

## Ludwig von Mises: On the Confiscation of Rent and "Man's Power to Reason"<sup>1</sup>

"Professor Ludwig von Mises was a guest of the director of the Henry George School of Social Science in New York, Robert Clancy, for an informal evening in November, 1951. A number of faculty members welcomed the opportunity to meet this well-known author and hear his views on Henry George's works. Professor von Mises agreed that he would like to see an increased levy on land, but he cited historical reasons why he does not favor confiscation of land -- a term which he holds is concomitant with the taking of the full economic rent. Though his views did not go unchallenged, they were well taken."

Ludwig von Mises, at the request of director Robert Clancy, kindly consented to condense in writing his critical views on the confiscation of the rent of land used for agriculture. Among a group of New York and Newark Georgists who are students and readers of Professor Von Mises, these views occasioned thoughtful comment at the time of his visit to the Henry George School. Dr. von Mises wrote:

"If the government confiscates the whole rent of land, it does not make any difference for the individual farmer whether the soil he tills is more or less fertile. The same input of capital and labor yields to him on any piece of land the same output. The whole advantage derived from the higher fertility of a piece of land as against another piece goes to the government.

"Thus arises an antagonism between the concerns of the individual farmer and those of all other people. From the point of the latter's interests it is peremptory that agriculture should always shift to the best available land and that tilling should be discontinued on land which, on account of technological changes or on account of the fact that previously inaccessible land is made accessible, has become submarginal. But there is under the Georgian scheme no reason for the farmer to move toward more fertile land and to experience all the material and sentimental hardships which such an abandonment of his old farm and migration to another part of his country or a foreign country involve. Then the government is forced to take care of these things. It must transfer the farmers from one place to another in the same way it transfers soldiers. The farmer becomes a pawn in the hands of the authorities; farming becomes socialized.

"If the confiscation of the rural rent is recommended as a way toward the socialization of agriculture, it makes sense. But non-socialists who support such plans are badly mistaken."

Professor von Mises is an acknowledged authority in his field, and his opinions were briefly reviewed at the January faculty dinner in New York. Although specific replies were not immediately offered (and are invited), Andrew P. Christianson, an instructor, made the following general comment:

"George never held that man does satisfy his desires with the least effort, but that he seeks to do so. ...George met all comers, on the platform and through the press, something few, if any economists have dared to do. He was opposed by the authorities of his time and how well he managed is common knowledge among the single taxers. Despite his great reputation, he never became dogmatic, but reasoned with his audience."

Mr. Christianson stressed the importance of relying upon man's power to reason, and continued:

"If there be those who seek authority for their beliefs, let them ask themselves how one becomes an authority and how he can be recognized. Then let them re-examine the life of Henry George."

"If men will look, they will see all around them, the conditions that George saw, the truths he pointed out and the effects of a total disregard for man's equal right to the earth, and the result of only a partial application of his remedy."

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<sup>1</sup> *Henry George News*. 15 (February 1952) 8. Brief summary of Mises' lecture remarks, November 14, 1951.

### **Oscar B. Johannsen / Roselle Park, New Jersey**

In the February Henry George News Dr. Ludwig von Mises advanced the following argument against the collection of economic rent by the government:

"If the government confiscates the whole rent of land, it does not make any difference for the individual farmer whether the soil he tills is more or less fertile. The same input of capital and labor yields to him on any piece of land the same output. The whole advantage derived from the higher fertility of a piece of land as against another piece goes to the government."

As is well known, the rent of a particular piece of land represents a differential between what a certain input of capital and labor will produce on it as compared with what the same input of capital and labor will produce on the margin of cultivation.

But this input is usually assumed to be a so-called average amount of capital and labor. Actually, of course, there is no average. Resort is taken to this term merely as a convenient device to illustrate the Ricardian Law of Rent, and Henry George's Law of Wages. In practice the rent of land is determined in the market.

Individuals vary as to capabilities. The tendency will be for those with the greatest capabilities to gravitate to the best lands, as they will be the individuals who can offer the highest rent, thus they will become the successful bidders. Yet this rent will result in greater wages to them than if they stayed in poorer lands.

### **Ray W. Lynd / Altadena, California**

Dr. von Mises is not quoted as having discussed certain urban land sites worth millions of dollars an acre, to which the following quotations refer:

"A tax upon ground rents ... would fall altogether upon the owner of the ground rent. ... Though a part of this revenue should be taken from him in order to defray the expenses of the state, no discouragement will thereby be given to any sort of industry." - Adam Smith.

"The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title." - John Stuart Mill.

"You who shall liberate the land, will do more for your country than we have done in the liberation of its commerce." - Richard Cobden.

Perhaps Dr. von Mises will offer his viewpoint on urban land rent, for quotation in a future issue of The Henry George News.

### **John C. Lincoln / Phoenix, Arizona**

It seems absurd to say that if the government collected ground rent it would have to transport agricultural laborers as it does the army. Professor von Mises assumed that the only reason why land of high fertility was used at present was that the people who worked the land received the ground rent. From this assumption he drew the conclusion mentioned in The Henry George News. The facts are that the present tenant farmer receives no part of the ground rent and still the most fertile land is used.

### **Foxhall A. Parker / Weimar, Texas**

Professor von Mises certainly has a very vivid imagination when he visualizes the government having to transport farmers from less fertile to more fertile lands because their labor would yield them the same in dollars and cents on the less fertile lands under single tax. However, we do find

this condition under the present land tenure system some even having been sent to Alaska. Rather, the tendency would be for them to build up their less fertile lands by artificial fertilization which benefits would accrue to them. This would not be difficult for them to do under free conditions, and would not result in antagonism between the concerns of the farmer and those of all other people; but would bring beneficial results to all.

Also when we consider a proposition we have to consider what the alternative to it is; and the alternative to the failure to collect the whole economic rent is that farmers, laborers and all producers would have to give up that portion not collected to some individual for nothing, as the rent is always collected; if not by the government, then by some individual. He thus has the power to levy his own individual tax for his personal use and live off of other people's labor. This is a condition of servitude, and there is no substitute for justice.

### **C. C. Case / St. Louis, Missouri**

Professor von Mises fails to differentiate between land rent socialized and the socialization of agriculture, which is a mode of labor. The community, in determining the basis for contributions to the public fund must choose between the advantage of the individual's exclusive use of the public domain, and the extent of his economic contribution to the public weal; either it appropriates rent of land or it confiscates wages and interest.

In a single-tax and otherwise free economy the individual enjoys his own wages and interest plus his share of the community product just as co-workers who are also shareholders in an industrial enterprise receive wages for individual effort and dividends from the profit of the combined effort of all.

Nor is inducement to move limited to the foregoing, for the very act of bringing richer land into use will raise the level of wages, after payment of the whole rent, by raising the margin of production. Socialized rent of land is far from synonymous with socialized agriculture.

I am indebted to the professor for the stimulus to deeper thought on the subject.

### **John T. Giddings / East Providence, Rhode Island**

Professor von Mises says the confiscation of rural rent would not induce farmers to use better land. I beg to differ with the noted writer. Under our present system, the rural rent is not collected by the government, and the selling price of the more fertile land often increases to such an extent that it prevents many farmers from moving to the more fertile land, as the value of the land is the site ground rent capitalized. The government collection of the ground or site rent would give more opportunities for employment since it would prevent land monopoly and consequent high prices for the more fertile land.

### **Lidia Alkalay / Brookline, Massachusetts**

Professor von Mises is mistaken. It is not true that if the government confiscates the whole rent of land, it does not make any difference to the individual farmer whether the soil he tills is more or less fertile. The same input of capital and labor on the same land yields to every man a different output. Every man is unique, and so is every individual piece of land. There is somewhere a man who is best suited to get the most out of a certain piece of land at that time. The effect of the confiscation of rent would be to bring the right man to the right piece of land for him, by eliminating the competition of those less suited to work on that particular land.

This combination of the right man for the right land would not raise the rent of land, as rent attaches to the land and this special advantage to the individuality of the laborer. Since no other man could get as much out of that particular piece of land, no man would bid up the price (rent) to the point of absorbing this special advantage inherent in the special quality of labor that one man has at that one time on that one piece of land.

Dr. von Mises also confuses productivity with fertility of land. If we were all farmers raising the same kind of crops, he would be nearer right, even though such things as climate are not fertility. As it is, productivity of land and rent of land reflect all kinds of uses of land. It is not the high rent of land alone that will keep farmers away from Manhattan; it is also the rocks in the ground. Some of the most fertile land on earth, the upper reaches of the Amazon for instance, is no-rent land.

There is therefore as much economic incentive in moving to better land under a Georgist system as under any; and -- under the Georgist system there is more than incentive--there is opportunity.

#### **H. Ellenoff / Los Angeles, California**

Referring to Ludwig von Mises' criticism of Henry George's economics (February issue), one can point out that efforts in wealth production go on today, in spite of the very great obstacles that confront those who try to produce wealth.

The Nation published an article by Carey McWilliams in February, 1949, entitled "Cotton in California." This author stated that most large operators had leased virgin, sagebrush-covered land, from the title holder - the Southern Pacific Railroad -- at a rental of one-eighth of the crop.

The operators improved these lands at a cost of \$90 an acre, plus \$30 an acre for irrigation. It was not stated that the operators, on top of all this expenditure, had to pay all taxes. The title holder here collects one-eighth of the crop and does nothing.

In Henry George's economics, taxes are a confiscation of private property - while rent on the other hand is a voluntary payment for all of civilization's advantages at a given location of land.

#### **John R. Nichols / Boston, Massachusetts**

The argument presented by Professor von Mises is unassailable on its face -- that is, ignoring certain important, not stated considerations. This argument is that if the government takes the whole of rent it makes no difference to a given farmer, from the viewpoint of his income, whether he works on poor or good land. No other farmer has an advantage over him in this respect. It is perfectly true. He has, then, no income-incentive to move to land of higher quality. We assume, of course, that he is not working on submarginal land. Since marginal and submarginal lands pay no rent, there would always be the incentive of higher wages to bring him from submarginal to marginal-or-better land. This seems to me entirely as it should be, the farmer's income depending upon his wages and increasing by improvement of his skill and industry.

The community, the "other people" of whom Professor von Mises speaks, have no concern to move any particular farmer from poor above-marginal land to better when they must move another farmer from that land to make room for him. Their concern is to have the above-marginal land fully utilized--to bring to vacant, good land, farmers from poorer land.

The persistent vacancy of good land is a sure sign that too much is being asked for it in rent. It would mean that the government was trying to take more than the rent. The practice of demanding too high rent is what keeps good land idle. This is the evil which George's proposal is intended chiefly to correct and it is as bad when practised by government as by private owners. It is no part of George's proposal.

The aim of assessors should be to keep substantially all above-marginal land in use, assessing rents low enough to accomplish this result, low enough to attract prospective users away from land at or below the margin. If a small percentage of rent is left with owners little harm will be done provided the margin is raised by bringing the good land more generally into use.

#### **Robert Clancy / New York, New York**

Within Professor von Mises' own argument lies the refutation to his objection. He opposes the interests of the individual farmer to those of society, saying that it is to society's interest that

agriculture should shift to the best available land and "should be discontinued on land which ... on account of the fact that previously inaccessible land is made accessible, has become submarginal." (Italics mine.) What does this mean but that, as land becomes accessible, the margin of production is improved? And if the margin is so raised, wages, which are determined at the margin, are also raised. Hence the public collection of the rent of land -- which will open more land for use -- will not absorb the whole' advantage.

People (including farmers) are constantly on the move looking for locations where they may improve their conditions -- even today, when there is precious little opportunity to improve themselves. Why assume that there will be no such movement (except by force) when better land becomes more accessible, as Professor von Mises himself admits it would?

### **Joseph L. Richard / Harvard, Massachusetts**

While America never had the complete freedom from taxation and the completely free access to land that would be inherent with the complete collection of the economic rent upon which Dr. von Mises bases his logic, it had a close enough approximation to such freedom of access to illustrate how freedom of access in a free market works. The shift from overworked land in the Atlantic states to more fertile lands in the Mississippi basin required no prodding from authority.

The taking of cuts from individual production for public revenue without regard to economic fundamentals is far more socialistic than the collection of the full economic rent of natural opportunities.

### **Everett W. Gross / Grand Island, Nebraska**

If rent were taken, Professor von Mises' dreaded antagonism that arises between the individual farmer and all other people, could only fall upon the few farmers choosing to remain below what would be the new margin. But if that antagonism were likely, should it not at present fall upon all farmers as well as upon all industry? Unless I am badly mistaken, the exemption of wages and interest is not at all interesting to the Socialists.

### **Noah D. Alper / St. Louis, Missouri**

Professor Ludwig von Mises says "there is no reason under the Georgian scheme for the farmer to move towards more fertile land." He presumes farmers secure rent for their labor. Is this true?

Tenant farmers and hired hands do not collect rent, yet they farm. If private rent collection is essential, does the title holder leave some rent for the tenant? The fact is rent must be low enough, whether privately or publicly collected, to allow enough wages to induce farming.

### **J. P. Hair / Lakewood, Ohio**

You invite replies to Ludwig von Mises' views regarding the confiscation of agricultural rent, and it is rather plain that he has jumped to conclusions unwarranted by fact.

His contention that there would be no incentive for men to move to land of greater productivity seems to assume first of all, an authoritarian form of economy, wherein the government would survey and assess all lands on the exact basis of productivity. But we are talking of free enterprise, under which the buyer or renter has the last word in regard to value (the latter being an idea, not a material thing).

Under free enterprise, assume an irrigation project brought in new land which would produce double that of nearby lands. Would no man offer to pay higher rental?

Even though no one offered double, whatever proved to be the highest rent obtainable would be the market price. The process is similar to that which arrives at rental values for choice downtown city locations which are many times as high as are the rents in outlying locations. If this

economist's assumption were true none of the high priced locations in large cities would find a tenant.

### **Jan J. Pott / Slikkerveer, Netherlands**

Professor von Mises (February News) speaks of "an antagonism between the concerns of the individual farmer and those of all other people." Here one has to distinguish between the farmer or leaseholder on one hand, and the landowner at the other. The position of the farmer remains the same in either case. If there is no antagonism nothing changes for the farmer. What changes is the position of the landlord. The government will be the landlord. And indeed: "Then the government is forced to take care of these things." But why compare the farmers with soldiers or pawns? Are they pawns with the landlord? Is there any difference? The farmer pays the rent to the treasurer-and the treasurer pays the dollars to the government instead of to the individual landlord.

No, Professor von Mises, farming does not become socialized. The soil, the fertility, the unpersonal gifts of nature will come to the benefit of us all and should be socialized. But the effort of the individual men will be liberated from all possible fiscal brakes and government interference, so will be liberalized.

It is not just that the whole benefit of the fertility of a piece of land goes to the landlord -- this ought to go to the government. This is the Georgist aim. The land and the fertility of land is of God, is for us all, is not of an individual landlord. One has the full right of property of all he makes with his hands and intelligence. But no one has any individual right on the gifts of nature. It's a shame that one bargains the Lord's gifts for money.

### **Vernon R. Hone / Post Falls, Idaho**

The writer has just received copies of the February and March issues of the News. It seems that Dr. von Mises is in error when he says "there is under the Georgian scheme no reason for the farmer to move toward more fertile land," etc.

He assumes that as the soil is depleted the taxes will be reduced. This should not be the case. In order to assess the land fairly we must consider the average yield of similar land in a given area over a specified period of time and consider that as a constant unvarying factor. Thus those who build up their soil will not be penalized for doing so and those who simply mine the soil will not be rewarded by reduced taxes for their lazy and destructive methods of farming.

We who believe in the organic method of farming and gardening know that the soil can be built up as well as torn down. The single tax would furnish incentive to build up the soil in the same way that it would give incentive to the building of other improvements.

As the tax would not be reduced on farms which had been exhausted they would tend to be abandoned. The reduction in competition would leave a better market for those who had improved their soil by putting back the waste products, etc. A poor soil would mean a low sale value for buildings and other improvements.

No matter what may be the nature of an improvement, it must not be taxed so long as it can be shown to be an improvement and not a gift of Nature.