

CHAPTER 4 EFFECT OF THE  
EXPECTATION RAISED BY  
MATERIAL PROGRESS

We have now seen that while advancing population tends to advance rent, so all the causes that in a progressive state of society operate to increase the productive power of labor tend, also, to advance rent, and not to advance wages or interest. The increased production of wealth goes ultimately to the owners of land in increased rent; and, although, as improvement goes on, advantages may accrue to individuals not landholders, which concentrate in their hands considerable portions of the increased produce, yet there is in all this improvement nothing which tends to increase the general return either to labor or to capital.

But there is a cause, not yet adverted to, which must be taken into consideration fully to explain the influence of material progress upon the distribution of wealth.

That cause is the confident expectation of the future enhancement of land values, which arises in all progressive countries from the steady increase of rent, and which leads to speculation, or the holding of land for a higher price than it would then otherwise bring.

We have hitherto assumed, as is generally assumed in elucidations of the theory of rent, that the actual margin of cultivation always coincides with what may be termed the necessary margin of cultivation—that is to say, we have assumed that cultivation extends to less productive points only

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But there is another cause to consider: The confident expectation of future enhancement of land values.

as it becomes necessary from the fact that natural opportunities are at the more productive points fully utilized.

In rapidly progressing communities the withholding of land from use, in expectation of higher prices, forces the margin of cultivation farther than required by production.

This, probably, is the case in stationary or very slowly progressing communities, but in rapidly progressing communities, where the swift and steady increase of rent gives confidence to calculations of further increase, it is not the case. In such communities, the confident expectation of increased prices produces, to a greater or less extent, the effects of a combination among landholders, and tends to the withholding of land from use, in expectation of higher prices, thus forcing the margin of cultivation farther than required by the necessities of production.

This cause must operate to some extent in all progressive communities, though in such countries as England, where the tenant system prevails in agriculture, it may be shown more in the selling price of land than in the agricultural margin of cultivation, or actual rent. But in communities like the United States, where the user of land generally prefers, if he can, to own it, and where there is a great extent of land to overrun, it operates with enormous power.

The man who sets out from the Eastern Seaboard in search of the margin of cultivation must traverse vast areas of virgin soil before he reaches it.

And when he settles, he will, if he can,

The immense area over which the population of the United States is scattered shows this. The man who sets out from the Eastern Seaboard in search of the margin of cultivation, where he may obtain land without paying rent, must, like the man who swam the river to get a drink, pass for long distances through half-tilled farms, and traverse vast areas of virgin soil, before he reaches the point where land can be had free of rent i.e., by homestead entry or pre-emption. He (and, with him, the margin of cultivation) is forced so much farther than he otherwise need have gone, by the speculation which is holding these unused lands in expectation of increased value in the future. And when he settles, he will, in his turn, take up, if he can, more land than

he can use, in the belief that it will soon become valuable; and so those who follow him are again forced farther on than the necessities of production require, carrying the margin of cultivation to still less productive, because still more remote points.

The same thing may be seen in every rapidly growing city. If the land of superior quality as to location were always fully used before land of inferior quality were resorted to, no vacant lots would be left as a city extended, nor would we find miserable shanties in the midst of costly buildings. These lots, some of them extremely valuable, are withheld from use, or from the full use to which they might be put, because their owners, not being able or not wishing to improve them, prefer, in expectation of the advance of land values, to hold them for a higher rate than could now be obtained from those willing to improve them. And, in consequence of this land being withheld from use, or from the full use of which it is capable, the margin of the city is pushed away so much farther from the center.

But when we reach the limits of the growing city the actual margin of building, which corresponds to the margin of cultivation in agriculture—we shall not find the land purchasable at its value for agricultural purposes, as it would be were rent determined simply by present requirements; but we shall find that for a long distance beyond the city, land bears a speculative value, based upon the belief that it will be required in the future for urban purposes, and that to reach the point at which land can be purchased at a price not based upon urban rent, we must go very far beyond the actual margin of urban use.

Or, to take another case of a different kind, instances similar to which may doubtless be found in every locality. There is in Marin County, within easy access of San Francisco, a fine

take more land than he can use, believing it will soon become valuable.

In every rapidly growing city, too, lots are withheld from use, or from full use, because their owners prefer to hold for increased land values. This pushes the margin of the city farther away from the center.

And when we reach the actual margin of building, we shall find agricultural land priced at speculative value, based on the belief that it will be required in the future for urban purposes.

The same thing happens

with timberland  
and mineral land.

In new states it  
is common to  
find "land  
poor" people  
who remain  
poor because  
they insist on  
holding land,  
which they  
cannot use, at  
prices at which  
no one else can  
profitably use  
it.

If confident  
expectation of  
further increase  
of rents can lead  
landowners to  
demand rents  
higher than jus-  
tified by the  
margin of actual  
production, then  
as a result of the  
increase in the  
efficiency of la-  
bor, laborers get  
less than before.

belt of redwood timber. Naturally, this would be first used, before resorting for the supply of the San Francisco market to timber lands at a much greater distance. But it yet remains uncut, and lumber procured many miles beyond is daily hauled past it on the railroad, because its owner prefers to hold for the greater price it will bring in the future. Thus, by the withholding from use of this body of timber, the margin of production of redwood is forced so much farther up and down the Coast Range. That mineral land, when reduced to private ownership, is frequently withheld from use while poorer deposits are worked, is well known, and in new states it is common to find individuals who are called "land poor"—that is, who remain poor, sometimes almost to deprivation, because they insist on holding land, which they themselves cannot use, at prices at which no one else can profitably use it.

To recur now to the illustration we made use of in the preceding chapter: With the margin of cultivation standing at 20, an increase in the power of production takes place, which renders the same result obtainable with one-tenth less labor. For reasons before stated, the margin of production must now be forced down, and if it rests at 18, the return to labor and capital will be the same as before, when the margin stood at 20. Whether it will be forced to 18 or be forced lower depends upon what I have called the area of productiveness which intervenes between 20 and 18. But if the confident expectation of a further increase of rents leads the landowners to demand 3 rent for 20 land, 2 for 19, and 1 for 18 land, and to withhold their land from use until these terms are complied with, the area of productiveness may be so reduced that the margin of cultivation must fall to 17 or even lower; and thus, as the result of the increase in the efficiency of labor, laborers would get less than before, while interest

would be proportionately reduced, and rent would increase in greater ratio than the increase in productive power.

Whether we formulate it as an extension of the margin of production, or as a carrying of the rent line beyond the margin of production, the influence of speculation in land in increasing rent is a great fact which cannot be ignored in any complete theory of the distribution of wealth in progressive countries. It is the force, evolved by material progress, which tends constantly to increase rent in a greater ratio than progress increases production, and thus constantly tends, as material progress goes on and productive power increases, to reduce wages, not merely relatively, but absolutely. It is this expansive force which, operating with great power in new countries, brings to them, seemingly long before their time, the social diseases of older countries; produces "tramps" on virgin acres, and breeds paupers on halffilled soil.

In short, the general and steady advance in land values in a progressive community necessarily produces that additional tendency to advance which is seen in the case of commodities when any general and continuous cause operates to increase their price. As, during the rapid depreciation of currency which marked the latter days of the Southern Confederacy, the fact that whatever was bought one day could be sold for a higher price the next, operated to carry up the price of commodities even faster than the depreciation of the currency, so does the steady increase of land values, which material progress produces, operate still further to accelerate the increase. We see this secondary cause operating in full force in those manias of land speculation which mark the growth of new communities; but though these are the abnormal and occasional manifestations, it is undeniable that the cause steadily operates, with greater or less intensity, in

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This cause steadily operates, with greater or less intensity, in

all progressive societies.

With commodities, increasing price tends to draw forth additional supplies. This effect cannot limit the speculative advance in land values, as land is a fixed quantity.

The only limit to the price of land is the minimum required by labor and capital to produce. There is a tendency for rent to exceed this limit, as will be examined in the next book.

all progressive societies.

The cause which limits speculation in commodities, the tendency of increasing price to draw forth additional supplies, cannot limit the speculative advance in land values, as land is a fixed quantity, which human agency can neither increase nor diminish; but there is nevertheless a limit to the price of land, in the minimum required by labor and capital as the condition of engaging in production. If it were possible continuously to reduce wages until zero were reached, it would be possible continuously to increase rent until it swallowed up the whole produce. But as wages cannot be permanently reduced below the point at which laborers will consent to work and reproduce, nor interest below the point at which capital will be devoted to production, there is a limit which restrains the speculative advance of rent. Hence speculation cannot have the same scope to advance rent in countries where wages and interest are already near the minimum, as in countries where they are considerably above it. Yet that there is in all progressive countries a constant tendency in the speculative advance of rent to overpass the limit where production would cease, is, I think, shown by recurring seasons of industrial paralysis—a matter which will be more fully examined in the next book.