

Pleas For a Practical Term

SEVERAL Australian readers have for some time been advocating use of the term "annual rental value" in preference to economic rent of land in both Georgist periodicals on that continent: *The Standard* (Sydney) and *Progress* (Melbourne). Peter Middleton and Bernard Donohue, the two delegates from Sydney, argued the case dramatically at the recent international conference of Henry Georgists in New York.

Kenneth N. Grigg and W. H. Pitt of Melbourne have expressed their views as follows: concurring with those of Harold Inglis published in the November HGN (p. 13).

Mr. Grigg protests: "Where George ought to have brought his guns to bear was on *private* equity in rental values. He should have waxed polemic over land price, the private capitalization on land rentals which occurs when these are not publicly utilized. In order to be regarded seriously as an economist he should have regarded *rent* as socially inevitable and *rental value* as socially desirable.

Mr. Pitt makes the point that: "Economic rent is a term properly used in the theoretical analysis of economics. At the economic margin demand makes direct contact with supply, but the great bulk of production must come from superior locations which offer an economy of effort not possible at marginal locations. The vast bulk of goods therefore brings prices in excess of their cost, which vary according to the economic advantages of the site.

"It is this excess of price over cost which is economic rent, i.e., that part

of production which in distributive economics is denoted as the return for land. However it is never other than a purely theoretic proportion or allocation, and there could never be exact analysis, on a cash basis, as to how much of the price of any specific article would be in respect of rent.

"In the science of government where theory moves into practice the apt and correct term would seem to be the annual value of land. Annual relates to an accepted period for accounting. Value indicates that it is an estimation or evaluation. Land keeps the idea from being mixed with individually earned wages which are set by the return available to labor at the economic margin. The complete term excludes all thought of land value in the sense of land price — the capitalization which occurs when the annual value of land (instead of being a source for public revenue) is treated as a source for private enrichment. It also eliminates the need for such negative and inaccurate words as "un-earned" which are occasionally used in discussions on the subject."

The Georgist reformer is an idealist and yet a practical man whose ideals should rest on a clear perception of the facts expressed in clear terms, Mr. Pitt explains. Two statements link the logic of the economist with the ardor of the reformer: the annual value of land is the proper source for public revenue at all levels of government, and, the price of land is your enemy. These, he says, may serve as weapons that Georgists have long been seeking.

Victor H. Blundell, editor of *Land & Liberty*, London's Georgist publication, was quoted in the *Sunday Mercury* (Birmingham, England) regarding his firm belief in the principle of land value taxation as the answer to the high land prices that were a major election issue. Reprints of this article have been sent to HGS members, and are available on request.