Services Part of National Income

by BENJAMIN F. SMITH

ROY A. Foulke in a Study of the Concept of National Income, printed in 1952 by Dun and Bradstreet, incorrectly argued, I believe, that services should not be included in national income. He said "services are not needed to live and those who provide services . . . obtain in exchange for services the wealth by which they live." He also stated that the national income should be measured by the production of wealth and on the other side of the ledger would be imputed rent to land, wages to labor, and interest to capital.

Services *are* needed to live! The services of doctors, nurses, dentists and teachers are necessities, so are the services of the transportation of persons—busses, airlines, trains; so are the services of lodging, hotels, motels, rented homes; and so are the services of rented land for camping sites. None of these services produce wealth but they do exist along with thousands more. Services do enter and pass through the free market place.

The Statistical Abstract of the United States puts services as 39.7 percent of the gross national product. We Georgists know this is incorrect because of sloppy definitions. We should also face the fact that we may be wrong in calling services 0 percent. We may have sloppy definitions too!

Take our definition of labor — "all human exertion in the production of wealth." What do you call the toil of the doctor, nurse, passenger pilot, teacher? It is labor, of course, and the return for this toil did not add to the price of any article of wealth.

Our definition is unilateral, not bilateral, as we unconsciously assume. Not all labor is in the production of wealth—only some of it. Our definition of labor should be: "all human exertion in the production of wealth and in the performance of services."

Similarly we should redefine wealth: "all material things produced by human labor for the satisfaction of human desires, having exchange value," as "all things produced by humans having exchange value."

In our old definition both "material" and "for the satisfaction of human desires" are superfluous. "Labor" should come out of the definition of wealth so that things produced by the human body and voluntarily sold can be classified as wealth, such as blood, human hair, mother's milk and eventually human organs.

This change would make the definition of wealth inclusive.

Services are not things, they should not be defined as the purchased uses of labor and/or capital, and/or land *sites outside* of the production of wealth.

It would be superfluous but perhaps clarifying to add "for the satisfaction of human desires, and upon completion, without exchange value." We could also add "services do not contain any extracted land, but may use the *sites* of land in their performance."

Services can be described by what they serve, and the examples are in the yellow pages of the telephone directories. Services are performed on humans without adding exchange value, by doctors, nurses, teachers, advisors, bus drivers, and hairdressers.

Services are performed *for* humans without adding exchange value, through entertainment, as plays, movies, TV, spectator games, swimming pools, pool halls, use of land sites (without depletion) and capital, but little labor, or in renting equipment such as chain saws, rug cleaning machines, etc.

Services are performed on articles of wealth without adding exchange value:

on clothes by dry cleaning and laundry, and on homes by house cleaning.

Services are performed on non-wealth things in such operations as refuse removal, house wrecking, etc.

The beauty of these corrected definitions and the added one of services, is that we can still operate within the Georgist philosophy and logic. The distribution of values in wealth or the value in the performance of service still go in the same channels—wages to labor, interest to capital and rent to land.

Let's run it up the flagpole and see who salutes it.

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The Tax That Destroys in Nigeria

TAXES have been levied on many strange items throughout history. The ancient Romans taxed togas, using a tax scale that increased according to the quality of materials and workmanship in the togas. The ancient Greeks taxed doors that opened into a public street. Both the Romans and the Greeks were attempting to tax according to the ability-to-pay system. Their legislative bodies thought it fitting that a man who could afford to own a fine toga or build a house with many doors on the street must be rich and therefore able to pay the taxes levied on them.

Togas and doorways are only two of a long list of the strange items that governments have hit upon for taxation. After togas went out of fashion, Europeans nations started taxing wigs, since poor people could not afford them but rich people might own many. Even eighteenth-century Russians had to pay taxes on highly prized beards like that of the Greek Orthodox Church primate Athenagoras of the modern era. Bearded tax evaders were likely to have their adornments shorn by government agents or tax collectors armed with scissors.

One trouble with several of these odd taxes was that taxpayers often found legal ways to avoid paying them, even at the risk of looking foolish. In 1784 Great Britain taxed riding horses, but a farmer went about his business mounted on a tax-free cow. A few years later, when France levied taxes on newspapers according to the number of pages, the readers were confronted with papers as big as bedsheets.

Nor is the history of odd and ineffective taxation over. In England where radio broadcasting stations are owned and operated by the government, owners of radio receivers are taxed according to the number of vacuum tubes in the set. The result is that British engineers have designed fine radio sets that work well on only two or three tubes—ingenious circuits now replace the six or more tubes formerly required.

This year the oddities of taxation in Kano, State of Nigeria, have been directed toward dogs and fowl in the rural areas including dogs with no licenses. Since such taxes never existed during British administration in Nigeria, the peasants are suddenly confronted with difficult problems and have started killing their fowl and dogs rather than relinquish them to the government or pay taxes on them. Each fowl is taxed 3s and each bitch is taxed 15/ plus the cost of anti-rabies inoculation given by the veterinary department.

Government action is becoming more and more pervasive and the aspect which most intimately affects economic organization is its program of taxation.

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