to determine the quantity of rent in any particular instance when, apparently beyond doubt, we are dealing with pure rent; but also, when we take account of the causes of progress, it is difficult to know, in respect to apparent rents in general, whether or not they are really rents, according to the classic definition, which sharply distinguishes them from profits and those who receive them from capitalists (entrepreneurs). If progress made itself—if society in general simply secreted the things which constitute progress—this difficulty would not arise. And again it would not present itself if the comparatively few individuals who make progress were sufficiently rewarded in their own estimation by a diploma and a blue ribbon. But those who make progress are not content with a diploma and blue ribbon; they demand the winning of large pecuniary prizes, or, at least, the chance of winning them. And this is not the whole. All their operations are bound up with and inseparable from the institution of private property; they demand that their efforts shall be embodied in and guaranteed by property, "real" as well as "personal," with its full speculative rights, for at least a long term of years. To a very considerable extent, therefore, ownership of land is an economic category, not a mere legal category, and landlords are merged with capitalists. So far forth the detached form of income we have been in the habit of discussing under the name of ground rent does not exist; it is coalesced with profits; it is one and the same thing as the price we must pay for getting things done—especially for getting important speculative things done.

Now a few words on that special aspect of the rent theory which is, that the surplus earnings of a public service corporation, conceived of as attaching to the land (or rights in land) used under its franchise, is, therefore, in the nature of ground rent. An economist, well acquainted with England, recently said to me that he doubted if they would ever have first-class rapid transit in London: the masses of the people, imbued with modern socialistic notions, were "so desperately afraid of somebody's making something." How much, in fact, would it be worth to the people of London and vicinity to save from half an hour to an hour going and coming from work each day? I am tempted to reply all that anybody who would bring the thing to pass could possibly make out of it. At present, the only persons who can bring it to pass are not offered terms which they are willing to accept, and so it is not brought to pass. Neither is efficient rapid transit nor elec-

tric lighting, generally speaking, anywhere in England brought to pass. The whole electrical industry in England is in consequence far behind that of the United States, Germany, and even Italy. How does one know that there are any "surplus earnings" of a public service corporation:—that is, earnings above what is payment for work done and risks run—payment above the necessary cost-price of progress?

But supposing that it is determined, in the case of a street railway company, for example, that there is a surplus gain above any necessary profit, even then I do not admit that it is ground rent or an analogue of ground rent, as that term has been commonly understood. It is no differential gain fixed competitively and independently by the conditions of marginal production, on the one side, and free offerings of buyers on the other side, as the pure economic rent of wheat lands, used as the basis of the contractual rent of a tenant, is fixed by supply and demand for marginal wheat. The supply in the case of the street railway is a monopolized supply, the demand is largely created by the company itself through the ways and means it employs to serve the public, and the price is a matter of custom or legislative control. There is no surplus gain of any sort in connection with a public service franchise irrespective of the service rendered for the price charged. By extending its service into the suburbs, and by increasing the number of transfers, our own Elevated Company is virtually reducing its fares materially year by year. Its object is to increase its business; but the increase of its business means a larger and a better Boston. Whatever this company makes (if anything) above bank interest, reward for business management, and compensation for the risks it has taken, is not ground rent, but a pure monopoly gain.

In conclusion, I desire to state that I do not wish to be understood as agreeing in the least with those who are opposed to Professor Bullock's statement of the nature of pure rent. Land is not a thing whose supply costs efforts and sacrifices, and, therefore, the income derived from its ownership, socially considered, is not of the same sort as the interest of capital. My position is that in many instances, those who own land and apparently obtain a pure economic rent, are in fact, merely taking with one hand what they have made with the other; they are getting in connection with a piece of land the profits of their business management. Especially does this idea hold true, when we take into account that often when one entrepreneur—landlord, obtains what is undoubtedly rent, to him—a windfall coming out of the wealth created by another entrepreneur—landlord—the same happens to that other, and so, for the class as a whole, it is a set-off. In short, in the case of any specific income obtained in connection with land (the land itself makes nothing), it is desirable that we examine closely, to see if any part of it corresponds, in view of the whole industrial situation, with Professor Bullock's concept of rent, which is the true one. And this is of special importance to Single Taxers. Before catching your hare—to say nothing of the cooking—first see that it is a hare.

COMMENTARY BY PROFESSOR WM. M. BURKE, ALBION COLLEGE, ALBION, MICH.

In the few comments I shall make on the very able paper presented by Professor Bullock, I want first to insist on the great importance of urban land values as compared with that of rural lands and to lay more stress on the part played by society in the production of this value. I agree with Professor Bullock as he agrees with the classical economists in making the income from land different in nature from the income from capital.