OPEN FORUM 4

RENT: SHOULD WE ABANDON THAT WORD?

RONALD BURGESS has spent a lifetime studying economics. In the 1970s he had some influence on Tory philosophy which was to find its expression in the politics of Margaret Thatcher. He is a life member of the Royal Economic Society, and in London he ran the Economic Study Association through which he made it plain that, when it came to public finance, he was miles away from the policies that were to unfold under the influence of the Iron Lady.

Mr Burgess distilled his ideas in a book with the seemingly paradoxical title Public Revenue Without Taxation (London: Shepheard-Walwyn, 1993, £18). Recently, he aired his views before an international gathering in Athens, when he addressed an American-Hellenic Chamber of Commerce conference.

The Burgess approach to public finance is paradoxical, from the viewpoint of conventional economics; but not so, from the Georgist perspective. Unfortunately, Mr Burgess risks making himself incomprehensible to people who share the view that the legitimate source of public finance ought to be the rent of land after all the costs for man-made improvements have been deducted.

His starting point is with the definition of taxation. He quotes Hugh Dalton, who was an LSE lecturer before becoming Chancellor of the Exchequer in the post-war Atlee Government. In his Principles of Public Finance, Dalton wrote that a tax was "a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the taxpayer in return, and not imposed as a penalty for any legal offence".

Evidently, government exactions are taxes. But, explains Burgess - and here we get into the semantic problem that he chooses to create for himself - payments made to government out of public value are not taxes at all.

Well, what are these public values which ought not to be privately appropriated (for their appropriation is as much a violation of property rights as taxes are a violation against private property)?

"Any income produced by public value is, in accordance with the principles of property, a public income and should be collected by the public authorities as a public revenue to defray their public expenses. This is not a matter of right but of duty which public authorities persistently ignore," Mr Burgess informed his Greek audience.

But what is "public value"? Mr Burgess uses as his authority the neo-classical economist Alfred Marshall who, in his Principles of Economics, distinguished between what he called "private value" and "public value".

Yes, but exactly what is that public value? It is at this point that Mr Burgess begins to play games with his audience. He gives some clues when he commends the works of Henry George (famed for his "single tax" on the rent of land), John Stuart Mill (who proposed a tax on future increases in the value of land) and the Physiocrats (who, in the modern era, originated the idea of a tax on the rent of land).

But he then adds: "The ideas expressed by George, Mill, the Physiocrats and others, though interesting and worthy of much more research, are not directly applicable to a modern trading economy". This is a provocative claim, made without any supporting evidence.

Mr Burgess's Greek audience, then, must have wondered about the exact nature of the income that is "public value". How, for example, do we measure it? Mr. Burgess has an answer to that one: "Can public value be assessed in such a way that the public revenue could be collected by the public authorities? This is a question which properly trained assessors have, can and do answer in many parts of the world. In Denmark the equivalent of public value is assessed and published annually although the government fails to proceed to a full collection".

Similarly, notes Mr Burgess, assessors estimate that public value in countries like the US, South Africa and Australia.

Well, what are these professionals assessing as public value? The value of land, either in its annual rental form, or its capitalised (selling) value. In other words, Mr Burgess is guilty of obscurantism when he insists on rejecting the use of the word "rent". And when he denies the relevance for contemporary policy of Henry George and J.S. Mill, he is making life more difficult for fiscal reformers by confusing his audience.

Words are important. In drawing our attention to the definition of a tax, Mr Burgess has performed a valuable service. People who pay land-rent to the community are not paying a tax. Similarly, the rental value of land is, indeed, public value, and we need to say so loud and clear!

But for some mysterious reason, Mr Burgess spoils his advocacy by avoiding the word rent.

PAUL KNIGHT