

LAND

AND LIBERTY

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LAND: VIVE LA DIFFERENCE!

CHINA'S socialist economists are not the only ones who are confused over land and rent (see Essay: page 7).

Market economists continue to insist that land is no different from labour and capital. Conceptual artistry is employed in defence of that claim. For example: both labour and capital can command "rent" - according to the way neoclassical economists have chosen to redefine the classical concept of economic rent. In practical terms, then, that removes the difference with land!

In the real world, there is a difference; the difference between prosperity and poverty; between a humane society and a system at war with itself.

- Wages and profits are necessary to reproduce workers and capital, without which labour would die, capital would decompose. Rent is not necessary, in this sense, because land is not reproduced! Rent is not the measure of the cost of production.

- Workers cannot capitalise their wages: try explaining to your boss that you require a million bucks - 20 years' wages up-front - before you work for him! Owners can capitalise the rent of

land into a selling price; if they are clever, they will lease the land, so that it reverts back and can be re-leased to the next user!

- There is a selling price for capital, but this is related to the cost of manufacturing the equipment. Land has no cost of production, so the selling price - from the owner's point of view - is no more than permission to let you use his land.

- If someone offered you land and capital of equal current cash value, which would you choose? The resale value of equipment is a declining one; capital depreciates, because it is perishable. Land does not perish, and its value increases with time.

This is not to say that rent is unrelated to benefits. It is. Landowners may not provide you with anything (other than a right of access). THEY do not provide you with anything that was not already there, in the first place. But the price of land does, in part, reflect a real value: the value of the costs of producing public services, the benefits of which become accessible to the occupier of the site. (The rest of the rent is the value of services provided free by nature.)