

THE FOUR FACTORS OF PRODUCTION

by

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## CONTROVERSIAL

Production is initiated by incentive of men.

Men is kept in good health and mood by consumption.

Consequently consumption is the most important factor of production.

Rent cannot be paid to land. Nobody buries dollarbills in the soil. Nobody puts dollarbills in the empty space where the coal is excavated.

Money for rent can only be paid to people.

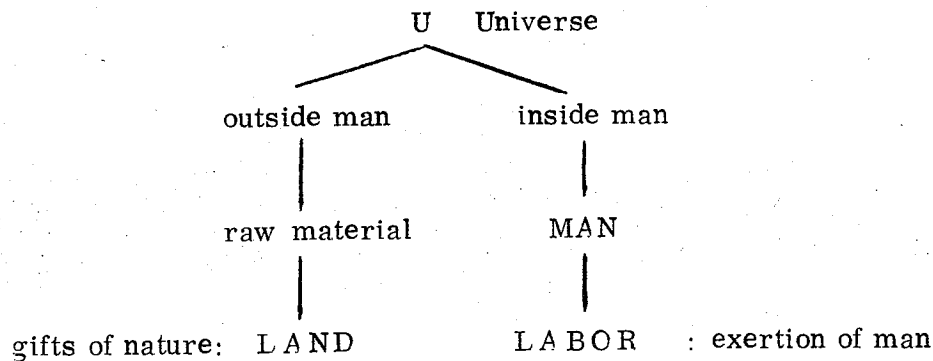
To buy the land by the community is to fine the victims who themselves are the culprits as well, because they still continue to give by law permission to rob them of their birthright.

## THE FOUR FACTORS OF PRODUCTION.

We can consider our universe as to comprise two categories: all that's inside the human being and all the rest that's outside his corpus.

What's inside? Inside is his "I" or EGO. His conscience, feeling, mood, soul, his stomach, muscles and brains, etc. In all: his physical and non-physical being. What's important in this paper - besides his physical needs - is his incentive or initiative, his brainpower and his muscular power. All this together we term his LABOR.

What's outside? Our reverence for our fellowman is basic for our appreciation of mine and thine. We respect the argument that 'the product is of the maker'. Consequently all that exists without human interference is not man-made, so is nobody's private property. That's the reason to divide all that is into the above mentioned categories: inside and outside men. And all that exists before interference of human beings we call 'gifts of nature'. We consider it as a gift for the human race, for it didn't come into being with human interference. It was there already before man appeared on earth. We term it LAND in short.

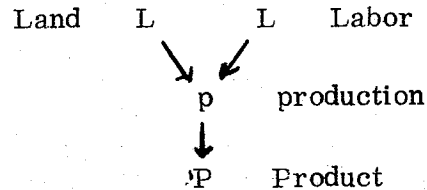


LAND is: the sun and its shine, the wind and the rain, the soil and the sea, the energy and the livestock, the plants and animals as untouched by men. All this we call 'natural resources' comprized in the term LAND. Moreover an immense value

adheres to the land-proper, not the soil but the space, empty space, the abstract 'location', f.i. square feet surface on a specific spot, irrespective the 'material' natural resources sand or rock or clay.

Land x Labor = Product.

Human exertion applied on 'land' is called 'production'. Irrespective whether it is qualified as 'useful' or not and irrespective whether the result of it is material or immaterial (a lesson f.i.). The act is called 'production'. Land and Labor are called the primary factors of production. And the result is termed PRODUCT.



A product is always a result of Labor applied to Land or at least with the aid of Land. F.i. a teacher has to breath fresh air, to eat, to drink and needs a square foot to stand upon. So a product is without exception a result of labor AND land. It cannot be otherwise!

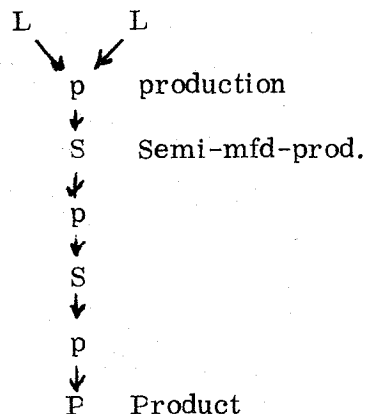
Whether a product is useful or not is up to the appreciation by the individual. Playing a game or solving a crossword-puzzle is exertion of human labor with the aid of land in the form of food, fresh air and space to stand upon, to satisfy his personal human desire. Perhaps an A-bomb will satisfy a certain government, irrespective the victims in the other country.

So everything material either immaterial is: or a gift of nature called LAND, or a product of human labor exerted on land, called PRODUCT.

### Confusion.

What a manufacturer buys, he calls his raw materials; what he sells he calls his product. But in fact he buys semi-manufactured-products and he sells semi-manufactured-products. So let us not confuse things: production often means only a step in a chain of productions. At the end of the chain, when a product is ready for use, we call it end-product or PRODUCT in short.

Land    Labor



On the other hand: what is raw material? That is the gift of nature on the location where it is found. The coal deep in the earth, the oil under the bottom of the sea, the timber in the jungle, the fish in the river, the rain as it falls, ect.

The primary factor of production called LAND is meant in its natural state.

With LABOR is meant the act of human exertion, and PRODUCT is the term for end-product.

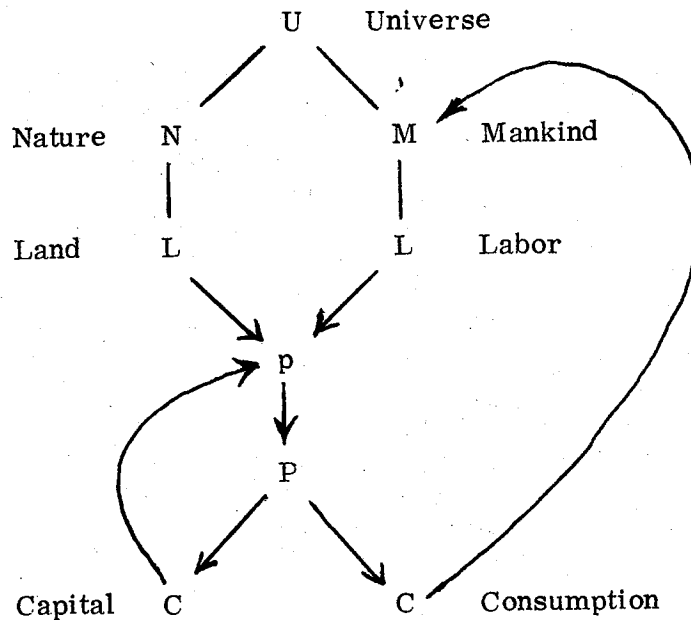
### Capital.

One can use a product in two different ways: to aid production or consume. The former is termed CAPITAL, the latter CONSUMPTION. It is a qualification adhered to the aim with which one uses a product, not a qualification of the product itself. F.i. a loaf of bread is termed Capital as long as it lays on the shelf in the retailshop. This qualification 'capital' ends at the very moment that this loaf of bread is delivered over the counter to the consumer. Then the economist attaches to the same loaf of bread the term consumption-good. Or think of your car: weekdays your car is your 'capital' but in the weekend that very same car is used for pleasure and leisure, termed 'consumption'. So a product is termed 'capital' as-long-as one makes use-of-it, in general to improve or speed-up production. Or: as soon as a product is called 'capital' we consider it as an aid for production, to be termed a 'factor of production'. It is a secondary factor of production that came into being by Labor, assisted by Land and Capital.

### Consumption.

Consumption goods keep individuals in good health, good mood and even more than that. It is absolutely necessary to keep the human being alive, to keep him in a condition to labor and - of utmost importance - to keep him willing to work! To 'feed' the laborer with all this is *conditio-sine-qua-non* for the primary production factor 'Labor'. So 'consumption' is by far the most important factor of production!!! If today the reward for labor is only a few per cent less than what's asked by the laborer, he is no longer willing to work. Then there will be no factor Labor at all and consequently no production.

So CONSUMPTION as a secondary factor, is by far the most important factor of production !



There is only production if the laborer WILL & CAN.  
This is depending on the paramount important factor:  
"CONSUMPTION".

There are two primary factors of production: Land and Labor.  
There are two secondary factors of production: Capital and Consumption.

## MONEY.

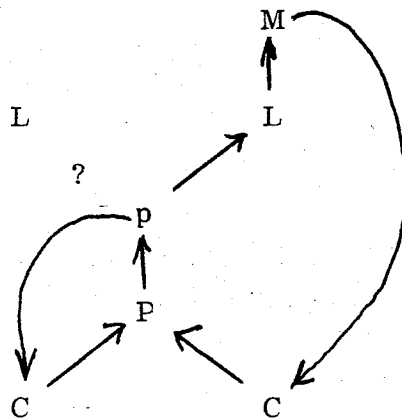
The flow of money is against the direction of the arrows in our drawing. We see money circulating in the capital circle and in the consumption circle.

The reward for the use of Labor is termed Wage.

The reward for the use of capital is termed Interest.

The reward for the use of consumption goods is termed Price.

But what about the reward for the use of land, termed rent or royalty? How can we pay money to land? Can we bury dollars in the land we make use of? Do we put dollar bills in an empty oil well to pay nature for the oil extracted? Mind; land is a gift of nature. How can you ever pay for a gift? Then it is no longer a gift! Or can we hand dollar bills to the Lord? And with the land proper you mean not the soil but the abstraction 'location'. Can you pay money for rent to an immaterial abstraction? That's all sheer nonsense! Really, if we pay rent for land, we cannot pay rent to land. We only can pay to a person, to a 'man' representing the Lord.



There are two circles where money circulates: The capital circle and the consumption circle.

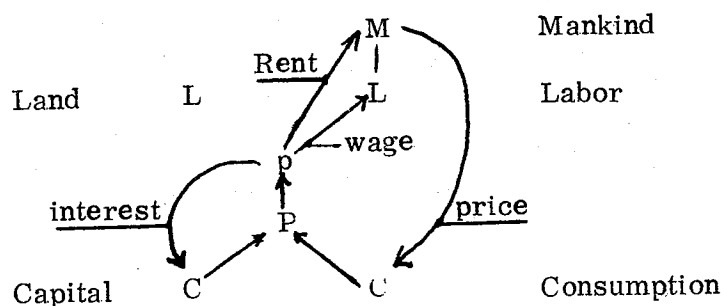
### Value.

There is no possibility to pay for land. Moreover there is no reason to pay for it, for it is a gift. Land has no 'costprice' because nobody made the land.

Nevertheless land has VALUE. Let me ask: What's the value of land on the margin? The value of marginal land is immense! For the farmer and his family can have a living from it! Moreover we know that the extra value of land over the margin is taken by the landlords. So all land is artificially made marginal by the landlords creaming off the rent. Thus we can say that the whole world population has a living from the use of marginal land. Therefore: marginal land has an immeasurable high value! It rules over life or death. But it has no price!

Different sites have a different value. People bargain about the over-value on top of the marginal value. They barter and evaluate the over-value at a price on which they can agree. A price, that is money paid for the extra value on top of the marginal value.

A price - that is money for land - appearing at the moment that two or more men aim at the same location. A price for land is due to that second man, that is, a price for land is due to people living together in society. It is the social value of the land that does a rent or price, a social value paid for with money. So this money has to be paid to this same people in society. The people's value must be restored to the same people. I will have cash in my hands my equal share in the RENT of my country ! (And my representatives in parliament may decide to keep a small part of it to pay for governmental tasks).





## POWER.

The above reasoning and pictures are valid only in an undisturbed friendly society of equal individuals. But at the very moment that one man has stronger muscles or more clever brains, he has a monopoly. He has power over his fellowmen. If he mis-uses this power, he can disturb the above relationships. Higher wages, lower prices or whatsoever he wishes to have, he can oppress upon his fellowmen. A piece of art or a specific knowledge is a monopoly. That means power. If one conquers a piece of land, he can force other people to pay tribute if they need to make use of 'his' land.

Power cannot be pictured in my drawing. Power is an abstraction hanging over my drawing, apt to disturb every arrow in it. In our society of today all arrows in our drawing are disturbed. Our society is a real chaos. Nevertheless it comes not yet to a stand still. Man as a factor with 'will' and 'needs' keeps it still moving, despite all drags on the natural flow pictured by the arrows in our drawing.

It is of importance to study the reason why the peaceful society pictured by my drawing is disturbed. When and Why shall one make mis-use of his power (f.i. in case of strike, sabotage, etc.)?

### The second man.

Once upon a time there were a baker and a fisherman. The baker baked bread and the fisherman caught fish. And they bartered a loaf of bread for a fish.

One day the fisherman asked two loafs for one fish. Maybe he got it, but meanwhile the baker will try to learn himself to catch fish. Then he needs not to give two loafs of bread for one fish. (Think of so many countries today who wish to have their own industry, airlines, etc.).

But then the fisherman said: 'The river with the fish is mine'. How could he do that? Well, he is stronger than the baker. He can fight with the baker and win the struggle. It's the power of the strongest.

In history people have always made war to get natural re-

sources. Man-made things such as houses, bridges, etc. -  
 - even the human being inclusive - were sacrificed. For  
 these can be made anew. War means to conquer land, rivers,  
 seas, harbours, natural minerals, etc. All gifts of nature  
 that cannot be made by labor.

So the land is divided among many countries, among people,  
 institutions, 'owners'. To avoid further fighting it's all  
 institutionalized by law. The struggle is shifted from the  
 battlefield to the law-making in parliament. And so the owners  
 of the land have the power by law to cash the rent or the  
 sellingprice.

The circulation of the money from the occupier to mankind  
 is disturbed. This flow is drained by the owners of the land.  
 A basic disturbance of economic balance. With as a result  
 that we pay twice for the land: first we pay tax to make the  
 land valuable; and then we pay to buy our own product.

All economic and social measures today are aimed at easing  
 the pain. But the fundamental disease to be cured is not  
 attacked. The remedy is:

restoration of the people-made RENT  
 to the same people.

## HOW TO RESTORE THE RENT TO THE PEOPLE

For not cashing the rent for the common benefit the law is at fault. It are the members of parliament who made and still sustain the law, it are their voters, it is the people, it are the victims themselves who are to blame and consequently to be fined for their own stupidity!

If the community buys the land (to be redeemed by increment of the rent) the victims are punished by paying taxes as usual during another two or three decades.

But thereafter society will be taxfree for ever!

If one buys land he mostly borrows the money on mortgage, irrespective whether the buyer is a private or a common one. Macro-economical there is no difference. It is an exchange of land for money from one owner to another. If not paid out of revenue, money for land can be borrowed on mortgage without interfering with revenue spending.

As an example we consider a site purchased and improved with streeting, cabling, piping, etc. by the community for \$10.000. This amount can be borrowed for the community retains the land. Moreover: if the community lets the site on lease, the rent received is an extra security for the bank that the community will be capable to pay the interest and redemption of the mortgage.

However the condition is made that the loan may be redeemed at will.

In the following calculation an increase of the land price (inflation inclusive) of 6% per annum and a site-rent percentage set equal at the interest percentage at 8% per year, is accepted. These percentages are used in the long-lease report of the council of The Hague in 1976. At this moment we do not criticize these percentages but merely say that for these figures the following calculation is made.

At the end of the first year the municipality gets a rent of 8% from \$10.000, that is \$800. They spend this amount integral for paying the 8% interest on the borrowed money, so also \$800.

After the second year the value of the site will be increased with 6% till \$10.600. So the rent increases 6% as well and will

be \$848. With this money the interest at \$800 can be paid and with the surplus of \$48 the loan can be redeemed to \$9.952. After the third year the price of the land will be increased another 6% and so the rent, accruing to \$899. The interest to be paid this year is 8% of \$9.952, that is \$796. Now there is a surplus of  $\$899 - \$796 = \$103$ , with which the loan further can be redeemed till  $\$9.952 - \$103 = \$9.849$ .

Going on in this manner the following table is calculated. A computer program is at my disposal. If one wishes me to insert other percentages, a new calculation is made in a jiffy.

year	site	rent	loan	interest	redemption	
0	10.000	-	10.000	-	-	
1	10.600	800	10.000	800	0	
2	11.236	848	9.952	800	48	
3	11.910	899	9.848	796	103	
4	12.625	953	9.684	789	165	
5	13.382	1010	9.449	775	235	
6	14.185	1071	9.135	756	315	
7	15.036	1135	8.730	731	404	
8	15.938	1203	8.226	698	504	
9	16.985	1275	7.609	658	617	
10	17.908	1352	6.866	609	743	
11	18.983	1433	5.983	549	883	
12	20.122	1519	4.943	479	1040	
13	21.329	1610	3.728	395	1214	balance
14	22.609	1706	2.320	298	1408	
15	23.966	1809	697	186	697	926
16	25.405	1917	0	56	0	1861

After 16 years the loan is repaid and there is already an overshoot of \$1861. Without claiming a single cent from the normal revenue, the community receives from the 17th year on the whole rent of the site.