IAN BARRON investigates a controversy in academia.

WHAT PRICE USA INC?

* Steven Cord

WE KNOW how many workers there are in the United States, and how much they earn. We also know the value of the capital stock that is used to build autos, print magazines, build skyscrapers and send rockets into outer space.

But what about the value of the nation's natural resources? Here we hit a glaring gap in the official statistics, according to Steven Cord, who until recently was professor of history at Indiana University, PA.

As director of the newly-created Center for Economic Studies, based in Columbia, Maryland, Cord reckons that it is important to get a handle on the value of the resources of nature.

"How can the government sensibly implement economic policies if it does not know the value of one of the factors of production?" he asks.

ACCORDING to Paul Samuelson, the author of *Economics* - one of the standard texts for university students hoping for careers in business - there is no reason to get too excited.

After all, he insists, "Historically, pure land rent has become a declining fraction of GNP." He supports a figure of 3%.

This assertion did not ring true for Prof. Cord, who intuitively felt that location values, airwaves used by TV stations, minerals and the rest of what was supplied free by nature was worth a lot more than what Samuelson claimed.

So he decided to add up the numbers. The official figures did not help much: they are seriously defective even on basic things like the value of gross national product.

In fact, the people who use the data - including Prof. Samuelson - are so critical of its value that one wonders why they bother. The figures, they say, distort reality (by failing to adjust for inflation, inadequate sampling, not being collected on time or published prematurely).

So Prof. Cord had to undertake his own lengthy investigation. Using figures published by the Census Bureau and Federal Reserve Board for the year 1981 - long enough ago not to require revisions by Washington's statisticians! - Prof. Cord imputed values to the full range of resources

embraced by the economist's definition of land.

And he arrived at the startling conclusion that land rent was $658 bn, equal to 24% of the national income.

"When coupled with user fees, a tax on land rent could reduce all taxes on labor and capital to zero," he argues.

CORD claims that, where he exercised his judgment, he used conservative assumptions to challenge the orthodox view that land rent is a small fraction of the nation's income.

This claim can be tested. For example, he attributed an annual rental value of $85 bn to minerals. But an estimate published in the *American Economic Review* in December 1995 attributed a capital value to federal oil and gas rights at $819 bn. Says Cord:

"If we multiply this $819 bn by the going real estate interest rate in 1981, which was 14%, then we have $115 bn in land rent for oil and gas on federal land. My original estimate was indeed an under-estimate!"

The policy implications of this controversy are enormous. As Cord notes: "A tax on land rent would yield substantial revenue, enough to abolish all taxes on the productive effort of labor and capital.

"Imagine an economy with every site being efficiently used and labor and capital going tax-free! What economic growth we would then see! Imagine the high wage level and the low unemployment level."

PEOPLE are increasingly sceptical about the value of official statistics, but they continue to use them in the absence of anything better.

In Britain, a House of Commons committee of MPs has persuaded Premier Margaret Thatcher to undertake a review of government statistics, which are condemned as inadequate for the purpose of predicting trends in the economy.

A lot is at stake - investors' money, people's jobs - so a similar review of the value of the official numbers in the United States would evidently be appropriate.