

Re: Smith: ground rents and land rents

Source: <http://sci.tech--archive.net/Archive/sci.econ/2005-08/msg00420.html>

- *From:* "The Trucker" <mikcob@xxxxxxxxxxx>
 - *Date:* Mon, 29 Aug 2005 20:23:01 -0700
-

<royls@xxxxxxxxxxx> wrote in message

news:430d46ed.51101989@xxxxxxxxxxxxxxxxxxxxxxxxxxxx

> On Wed, 24 Aug 2005 08:38:22 -0700, "The Trucker" <mikcob@xxxxxxxxxxx>

> wrote:

>

>><ruetheday@xxxxxxxxxxx> wrote in message

>>news:1124855431.414887.268040@xxxxxxxxxxxxxxxxxxxxxxxxxxxx

>>

>>> Please note that I intentionally said opportunity costs AND barriers

>>> to entry. Without the barriers to entry part, neoclassical economics'

>>> attempt to define rent as any return in excess of opportunity cost is

>>> bogus, I agree. However, taken together, they provide a reasonable

>>> definition of rent – a return in excess of opportunity costs due to

>>> barriers to entry.

>>

>>The problem with the "opportunity costs due to barriers to entry"

>>is that the barriers **MUST** be political force or the definition

>>is no good.

>

> I'm not sure that is invariably so. Consider a case that is currently

> getting a certain amount of media attention: a power struggle in a

> fundamentalist Mormon sect that practices polygamy. Apparently one

> particular high priest of the sect is obtaining substantial economic

> benefits from the older, wealthier male members of the church through

> the exercise of his power -- based entirely on faith, not political or

> any other kind of force -- to assign the nubile young females of the

> church community to said wealthy older males as "celestial wives"

> (i.e., effectively, concubines). ISTM that such benefits are economic

> rents.

The grand wizard or whatever the hell he is called has the political power to assign the females to this role. He gets his economic benefit from this power and the females are deprived of actual choice because they have been hustled. Would you have me believe that Pinocchio should get lots of oil money based on his ability to hustle the people that think "gentlemen start your engines" is the last 4 words of the national anthem? It has to do with depriving someone of choice and free will. That is always a political thing. Whether the deceit is wrapped in a

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flag or a holy book is irrelevant.

>>It seems to me that political force is
>>NECESSARY to the definition of the term "economic
>>rent".

>
> Whether or not that is so, the defining characteristic of rent is most
> certainly its source, not its size. Consider the owner of a license
> to collect tolls on a public road. He can sit in his toll booth and
> collect the tolls, or he could spend the same amount of time and
> effort keeping a shop, and obtain the same return. The fact that the
> return to collecting tolls is the same as the return to keeping a shop
> does not make the toll revenue any less economic rent.

I am not seeing any relevance to the issue of force in what you have said. Rent only exists to the extent that the man can profit IN REAL TERMS from paying someone else to attend the toll booth. If he would earn the same amount by operating the toll booth as he would in running a store then we see no rent. But have a care: earn implies by contribution. That means that the man must contribute the same amount to the community by running a toll booth as he does by running a store. Very unlikely but not impossible. The power to legitimately compel the users to pay the toll is what creates the opportunity for rent. If the collections go to pay for construction and maintenance of the road then we are speaking of interest or operating costs and again there is no rent. I am almost certain that rent will need to be privatized in order to qualify as economic rent. That is not true, of course, of Ricardian land rent which exists regardless of the disposition of the rent. If this land rent is redistributed then that is good but it is still referred to as "rent". This rent of land is not the same as economic rent UNLESS the proceeds are privatized.

> The redefinition of rent as a return in excess of opportunity cost is
> therefore nothing but an attempt to eliminate the concept of rent
> entirely -- i.e., to make it impossible for anyone to even think about
> rent. It is a real-life implementation of the Orwellian concept of
> Newspeak, effected decades before Orwell described it.

The OWNER of the license can extract the rent while paying someone else to mind the toll booth. THAT is rent. If he ran a store he would have to actually run the store. If he OWNS the store he can do the same thing with the store -- he can pay someone else to run it and take the profits. Whether these profits are rent or interest will depend on political barriers to entry into store owning. We might digress into whether

Greenspan mandated interest rates and banker's prerogatives are a political barrier to entry. That is a discussion about rent and interest.

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"I know no safe depository of the ultimate powers of society but the people themselves; and if we think them not enlightened enough to exercise their control with a wholesome discretion, the remedy is not to take it from them, but to inform their discretion by education." – Thomas Jefferson
<http://GreaterVoice.org>

• **References:**

- ◆ **Smith: ground rents and land rents**
◇ From: sinister
 - ◆ **Re: Smith: ground rents and land rents**
◇ From: ruetheday@xxxxxxxxxxx
 - ◆ **Re: Smith: ground rents and land rents**
◇ From: royls
 - ◆ **Re: Smith: ground rents and land rents**
◇ From: Les Cargill
 - ◆ **Re: Smith: ground rents and land rents**
◇ From: ruetheday@xxxxxxxxxxx
 - ◆ **Re: Smith: ground rents and land rents**
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◇ From: The Trucker
 - ◆ **Re: Smith: ground rents and land rents**
◇ From: royls
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