

Concepts of Rent

By JOHN R. NICHOLS

OUT of the West has come recently a new statement of the aims of Georgeists, couched in new terms or new uses of old terms. Like many a new idea, it has enthused its discoverers and exponents to the point where they cannot conceal their scorn for the older ideas it is intended to supersede nor for the adherents of the older ideas. This has been unfortunate for it has made difficult the acceptance of the new idea or even its impartial consideration by the older Georgeists. And yet, exponents of George's philosophy can ill afford to overlook any contribution of possible value in clarifying or advancing that philosophy. I propose to examine the new idea as thoroughly as the brief space of a single article will allow, to discover and appraise what may be found in it of value to Georgeists.

The new idea may be summarized as follows:

Since land is the free gift of nature it cannot have value. It is absurd to suppose that any free gift could have value. That which has value, that for which rent is paid is not land, but is "the advantages of social and governmental contributions to the utility of provisions of nature." "Rent is the market value of the use of socially and governmentally provided services—and of nothing else." Land, it seems, is to be regarded as something physical but devoid of value, and that to which value attaches, in a given location, is to be conceived as separate from land, something else than land, namely the social and governmental services which give rise to rent and to what is erroneously called land value. Accepting this view it follows that we should urge not "taxation of land value" but "public appropriation of rent." In this view it becomes clear that rent is payment for public services and must no longer be diverted to private pockets but must be used to meet the cost of the services. Since land value is non-existent any demand by landlords for compensation loses force. We will not ask of landlords an accounting of past rent, merely that private appropriation of rent shall henceforth cease. Other psychological advantages in the teaching of George's philosophy are alleged to flow from the new concept of rent.

Now let us see wherein all of this differs from the philosophy of Georgeists of the past decade. Land is, to be sure, a free gift of nature in its physical aspects, its space location, topography, climate and mineral content. And land is without value as long as population is so sparse that no two persons desire the same spot. But when, because of mineral deposits, fertility, growth of population, services of an organized community or any other cause, or combination of causes, a given piece of land yields more to labor and capital than the best land available without payment of rent or price, then rent arises and the land has value. It has then the quality which

economists call "scarcity" which gives rise to value. It is true, as our friends argue, that no piece of land, however rich in natural gifts, has value until two persons want it, that is, until there is growth of population. And growth of population is one of the social advantages to which is ascribed the rise of rent. The site of New York City was of insignificant value when the first settlers from Europe came there. And so far as nature is concerned nothing has been added to it. The enormous increase in value since that day is wholly caused by the "socially and governmentally provided services." Of course, if we stop to inquire what has caused New York's millions to swarm within her borders we shall have to admit that the harbor had something to do with it, a gift of nature. I suppose it has always been some natural advantage that caused cities to be located where they are. Still, most of the values attaching to urban locations are directly ascribable to the growth and development of the city, to the advantages which are, as our friends say, "social and governmental." In agricultural and mining districts the value of land depends more on nature and less on society. As a critic from the grazing country once wrote, "Better range commands higher rent," and nature disposes the better range. A bleak mountain with copper, silver, lead, or coal is worth more than one composed only of gravel, granite, or traprock, and here again nature is responsible.

In all this the Georgeists differ from the Neogeorgeists in that the latter ascribe rent only to social and governmental contributions whereas the former assert that nature also has a part. The difference is not supremely important, except in maintaining credibility for the argument, for an individual landowner is no more entitled to intercept and appropriate rent arising from a natural than from a social or governmental advantage. It does seem to us plain Georgeists a bit artificial to insist that nature adds nothing to rent or land value, when the only advantage is the increased emphasis on urban values. Such emphasis is no longer needed to offset the over-emphasis of the classical economists on agricultural land values. Modern economists are as aware of urban land values as Georgeists, even though they fail to make full use of their knowledge.

The second difference between the two groups is the attempt to sever "land" from that which has value and commands rent. It is a difficult feat of mental gymnastics in the first place. And where do you get with it? Suppose you have achieved the conviction, contrary to the impression current in business and professional circles, that land has no value. Then suppose that you would like to buy in some city a thousand dollars worth of that for which people pay rent, specifically, "the advantages of the social and governmental contributions to the utility of provisions of nature." Where will you find these goods and how will the right quantity be measured out to you?

Obviously, these advantages attach to land. They can be had and enjoyed only by the use of land. And the quantity of them that can be had at any spot depends upon the area of the land and the quality of its location. One cannot have these valuable advantages without having land, and one cannot have full title to valuable land without commanding the advantages that go with it, subject to taxes and a few legal restrictions. Then why the effort to sever land from value! You can't have either without the other. It seems most unreal to attempt it.

The reason, I think, lies in a dislike of the phrase "land value taxation" and a preference for "the public collection of rent." Without going into reasons, I think many of us will agree in this. At least most Georgeists that I know avoid the term "Single Tax" and advocate the public collection of rent and abolition of all taxation. My own preference is to seek the abolition of "repressive taxation" or "burdensome taxation," thus avoiding the irrelevant controversy whether the public collection of rent is or is not taxation.

These are the two major differences between these Neogeorgeists, on the one hand and the older Georgeists on the other. The differences are mainly in words and the only gain, achieved at the expense of considerable mental strain, is added emphasis on the social aspect of rent.

Even this gain is not net, for it is accompanied by two distinct losses. One of the losses comes with the proposal to "collect rent for public uses." This proposal leaves in doubt (as "land value taxation" does not) what is to be done with respect to the vacant valuable lot for which no rent is paid or accrues. It must then be explained that potential as well as actual rent must be collected.

The second loss comes with detaching rent from land and over-emphasizing the fiscal aspect of the problem. The public collection of rent and abolition of taxation will not of themselves raise wages or decrease unemployment. Wages depend upon the productivity of marginal land. Bringing valuable land into use and thus raising the margin of production will both raise wages and reduce unemployment. These will follow, of course, the public collection of rent, but it cannot be explained if we must pretend that land has no value and that rent is paid for something other than land.

On the whole, it seems to me, Georgeists would do well not to embrace too hastily these proffered innovations. The problem of poverty despite progress is one which has many aspects. Individuals and groups are prone to see different sides and to emphasize the side which they see most clearly. We should strive always for a more comprehensive understanding of all aspects and a fair appraisal of each. If our western friends, with the fine enthusiasm which their view gives them, can arouse interest in the problem and thus help promote its ultimate solution, older Georgeists should, it seems to me, give them all the encouragement they are willing to accept.

Taxation Without Representation

By RAYMOND V. McNALLY

AT a crucial period in history, Lincoln was inspired to invent the famous slogan, "government of the people, by the people and for the people," which instantly caught the imagination of a gullible populace. He had dramatized by a stroke, as it were, a concept of government that had been the dream of the American people from the time they freed themselves from the tyranny of an English government. They had envisioned a government that would be subject entirely to their will. How could there be tyranny, they reasoned, when the majority ruled?

Yet curiously enough such a political concept was anathema to the Fathers of our country. It was their earnest endeavor not to do any more than to "preserve the spirit and form of popular government," when they met to consider the adoption of a new body of laws for the nation. They were unanimous in the opinion that the evils the country was then experiencing had sprung from "the excess of democracy." James Madison asserted that there would soon come a time when the majority of the people would be landless and propertyless and would gain control of the government to the detriment of the public welfare and private property. Thereupon the Fathers set up checks and balances to restrain democracy and to give the masses of the people only a modicum of representation with the result that the Constitution is one of the vaguest and most confusing political instruments that has ever been conceived by the mind of man. Nevertheless, in spite of these precautions, what the Fathers feared eventually came to pass in the form of the New Deal.

Madison and his colleagues were practical men and realized that civilization sprang from the recognition and protection of property rights. For them, property rights and human rights were identical. But they were concerned only about certain kinds of property. They were not, for instance, concerned about the property rights of the agrarian interests and other debtor classes. The primary purpose of government, therefore, as they perceived it, was to afford a means whereby the classes whom they represented—bankers, merchants, manufacturers, mortgage holders and speculators in land and public debts—could gain economic advantages through legislation over other classes. These men contributed no new ideas of government, for the political system they favored was nothing else but the system that prevailed in Europe—a paternalistic bureaucracy. According to their views, economic life could not proceed unless it were regulated by government officials. They did not regard government as an organization for rendering services but as an agency for dispensing privileges. Even