

Rent, wages, and interest

There seems to be a general ignorance of the basic and diametric difference between rent and interest. This difference is best illustrated by the fact that rent *creates* land value, whereas interest certainly *does not create capital*. Rent is what people will pay for the exclusive use of land.

In the case of capital, the yield is fixed by the value of the capital furnished. In the case of land, the yield fixes the value of the land. Or, put another way, of capital: The value fixes the yield. Of land: The yield fixes the value.

Those who claim that land rental is interest wind up with the self-stultifying, ring-around-the-rosie formula: Rent is interest on the capitalized value of itself!

It would be just as intelligent to say that alimony is interest on the capitalized value of a divorce.

If that is economics, then, as Irvin Cobb used to say, "I'll take sarsaparilla!"

Land, as a site, produces nothing without the application of human effort. Land containing raw material has an integral rental value for which no individual deserves unqualified reward. Capital, on the other hand, is the result and the surplus fruit of human effort, industry, and creativeness and is entitled to a full reward, tempered by competition, when put to productive use.

Land is not capital, though it is true that land users list their land as one of their capital assets and that it has cost them some of their capital to secure it. It is also true that there are billions of dollars, now usefully invested, which originated through the appropriation of this surplus fruit of human effort in the form of land rental.

But behind these two truths is the further truth that the money secured by the private collection of land rental, or traffic in the privilege of collecting it, is money diverted from the hands of the producer into the hands of a privileged person who contributes only *his permission* to apply labor and enterprise to the land.

Since it is impossible to conceive of any process by which the private collector of rent could take credit for the presence of a site, there must be something on which he bases his claim, and that thing is the title deed: the legalized privilege of claiming tribute. And all title deeds can be traced back to conquest or the arbitrary assumption of ownership.

In medieval days the princes and nobles waged their regional wars to wrest from each other the power to levy tribute from the humbler inhabitants of the lands they fought over. Higher nobles conferred land sovereignty on those who had been of service to them, with callous unconcern for any rights of the underlings in their principalities. And to this high-handed procedure we can trace all the land titles of today. This fact is noted by the great philosopher, Herbert Spencer.

In short, much of the money now invested usefully is money appropriated, through privilege, from useful producers in the past, and this practice is vigorously active today.

So, broadly, for the moment ignoring the source of capital, the private return from capital is a reward for *stimulating* industry. The private return from land rental is a reward for *obstructing* industry, for after industry has paid private rental, it then has to pay taxes on its activities to replace the rent which should have been the public income.

Land rent, nature's bounty enhanced by the presence of people, and wages and interest, the fruits of human labor and thought and creativeness, are separate, distinct, and opposite revenues. Opposite in their sources; opposite in their effects; opposite in their justifiable possession. One is yours *and* mine; the other is yours *or* mine.

The word "interest" has sometimes been used to describe all the yield of capital, but, in all references in this book, interest is the amount paid by a borrower for the use of capital. This payment, in legitimate and routine business

channels, ranges around five per cent per annum. The current rate is easily ascertainable.

Manifestly, no borrower would assume payment of interest to a lender if he expected the borrowed capital to yield him only the same amount that he would be paying. He expects to use the capital to advantage, which means that it must bring him something more. That something more is *profit*. And profit is the chief incentive to investment, to borrowing, and to interested, stimulated labor.

It should be "as plain as a pikestaff" to even the most casual reader that the interests of the wage earner and of the supplier of capital run parallel and that both suffer by the land-rent tribute. When it is realized that it can easily cost \$100,000 to furnish the equipment for one job, it is in the worker's interest to encourage capital and to become, himself, a capitalist.