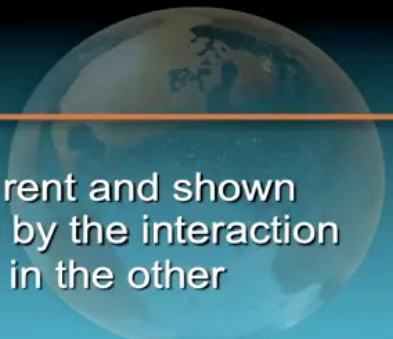


The background of the slide features a blue-tinted image of the Earth as seen from space. A grid of thin, light-blue lines is overlaid on the image, suggesting a coordinate system. A single, solid orange horizontal line spans the width of the image, positioned in the upper third. The text "LECTURE EIGHT - PART THREE" is centered in the lower half of the image.

## **LECTURE EIGHT - PART THREE**

## Traveling Back in Time



- We've defined pure economic rent and shown that land rents are determined by the interaction of supply and demand, just as in the other markets.
- But what really distinguishes land from most other factors of production?
- To really understand this, let's get into our time machine and travel back to two controversies in 19th century history: the "Corn Wars" in England and the single tax movement in America.

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ed about the rapid  
us cereal grains

- THE BATTLE FOR NATIVE INDUSTRIES.
- THE DEBATE  
THE CORN LAWS,  
ON  
THE PROTECTION AND EXTENSION OF THE AGRICULTURE  
OF  
THE UNITED KINGDOM, IN THE PRESENT  
[5. REVISED EDITION.]  
BY  
JAMES G. BURNES, ESQ.  
REPRESENTATIVE OF THE AGRICULTURAL INTERESTS  
IN PARLIAMENT.
- IN TWO VOLUMES.  
VOL. II.
- EDITED BY JOHN GARDNER.  
LONDON:  
PRINTED BY HARRISON AND SONS, GENERAL LITHOGRAPHERS,  
15, N. BROADWAY.



## The Most Common Explanation

- Landlords were raising the rent they were charging farmers for the use of their land, thereby forcing farmers to pass on the increase in land costs to consumers.



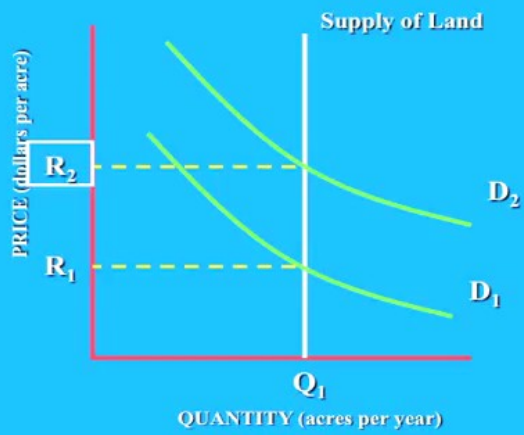
## David Ricardo Sez.....



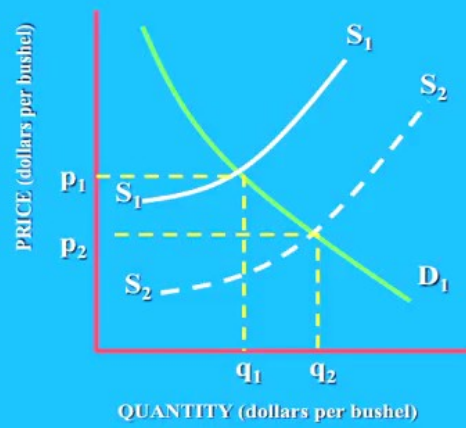
“The price of corn is not high because a rent is paid. Rather, rent is high because the price of corn is high.”

- In this scenario, the root cause of the problem was increased demand for corn which, in turn, was driving up rent for corn land.

### Market for Corn Land

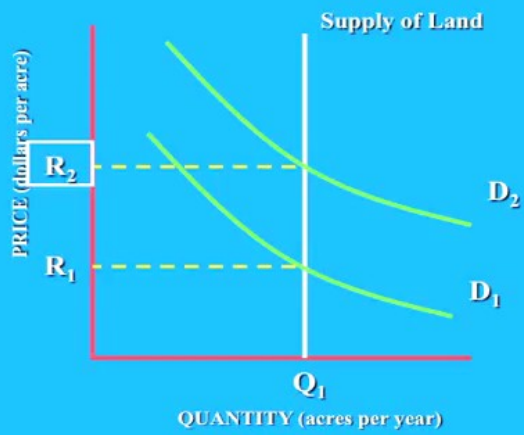


### Market for Corn

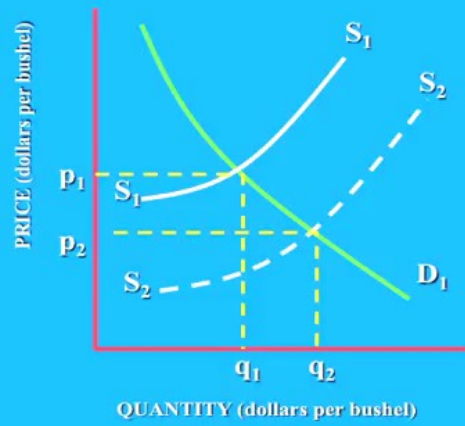


**What's wrong with this picture?**

### Market for Corn Land



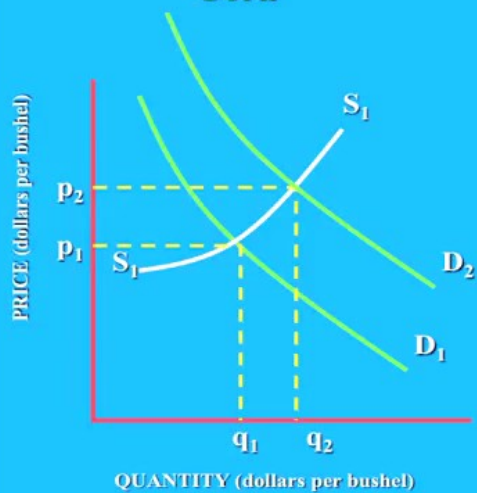
### Market for Corn



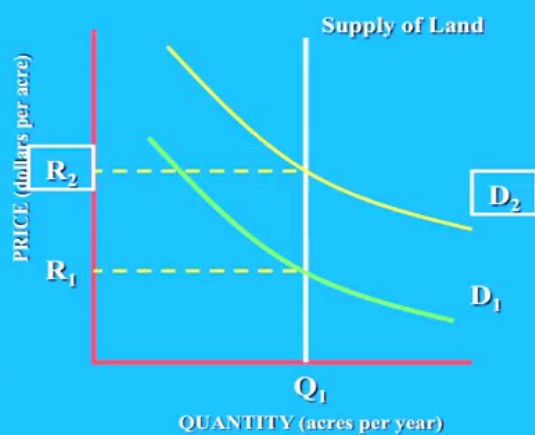
✦ Supply decisions are based on *marginal cost*, not *fixed costs*, such as the cost of land.



### Market for Corn



### Market for Corn Land



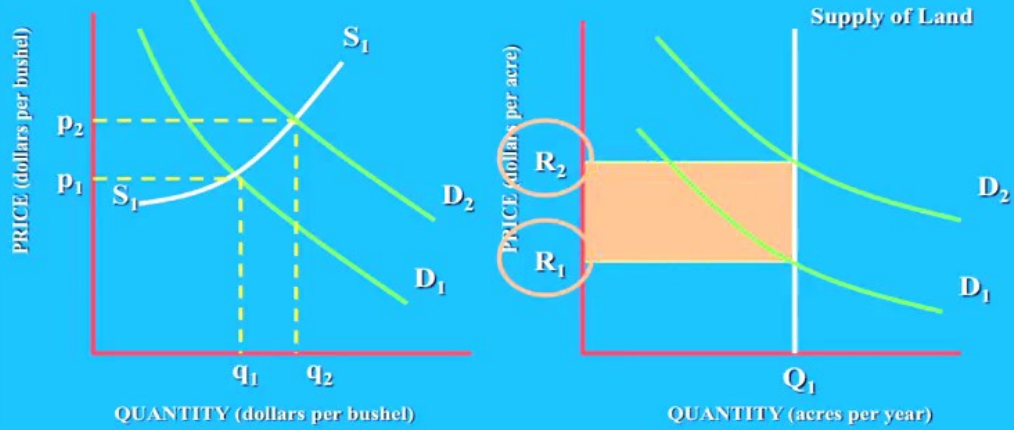


## What This Shows

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- An increase in price in the *product* market, in this case corn, results in an increase in the price of the *factor* of production, in this case land.
- And note that we will find this to be the case for *all* factors of production when we discuss this point more fully in the next lecture.

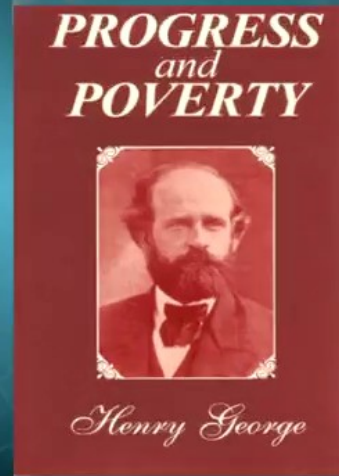
# The Price Of Corn



A "windfall profit" for landlords?

## The Single Tax Movement

- That is the conclusion reached by someone a continent away in a similar situation.
- That person was Henry George, the time and place was 19th-century America, and the debate was over the so-called "single tax movement."

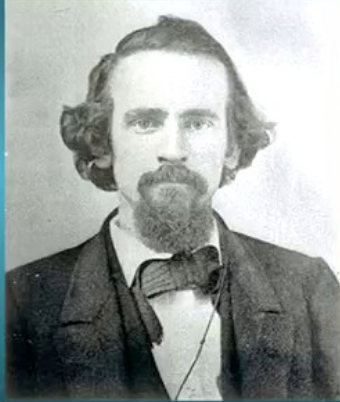


## Go West Young Man...

- America's population was expanding rapidly as people migrated to the United States.
- With this growth and the expansion of the railroads into the American West, land rents soared, creating handsome profits for those who were lucky or farsighted enough to buy land early.



## Henry George's Question



- If land is a free gift of nature, if it costs nothing to produce, and if it would be available even without rental payments, why should rent be unfairly paid to those who by historical accident, by inheritance, or by luck happened to be landowners?

## **The Socialist View**

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- Socialists like Henry George have long argued that since all land rents are unearned incomes, land should be nationalized.
- It should be owned by the state so that any payments for its use can be used by the government to further the well-being of the entire population rather than simply enriching a small minority of land owners.



## Property Rights

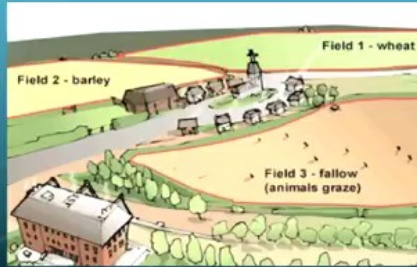


- Are the rights given to people to use specific property as they see fit, and in modern societies, such rights are protected by a complex set of laws.
- That's why you can own your own home and the parcel it resides on, and that's why you don't have to share your home, your car, or your shoes with anyone not of your own choosing.
- In earlier societies, there was no such thing as **property rights**.



## In Feudal Times

- The land belonged to everyone, or at least to all the peasants in that time that used it.
- It was common land--a communally held resource.



## The Industrial Age

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- As the economy evolved into a market economy, the land was appropriated by individuals.
- These individuals, in turn, became landowners who could determine the use of land and who could receive rent for allowing the other individuals to use that land.

## Property Rights and Zoning Laws



- In our society, there is not only a very well-defined system of property rights and a **contractual legal system** to enforce these rights.
- There are complex mechanisms such as **zoning laws** that limit or modify property rights.
- **Example:** You own a half acre parcel of land on the coast of California.
  - In most cases, you would be allowed to build a house on that land, but zoning laws would prohibit you from building a 30-story hotel or a toxic waste dump.