

Is Rent Received or Paid?

By K. N. GRIGG (Canterbury, Vic., Australia)

In his reply to Fred Foldvary in GJ No. 55, Lionel Boorman states that Mr. Foldvary "is confusing rent paid by the producer to a landlord with economic rent received by the producer as part of the natural distribution of wealth."

Rent is a distributive part of gross product, being that portion which arises as a bonus to applied labour and capital when the efficiency of these two latter factors is increased through their utilization of sites of supramarginal advantage. Rent is thus received by the producer. Take as an example a retail business in London's Bond Street on a site leased from the Duke of Westminster. This particular business has a huge turnover of sales because of its location. A great deal of its monetary takings constitutes rent received by the producer, i.e., by the operator of the business. "Rent" received by the user of land may be generally called "supramarginal satisfaction." This term "satisfaction" allows the fruits that are enjoyed from supramarginal advantages of all kinds to be embraced. The fruits may be monetary, as in the above example, or they may consist in the enjoyment of a suburban homesite with a superior environment. But whatever the nature of the species of rent, the rent is always received by the user of land.

In our example in Bond Street, the land user has to make an annual payment to the land owner, the Duke of Westminster. Confusion is completely avoided if this payment is never called a "rent" but is always called a "rental." Rental, in contradistinction to rent, is a payment for the use of land. Within the operation of the commercial market, it is a distributive part, not of the product itself, but of the prices received for a product. Thus, the land rentals of a nation, when summated, comprise a very substantial portion of Gross National (monetary) Income.

In my view, the Georgist stance should be that there should be "land rental taxation" to channel the socially engendered portion of national income into the national revenue. This actually reflects the dynamics of the process.