



How Land Produces Rent IN THE CITY

Earlier TALES (18, 19) illustrated that Rent, as the word is commonly used, is really tribute that is paid by one man to another for the right to use Land. In Political Economy (Poleko), Rent is that part of a product that results from some quality in the land itself.

For example, in a certain town, New York or Squeedunk, a Mr. Jones owns two identical stores and the land upon which they are built. Both stores are exactly alike. Both have precisely the same appearance, the same prices, and the same merchandise. The fixtures and window displays are identical, and the employees in both stores are equally efficient and conscientious.

The stores differ only in location. That is, one is on very busy Main Street; the other is on Joy Street where fewer people pass and shop. Naturally, the store on crowded Main Street will do more business than the other. Let us say, \$200 more. What, or who, produced the extra \$200?

Not Mr. Jones' Capital, because identical Capital (store, fixtures, and merchandise) was used in both stores. Not Mr. Jones' ability, because he managed both stores. Not the Labor employed because both stores had equally productive Labor. The only factor left is Land; and any merchant will readily see that only the superior location of the Main Street store could account for the extra \$200.

This should explain why the Polekotist calls the \$200 Economic Rent:

it developed, of itself, from a natural quality in the Land itself, location. He says that society -- people passing back and forth -- give the Land upon which Mr. Jones' stores are built, the power to produce \$200 in Economic Rent.

That this is so becomes clear if we now suppose that theatres are built on Joy Street, and that the bus-line that formerly ran along Main now travels along Joy Street instead. Any merchant will agree that more people will stroll and shop on Joy Street and fewer will be found on Main Street. Mr. Jones' Joy Street store will do more business and the Main Street store will do less.

In our example, Mr. Jones owned both pieces of Land. But if he didn't, he'd have been compelled to pay a different rental for each location to whoever owned them. As a result, Mr. Jones would make no more -- after rent -- in one location than he did in the other. The \$200 produced by society would have been taken away from Mr. Jones by the owners of the Land he used, even if the owners hadn't ever seen the Land actually used.

So we see that there are actually two types of Rent: Economic Rent which develops by itself from the natural qualities of the land, and Contract Rent which is simply tribute paid by one man to another for the right to use a part of the Earth that God -- or Nature, but certainly not man -- created for all men.